

IAC/INTERACTIVECORP
Form S-4
April 26, 2005

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As Filed with the Securities and Exchange Commission on April 26, 2005

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

IAC/INTERACTIVECORP

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

4833
(Primary Standard Industrial Classification Code
Numbers)

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

152 West 57th Street
New York, New York 10019
(212) 314-7300
(Address, including Zip Code, and Telephone Number, including
Area Code, of Registrant's Principal Executive Offices)

Gregory R. Blatt, Esq.
Executive Vice President, General Counsel and Secretary
IAC/InterActiveCorp
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)

David C. Karp
Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
(212) 403-1000

Copies to:
Brett M. Robertson
Ask Jeeves, Inc.
555 12th Street, Suite 500
Oakland, California 94607
(510) 985-7400

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One Montgomery Street, Suite 3100
San Francisco, CA 94104
(415) 393-8200

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 proxy statement/prospectus.

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.

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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.

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.

Calculation of Registration Fee

| Title of Each Class of Securities to be Registered | Amount to be Registered | Proposed Maximum Offering Price Per Security | Proposed Maximum Aggregate Offering Price | Amount of Registration Fee |
|--|-------------------------|--|---|----------------------------|
| Common Stock, par value \$0.01 per share | 95,564,439(1) | N/A | \$2,070,009,637(2) | \$243,640(3) |

- (1) Based on the maximum number of shares of common stock, par value \$0.01 per share, of the registrant ("IAC common stock") that may be issued in connection with the merger described in the enclosed proxy statement/prospectus, calculated as the product of (a) 75,437,669 (the sum of (i) 59,562,630 shares of common stock, par value \$0.001 per share, of Ask Jeeves, Inc. ("Ask Jeeves common stock") outstanding as of April 20, 2005, (ii) 7,863,926 shares of Ask Jeeves common stock underlying the exercise of Ask Jeeves common stock options outstanding as of April 20, 2005, (iii) 776,380 shares of Ask Jeeves common stock underlying the exercise of additional Ask Jeeves common stock options permitted to be issued pursuant to the merger agreement, (iv) 260,000 shares of Ask Jeeves common stock, this being the maximum number of shares permitted under the merger agreement to be issued to participants in the Ask Jeeves Employee Stock Purchase Plan, (v) 120,000 remaining shares of Ask Jeeves common stock issuable under the Ask Jeeves Conditional Stock Award Agreements, (vi) 50,000 shares of Ask Jeeves common stock issuable under the Ask Jeeves Restricted Stock Award Agreements, and (vii) 6,804,733 shares of Ask Jeeves common stock issuable upon the conversion of the Zero Coupon Convertible Subordinated Notes, multiplied by (b) 1.2668, the exchange ratio in the merger. Outstanding shares exclude shares of Ask Jeeves common stock held by Ask Jeeves or any subsidiary of Ask Jeeves.
- (2) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(f) and Rule 457(c) under the Securities Act, based on the product of (a) 75,437,669, multiplied by (b) \$27.44, the average of the high and low sale prices for shares of Ask Jeeves common stock as reported on the Nasdaq National Market on April 21, 2005.
- (3) Reflects the product of (a) 0.00011770 multiplied by (b) the Proposed Maximum Aggregate Offering Price for shares of IAC 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.

The information in this proxy statement/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 proxy statement/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.

Subject to Completion, dated April 26, 2005

**PROXY STATEMENT/PROSPECTUS
PROPOSED MERGER YOUR VOTE IS IMPORTANT**

To the Stockholders of Ask Jeeves, Inc.:

I am writing to you today about our proposed merger with IAC/InterActiveCorp. The board of directors of Ask Jeeves has unanimously approved the agreement and plan of merger and reorganization pursuant to which IAC will acquire Ask Jeeves. In order to complete the merger, the holders of a majority of the outstanding shares of Ask Jeeves common stock must adopt the merger agreement. Your board of directors has unanimously determined that the terms of the merger agreement and the merger are advisable, fair to and in the best interests of our stockholders. **Therefore, your board of directors unanimously recommends that you vote FOR the proposal to adopt the merger agreement and thereby authorize the merger.**

In the merger, a subsidiary of IAC will merge with and into Ask Jeeves, and Ask Jeeves will become a wholly-owned subsidiary of IAC. As a result of the merger, Ask Jeeves stockholders will be entitled to receive 1.2668 shares of IAC common stock in exchange for each share of Ask Jeeves common stock. We are excited by the opportunities we envision for Ask Jeeves once it becomes a wholly-owned subsidiary of IAC.

As further described in this proxy statement/prospectus, including Appendix E, IAC anticipates that, shortly after completion of the merger, it will effect a spin-off of its travel and travel-related businesses, subsidiaries and investments (other than Interval International and TV Travel Shop, which IAC will retain) and TripAdvisor by means of a tax-free reclassification of IAC's capital stock. You are not being asked to vote on the spin-off or on any of the IAC proposals described in Appendix E, and you will not be entitled to vote on any such proposals if the record date for such vote occurs prior to the closing of the merger.

You will be asked to vote on the merger at a special meeting of Ask Jeeves stockholders to be held on [], 2005, at [10:00 a.m.] local time at the Oakland Marriott City Center Hotel, 1001 Broadway, Oakland, California. Only stockholders who hold shares of Ask Jeeves common stock at the close of business on [], 2005, the record date for the special meeting, are entitled to vote at the special meeting.

Your vote is very important, regardless of the number of shares you own. Whether or not you plan to attend the special meeting, please vote by completing and signing the enclosed proxy card and mailing it to Ask Jeeves TODAY to ensure that your shares are voted at the special meeting. This proxy statement/prospectus provides you with detailed information about the merger, the special meeting and the proposed spin-off transaction. **Please read carefully this entire document when considering how to vote, including the attached appendices and in particular the risk factors beginning on page 21.**

Thank you for your vote and continued support of Ask Jeeves.

A. George (Skip) Battle
Executive Chairman of the Board
Ask Jeeves, Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the shares of common stock to be issued by IAC under this proxy statement/prospectus or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated [], 2005, and is first being mailed to Ask Jeeves stockholders on or about [], 2005.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To the Stockholders of Ask Jeeves, Inc.:

We will hold a special meeting of stockholders of Ask Jeeves, Inc., a Delaware corporation (referred to as "Ask Jeeves"), on [], 2005, at [10:00 a.m.] local time at the Oakland Marriott City Center Hotel, 1001 Broadway, Oakland, California for the following purposes:

to vote on a proposal to adopt the Agreement and Plan of Merger and Reorganization (referred to as the "merger agreement"), dated as of March 21, 2005, by and among IAC/InterActiveCorp (referred to as "IAC"), AJI Acquisition Corp., a wholly-owned subsidiary of IAC (referred to as "Merger Sub"), and Ask Jeeves, pursuant to which Merger Sub will be merged with and into Ask Jeeves, with Ask Jeeves surviving the merger and becoming a wholly-owned subsidiary of IAC; and

to transact any other business that properly comes before the special meeting.

Your board of directors has:

unanimously determined that the proposed merger is advisable, fair to and in the best interests of our stockholders; and

unanimously approved the terms of the merger agreement you are being asked to adopt.

Your board of directors unanimously recommends that you and the other Ask Jeeves stockholders vote FOR the adoption of the merger agreement.

The proposal to adopt the merger agreement is described in more detail in the accompanying proxy statement/prospectus and its appendices, which you should read in their entirety before voting.

Only Ask Jeeves stockholders of record at the close of business on [], 2005, the record date for the special meeting, are entitled to notice of and to vote at the special meeting.

Your vote is important, regardless of the number of shares you own. We cannot complete the merger unless a majority of the shares of Ask Jeeves common stock outstanding as of the close of business on [], 2005 vote to adopt the merger agreement **Please vote your shares TODAY!**

We are not asking you to send any stock certificates to us at this time. If the merger is completed, you will receive instructions regarding where to send your stock certificates and how to surrender your shares in exchange for the merger consideration to which you are entitled.

By Order of the Board of Directors,

A. George (Skip) Battle
Executive Chairman of the Board

Oakland, California
[], 2005

IMPORTANT

This document, which is sometimes referred to as this "proxy statement/prospectus," constitutes a proxy statement of Ask Jeeves to Ask Jeeves stockholders with respect to the solicitation of proxies for the special meeting described within and a prospectus of IAC for the shares of IAC common stock that IAC will issue to Ask Jeeves stockholders in the merger. As permitted under the rules of the U.S. Securities and Exchange Commission, or the SEC, this proxy statement/prospectus incorporates important business and financial information about IAC, Ask Jeeves and their affiliates that is contained in documents filed with the SEC and that is not included in or delivered with this proxy statement/prospectus. You may obtain copies of these documents, without charge, from the website maintained by the SEC at www.sec.gov, as well as other sources. See "Where You Can Find More Information" beginning on page 109. You may also obtain copies of these documents, without charge, from IAC and from Ask Jeeves by writing or calling:

IAC/InterActiveCorp
Carnegie Hall Tower
152 West 57th Street, 42nd Floor
New York, NY 10019
(212) 314-7400

Attention: Investor Relations

Ask Jeeves, Inc.
555 12th Street, Suite 500
Oakland, CA 94607
(510) 985-7400
Attention: Investor Relations

You also may obtain documents incorporated by reference into this document by requesting them in writing or by telephone from MacKenzie Partners, Inc., the proxy solicitor for the merger, at the following address, email address and telephone number:

105 Madison Avenue
New York, NY 10016
proxy@mackenziepartners.com
1-800-322-2885

>Note Regarding Terminology Used

Except as otherwise specifically noted, throughout this proxy statement/prospectus:

references to "shares of Ask Jeeves common stock" or "Ask Jeeves common shares" refer to shares of Ask Jeeves common stock, par value \$0.001 per share;

references to "outstanding shares of Ask Jeeves common stock" or "outstanding Ask Jeeves common shares" do not include shares held by Ask Jeeves or by any wholly-owned subsidiary of Ask Jeeves;

references to "the merger" refer to the proposed merger of AJI Acquisition Corp., a wholly-owned subsidiary of IAC, with and into Ask Jeeves pursuant to the Agreement and Plan of Merger and Reorganization that you are being asked to adopt at the special meeting, and as a result of which Ask Jeeves will become a wholly-owned subsidiary of IAC;

references to the "merger agreement" are to the Agreement and Plan of Merger and Reorganization, pursuant to which the merger would occur;

the term "spin-off" refers to the proposed tax-free reclassification transaction whereby IAC stockholders will receive a proportionate amount of capital stock of Expedia, as described in greater detail in Appendix E to this proxy statement/prospectus;

the term "IAC," when used with respect to any periods prior to the spin-off described herein, refers to IAC/InterActiveCorp, a Delaware corporation, and its wholly-owned subsidiaries,

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including IAC's travel and travel-related businesses, subsidiaries and investments, as well as TripAdvisor;

the term "IAC," when used with respect to any periods following the spin-off described in this document, refers to IAC/InterActiveCorp, a Delaware corporation, and its wholly-owned subsidiaries, other than TripAdvisor and those travel and travel-related businesses, subsidiaries and investments that Expedia will own following the spin-off;

the term "Expedia," when used with respect to any periods prior to the spin-off, refers to Expedia, Inc., a Delaware corporation and a wholly-owned subsidiary of IAC, formed to effectuate the spin-off; and

the term "Expedia," when used with respect to any periods following the spin-off, refers to Expedia, Inc., a Delaware corporation, which will own IAC's travel and travel-related businesses, subsidiaries and investments (other than TV Travel Shop and Interval International, which IAC will retain) and TripAdvisor.

In "Questions and Answers About the Merger" and in the "Summary" below, we highlight selected information from this proxy statement/prospectus, including information set forth in Appendix E concerning the spin-off and related IAC proposals. However, we may not have included all of the information that may be important to you. To better understand the merger agreement, the merger and the spin-off, and for a description of their legal terms and conditions, you should carefully read this entire proxy statement/prospectus, including the attached appendices, as well as the other documents that are incorporated by reference into this document. See "Where You Can Find More Information" beginning on page 109.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q:

What is the proposed transaction?

A:

IAC is proposing to acquire Ask Jeeves. The acquisition will be effected by the merger of a wholly-owned subsidiary of IAC, sometimes referred to as Merger Sub, with and into Ask Jeeves, with Ask Jeeves surviving as a wholly-owned subsidiary of IAC.

Q:

What will I receive in exchange for my Ask Jeeves shares?

A:

You will receive 1.2668 shares of IAC common stock in exchange for each share of Ask Jeeves common stock you own at the time we complete the merger.

IAC will not issue fractional shares of IAC common stock. Ask Jeeves stockholders otherwise entitled to receive a fraction of a share of IAC common stock will receive a cash payment instead of the fractional share, as described in "The Merger Agreement Cash Instead of Fractional Shares."

Q:

What vote of Ask Jeeves stockholders is needed to approve and adopt the merger agreement?

A:

Under Delaware law and Ask Jeeves' certificate of incorporation, the holders of a majority of the shares of Ask Jeeves common stock outstanding as of [], 2005, the record date of the special meeting, must vote to adopt the merger agreement in order for the merger to be completed.

Q:

When and where will Ask Jeeves hold the special meeting of Ask Jeeves stockholders?

A:

Ask Jeeves will hold the special meeting of Ask Jeeves stockholders at the Oakland Marriott City Center Hotel, 1001 Broadway, Oakland, California, on [], 2005, beginning at [10:00 a.m.], local time.

Q:

Will I have appraisal rights in connection with the merger?

A:

Under Delaware law, holders of Ask Jeeves common stock are not entitled to appraisal rights in connection with the merger.

Q:

Will Ask Jeeves stockholders be taxed on the IAC common stock they receive in exchange for their Ask Jeeves shares?

A:

The exchange of shares by Ask Jeeves stockholders is intended to be tax-free to Ask Jeeves stockholders for U.S. federal income tax purposes, except with respect to any cash received instead of fractional shares of IAC common stock. You should carefully read the explanation of the material U.S. federal income tax consequences of the merger beginning on page 56, and you should consult your own tax advisor for a full understanding of the tax consequences of the merger to you, including the effects of U.S. federal, state and local, foreign and other tax laws.

Q:

What is the spin-off? Am I being asked to vote on it?

A:

IAC anticipates that, shortly after completion of the merger, it will effect a spin-off of its travel and travel-related businesses, subsidiaries and investments (other than Interval International and TV Travel Shop, which IAC will retain) and TripAdvisor by means of a tax-free reclassification of IAC's capital stock. This reclassification will result in the holders of IAC capital stock (including the shares you receive in the merger, if the merger is consummated) having the right to receive a proportionate amount of capital stock of an independent, separately traded public company called Expedia, Inc. In connection with the spin-off, IAC also intends to effect

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certain other changes to its certificate of incorporation which would impact your rights as a holder of IAC common stock. **Ask Jeeves stockholders are not being asked to vote on the spin-off or on any of the IAC proposals described in Appendix E, and you will not be entitled to vote on any such proposals if the record date for such vote occurs prior to the closing of the merger.**

Information on the spin-off and related IAC proposals is attached to this document as Appendix E, and we encourage you to read Appendix E in its entirety.

Q:

What do I need to do now?

A:

After carefully reviewing this proxy statement/prospectus and the attached appendices, you should indicate on your proxy card(s) how you want to vote on the merger agreement. Then sign, date and mail your proxy card(s) in the enclosed postage prepaid return envelope as soon as possible, so that your shares are represented at the special meeting.

If you sign, date and send in your proxy card, but do not indicate how you want to vote on the proposal to adopt the merger agreement, your proxy card will be voted **FOR** the adoption of the merger agreement.

Because a majority of the outstanding shares of Ask Jeeves must be voted for the adoption of the merger agreement for the merger to occur, if you do not sign and send in your proxy card or do not vote your shares in person at the Ask Jeeves special meeting, such inaction will have the effect of voting **AGAINST** the merger.

Q:

If my Ask Jeeves shares are held in street name by my broker, will my broker automatically vote my shares for me?

A:

No. Your broker will vote your shares only if you instruct the broker as to how to vote. You should fill out the voter instruction form sent to you by your broker with this proxy statement/prospectus. Because a majority of the outstanding shares must be voted for the adoption of the merger agreement for the merger to occur, failure to instruct your broker will have the effect of voting **AGAINST** adoption of the merger agreement.

Q:

May I change my vote?

A:

Yes. If you are a holder of record, there are three ways you can change your proxy instructions after you have submitted your proxy card:

you may send a written notice to the person to whom you submitted your earlier proxy indicating that you are revoking your earlier proxy;

you may complete and submit a new proxy card the latest dated and signed proxy actually received by Ask Jeeves before the special meeting of Ask Jeeves stockholders will be counted, and any earlier proxies will be considered revoked; or

you may attend the Ask Jeeves special meeting and vote in person; however, simply attending the meeting without voting will not revoke your prior proxy.

If your shares are held for you by a bank, broker or other nominee holder and you have instructed your broker or nominee how to vote your shares, you must follow the directions you receive from your broker or nominee in order to change or revoke your earlier vote.

Q:

Should I send in my Ask Jeeves stock certificates now?

A:

No, please do not send your stock certificates at this time. After the merger is completed, you will receive written instructions and a letter of transmittal for surrendering your shares of Ask Jeeves common stock for shares of IAC common stock and any cash instead of fractional shares of IAC common stock to which you are entitled. **Please do not send in your Ask Jeeves stock certificates until you receive the instructions and letter of transmittal.**

Q:

When do you expect to complete the merger?

A:

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Ask Jeeves and IAC are working to complete the merger as quickly as possible. We currently expect to complete the merger in the [] quarter of 2005, although we cannot assure you that all conditions to the completion of the merger will be satisfied by then.

Q:

Where can I find more information?

A:

You may obtain more information from various sources, as described under "Where You Can Find More Information" beginning on page 109.

Q:

Who can help answer my questions?

A:

If you have questions about this proxy statement/prospectus, you can call MacKenzie Partners, Inc., the proxy solicitor, toll-free at 1-800-322-2885 or email proxy@mackenziepartners.com.

SUMMARY

The following summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. In addition to this summary, we urge you to read carefully this entire document, including its appendices, and the other documents incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 109.

The Companies

IAC/InterActiveCorp

152 West 57th Street, 42nd Floor
New York, NY 10019
(212) 314-7300

IAC operates leading and diversified businesses in sectors being transformed by the Internet, online and offline. IAC's mission is to harness the power of interactivity to make daily life easier and more productive for people all over the world. IAC operates a diversified portfolio of specialized and global brands in the businesses described below. IAC enables billions of dollars of consumer-direct transactions for products and services via the Internet and telephone.

IAC currently consists of the following businesses:

IAC Travel, which currently includes Expedia.com, Hotels.com, Hotwire, TripAdvisor, Expedia Corporate Travel, Classic Custom Vacations and Interval International;

Electronic Retailing, which includes HSN U.S. and HSN International;

Ticketing, which includes Ticketmaster;

Personals, which includes Match.com;

IAC Local and Media Services, which includes Citysearch, Evite, Entertainment Publications, and ServiceMagic (since September 2004);

Financial Services and Real Estate, which includes LendingTree and its affiliated brands and businesses; and

Teleservices, which includes Precision Response Corporation, or PRC.

IAC has announced its intention to spin off its travel and travel-related businesses and investments (other than Interval International and TV Travel Shop, which IAC will retain) and TripAdvisor into an independent, separately traded public company. We refer to this transaction, which would occur after completion of the merger, as the "spin-off." Information concerning the spin-off and related IAC proposals is attached to this proxy statement/prospectus as Appendix E. You are not being asked to vote on the spin-off or on any of the IAC proposals described in Appendix E, and you will not be entitled to vote on any such proposals if the record date for such vote occurs prior to the closing of the merger. Nevertheless, we encourage you to read Appendix E in its entirety before voting on the proposed merger. For a description of Expedia, the entity that will operate IAC's travel and travel-related businesses and investments after the spin-off, see "Expedia, Inc." below and the section entitled "The Spin-Off Proposal" in Appendix E.

For information regarding the results of IAC's historical operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in IAC's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, which is incorporated by reference into this proxy statement/prospectus, and the IAC/InterActiveCorp and Subsidiaries Unaudited Pro Forma Condensed Combined Financial Statements and the accompanying notes beginning on page 80.

Ask Jeeves, Inc.

555 12th Street, Suite 500
Oakland, California 94607
(510) 985-7400

Ask Jeeves provides information search and retrieval services to computer users through a diverse portfolio of Web sites, downloadable applications and distribution networks. On the Ask Jeeves brand sites *Ask.com* in the U.S., *Ask.co.uk* in the U.K. and *Ask.jp* (a joint venture) in Japan users submit queries and Ask Jeeves' algorithmic search engine, Teoma, responds by generating a list of Web sites likely to offer the most authoritative content. Ask Jeeves' proprietary Web brands also include three content-rich portals (*Excite.com*, *iWon.com* and *MyWay.com*) and several other search sites. Ask Jeeves earns revenue primarily by displaying paid listings and other advertisements on its proprietary sites. Ask Jeeves also generates advertising revenue by distributing ads and search services across two networks of third-party Web sites: the MaxOnline advertising network and the Ask Jeeves syndication network. Ask Jeeves pays fees to these networked sites in order to reach their users with its ads and services. Ask Jeeves' proprietary technologies include Teoma, natural language processing software, portal technology and ad-serving processes.

For information regarding the results of Ask Jeeves' historical operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Ask Jeeves' Annual Report on Form 10-K for the fiscal year ended December 31, 2004, which is incorporated by reference into this proxy statement/prospectus.

AJI Acquisition Corp.

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

AJI Acquisition Corp., a Delaware corporation, is a wholly-owned subsidiary of IAC created solely for the purpose of effecting the merger and, other than entering into the merger agreement and an employment agreement with Steven Berkowitz, Ask Jeeves' chief executive officer (as described below under "Interests of Certain Persons in the Merger - Employment Agreement with Mr. Berkowitz"), has not conducted any other business or activities to date. In the merger, AJI Acquisition Corp. will be merged with and into Ask Jeeves, with Ask Jeeves surviving the merger as a wholly-owned subsidiary of IAC.

Expedia, Inc.

3150 139th Avenue Southeast
Bellevue, Washington 98005
(425) 679-7200

Expedia is a wholly-owned subsidiary of IAC. If the spin-off is completed, Expedia will become an independent, separately traded public company that operates a diversified portfolio of domestic and international travel brands and businesses. Expedia will be among the world's leading travel services companies, making travel products and services available to leisure and corporate travelers in the United States and abroad through a diversified portfolio of brands, including *Expedia.com*, *Hotels.com*, *Hotwire*, *Expedia Corporate Travel*, *Classic Custom Vacations* and a range of other domestic and international brands and businesses.

For information regarding the results of Expedia's historical operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" for Expedia and the

Unaudited Pro Forma Condensed Combined Financial Statements for Expedia, both of which are included in Appendix E.

The Merger (page 31)

In the merger:

AJI Acquisition Corp. will merge with and into Ask Jeeves, and Ask Jeeves will survive the merger as a wholly-owned subsidiary of IAC;

each share of Ask Jeeves common stock will be converted into the right to receive 1.2668 shares of IAC common stock;

any Ask Jeeves stockholder entitled to receive a fractional share of IAC common stock as a result of the merger will receive a cash payment instead of the fractional share; and

IAC expects to issue approximately 74.8 million shares of IAC common stock in respect of Ask Jeeves' outstanding stock and approximately 88 million shares on a fully diluted, treasury method basis, representing approximately 12.6% of the IAC common stock outstanding as of March 31, 2005.

The merger agreement is the legal document that governs the merger and the other transactions contemplated by the merger agreement. The merger agreement is attached as Appendix A to this proxy statement/prospectus, and we urge you to read it carefully in its entirety.

The Spin-Off and Related IAC Proposals (Appendix E)

Following the merger, IAC has proposed to spin off Expedia so that Expedia will become an independent, separately traded public company. After the spin-off, Expedia will consist of IAC's travel and travel-related businesses, subsidiaries and investments (other than Interval International and TV Travel Shop, which IAC will retain) and TripAdvisor. After the spin-off, IAC will continue to own and operate its remaining businesses as an independent, separately traded public company. Immediately following the spin-off, the holders of IAC common stock immediately prior to the spin-off (including shares of IAC common stock issued to Ask Jeeves stockholders in the merger) will initially own all of the Expedia common stock as well as their IAC common stock. Even if IAC receives all necessary approvals from its stockholders with respect to the spin-off, however, it may in its discretion determine not to proceed with the spin-off.

In connection with the spin-off, IAC also intends to seek approval from its stockholders for an amendment to its certificate of incorporation which would effect a one-for-two reverse stock split of IAC common stock and IAC Class B common stock, which we refer to as the "reverse stock split." IAC is also seeking approval from its stockholders for an amendment to its certificate of incorporation to provide that no officer or director of IAC who is also an officer or director of Expedia following the spin-off will be liable to IAC or its stockholders for breaches of fiduciary duty by reason of the fact that any such individual directs a corporate opportunity to Expedia instead of IAC, or does not communicate information regarding a corporate opportunity to IAC because that individual has directed the corporate opportunity to Expedia. IAC will not complete the reverse stock split or implement the corporate opportunity proposal unless it completes the spin-off. For a description of the spin-off, the reverse stock split and the corporate opportunity proposal, see Appendix E to this proxy statement/prospectus.

The contemplated spin-off is not a condition to the merger. Ask Jeeves stockholders are not being asked to vote on the spin-off or the related IAC proposals, and you will not be entitled to vote on any such proposals if the record date for such vote occurs prior to the closing of the merger. Information about the spin-off and the related IAC proposals is being included in this proxy statement/prospectus

because, if the merger is consummated and you continue to hold IAC stock at the time of the spin-off, the spin-off and the related proposals would impact your rights as a stockholder of IAC.

Interests of Certain Persons in the Merger (page 60)

You should be aware that the directors and officers of Ask Jeeves may have interests in the merger that differ from, or are in addition to, your interests as a stockholder of Ask Jeeves. These differing or additional interests may include, among others, the vesting of options and other equity-based awards in connection with the merger. In addition, some of the executive officers of Ask Jeeves have rights under existing employment continuity agreements and severance agreements with Ask Jeeves. In addition, AJI Acquisition Corp. has entered into an employment agreement with the chief executive officer of Ask Jeeves providing for his employment by AJI Acquisition Corp. once the merger is completed. Further, pursuant to the merger agreement, the directors and officers of Ask Jeeves are entitled to certain liability insurance coverage and indemnification for losses relating to their service as officers or directors of Ask Jeeves before the merger.

Votes Required (page 29)

Under Delaware law and Ask Jeeves' certificate of incorporation, the approval by the holders of a majority of Ask Jeeves common stock outstanding as of the close of business on [], 2005, the record date for the special meeting, must vote to adopt the merger agreement for the merger to be completed.

The sole stockholder of AJI Acquisition Corp., IAC, has approved the adoption of the merger agreement. The holders of IAC common stock do not have to approve or adopt the merger agreement in order to complete the merger, and their approval is not being sought.

Shares Owned by Ask Jeeves' Directors and Officers (page 60)

As of the record date for the special meeting, directors and executive officers of Ask Jeeves and their affiliates, as a group, beneficially owned and had the right to vote [] shares of Ask Jeeves common stock, representing approximately []% of the total voting power of the Ask Jeeves common shares entitled to vote at the special meeting.

Ask Jeeves' Reasons for the Merger and Recommendation to Ask Jeeves Stockholders (page 36)

The board of directors of Ask Jeeves unanimously believes that the terms of the merger agreement and the merger are fair to, advisable and in the best interests of the holders of Ask Jeeves common stock. For a description of the material factors on which the board of directors based its determination, see "The Merger Ask Jeeves' Reasons for the Merger" beginning on page 36.

The board of directors of Ask Jeeves unanimously approved the merger agreement and the merger and unanimously recommends that Ask Jeeves stockholders vote at the special meeting "**FOR**" the adoption of the merger agreement.

You should refer to the factors considered by the Ask Jeeves board of directors in making its decision to approve the merger agreement and recommend its adoption to the Ask Jeeves stockholders (see "The Merger Recommendation of the Ask Jeeves Board of Directors" and "The Merger Ask Jeeves' Reasons for the Merger" beginning on page 36).

Opinions of Ask Jeeves' Financial Advisors (page 39)

In unanimously determining to recommend that Ask Jeeves stockholders vote for the adoption of the merger agreement, the board of directors of Ask Jeeves considered the respective opinions of its financial advisors, Allen & Company LLC and Citigroup Global Markets Inc., each to the effect that,

as of March 21, 2005, and based upon and subject to the assumptions, qualifications and limitations set forth in their respective written opinions, the exchange ratio under the merger agreement was, fair, from a financial point of view, to the holders of Ask Jeeves common stock. The full text of the written opinion of Allen & Company LLC, dated March 21, 2005, is attached as Appendix B to this proxy statement/prospectus, and the full text of the written opinion of Citigroup Global Markets Inc., dated March 21, 2005, is attached as Appendix C to this proxy statement/prospectus. We encourage you to read these opinions and the section "Opinions of Ask Jeeves' Financial Advisors" beginning on page 36 carefully for a description of the procedures followed, assumptions made, matters considered and limitations on the reviews undertaken. The respective opinions of Ask Jeeves' financial advisors are directed to Ask Jeeves' board of directors and do not constitute recommendations to any holder of Ask Jeeves common stock as to how any such stockholder should vote on any of the proposals that will be considered at the special meeting of Ask Jeeves' stockholders.

Treatment of Ask Jeeves Stock Options (page 65)

Upon the merger, options to acquire shares of Ask Jeeves common stock will be converted into options to acquire shares of IAC common stock. The number of shares subject to the converted options and the exercise price per share will be adjusted based on the merger exchange ratio, but the converted options will otherwise be subject to the same terms and conditions as applied prior to the merger.

Regulatory Approvals (page 62)

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (also called the HSR Act), IAC and Ask Jeeves may not complete the merger without furnishing required information and materials to the Antitrust Division of the Department of Justice and the Federal Trade Commission and waiting for the applicable waiting period under the HSR Act to expire or be terminated. In early April 2005, the parties furnished the required information and materials, and on April 18, 2005, the applicable waiting period under the HSR Act was terminated.

Non-Solicitation Covenant (page 74)

Ask Jeeves has agreed in the merger agreement not to initiate, solicit, negotiate, encourage or provide non-public or confidential information or in any way facilitate any proposal or offer to acquire more than 25% of the business, properties or assets of Ask Jeeves and its subsidiaries, or more than 15% of the capital stock or voting power of Ask Jeeves or certain of its subsidiaries. This covenant is subject to exceptions in connection with unsolicited bona fide written offers for potential or proposed acquisition transactions under specified circumstances, which we describe in more detail under "The Merger Agreement Covenants Acquisition Transactions."

Termination of the Merger Agreement; Effects of Termination; Termination Fee (page 76)

The merger agreement may be terminated at any time before the effective time:

By IAC's and Ask Jeeves' mutual written consent;

By either IAC or Ask Jeeves if any governmental entity that must grant a regulatory approval described as a condition to closing under "The Merger Agreement Conditions to the Merger" has denied its approval of the merger and the denial has become final and nonappealable, or any governmental entity has issued a final nonappealable order permanently prohibiting the consummation of the merger;

By IAC or Ask Jeeves, if the merger has not occurred by September 21, 2005. This deadline is subject to automatic extension to December 21, 2005 with respect to receipt of Ask Jeeves' stockholders' approval and required regulatory approvals. Ask Jeeves must pay a \$68.5 million

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termination fee to IAC if Ask Jeeves elects to terminate the merger agreement pursuant to this provision and either a superior proposal (as described under "The Merger Agreement Covenants Acquisition Transactions") is disclosed publicly or to Ask Jeeves prior to the termination and Ask Jeeves enters into an agreement for or completes an acquisition transaction (as described under "The Merger Agreement Covenants Acquisition Transactions") within one year following termination, or, at the time of Ask Jeeves' termination, Ask Jeeves' board had failed to recommend, or had withdrawn, modified or amended in any way that was materially adverse to IAC its approval or recommendation of the merger agreement, or Ask Jeeves's board had recommended another acquisition proposal or resolved to accept a superior proposal or failed to affirm its recommendation or approval of the merger agreement in certain circumstances;

By Ask Jeeves, under certain circumstances, if IAC has breached any of its covenants, agreements or representations and warranties in the merger agreement and the breach is not cured within 15 days following written notice or cannot be cured before the closing date of the merger;

By IAC, under certain circumstances, if Ask Jeeves has breached any of its covenants, agreements or representations and warranties in the merger agreement and the breach is not cured within 15 days following written notice or cannot be cured before the closing date of the merger. Ask Jeeves must pay to IAC a termination fee of \$68.5 million if IAC terminates the agreement due to Ask Jeeves' material uncured breach of a covenant or agreement and, prior to Ask Jeeves' breach, a proposal from another party is disclosed publicly or to Ask Jeeves, and Ask Jeeves enters into an agreement for or completes an acquisition transaction (as described under "The Merger Agreement Covenants Acquisition Transactions") within one year of IAC's termination;

By Ask Jeeves, subject to compliance with various provisions of the merger agreement and payment to IAC of a \$68.5 million termination fee, in the event that, prior to the approval of Ask Jeeves' stockholders, Ask Jeeves receives a superior proposal (as described under "The Merger Agreement Covenants Acquisition Transactions") which the board of directors resolves to accept after determining that the failure to take such action would constitute a breach of the directors' fiduciary duties;

By IAC, if the Ask Jeeves board of directors fails to recommend, or withdraws, amends or modifies its recommendation of the merger in any manner that is materially adverse to IAC, or if the Ask Jeeves board of directors recommends another acquisition proposal or resolves to accept a superior proposal (as described under "The Merger Agreement Covenants Acquisition Transactions") or fails to affirm its recommendation or approval of the merger agreement in certain circumstances, subject to Ask Jeeves' payment to IAC of a \$68.5 million fee; or

By IAC or Ask Jeeves, if the Ask Jeeves stockholders fail to approve the merger agreement at the Ask Jeeves stockholder meeting. If prior to the stockholder vote, a proposal from another party was disclosed publicly, Ask Jeeves must pay to IAC a \$68.5 million termination fee if Ask Jeeves enters into an agreement for an acquisition transaction (as described under "The Merger Agreement Covenants Acquisition Transactions") within one year following termination.

The events and circumstances in which Ask Jeeves would be obligated to pay IAC a termination fee or reimburse certain expenses are described in greater detail in "The Merger Agreement Termination of the Merger Agreement; Effects of Termination; Termination Fee" starting on page 76.

Accounting Treatment (page 59)

IAC will account for the merger under the purchase method of accounting in accordance with United States generally accepted accounting principles.

Resale of IAC Common Stock (page 59)

Shares of IAC common stock issued in the merger to persons other than affiliates of Ask Jeeves and IAC will not be subject to any restrictions on transfer arising under the Securities Act of 1933, as amended.

Comparison of Stockholder Rights (page 101)

If the merger is completed, each Ask Jeeves stockholder will become a stockholder of IAC. After completion of the merger, if the spin-off is completed, all IAC stockholders (including the holders of IAC capital stock issued in the merger to Ask Jeeves' stockholders) will initially own all of the capital stock of Expedia. Delaware law and IAC's and Expedia's respective certificates of incorporation and bylaws govern the rights of IAC and Expedia stockholders. Although Ask Jeeves is also a Delaware corporation, IAC and Expedia stockholders' rights under IAC's and Expedia's respective certificates of incorporation and bylaws differ in some respects from Ask Jeeves stockholders' rights under Ask Jeeves' certificate of incorporation and bylaws. For a summary of the material differences, see the discussion beginning on page 101 of this proxy statement/prospectus.

Appraisal Rights (page 58)

Under Delaware law, holders of Ask Jeeves common stock are not entitled to appraisal rights in connection with the merger.

Tax Consequences of the Merger (page 56)

The exchange of shares by Ask Jeeves stockholders pursuant to the merger is intended to be tax-free to Ask Jeeves stockholders for U.S. federal income tax purposes, except with respect to cash received instead of fractional shares of IAC common stock. We recommend that you carefully read the explanation of the material U.S. federal income tax consequences of the merger beginning on page 56, and you should consult your own tax advisors for a full understanding of the tax consequences of the merger to you, including the effects of United States federal, state and local, foreign and other tax laws.

Selected Historical Financial Information

We are providing the following selected financial information to assist you in analyzing the financial aspects of the merger. The selected IAC and Ask Jeeves 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, and Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in the annual, quarterly and other reports filed by IAC and Ask Jeeves with the SEC, which we have incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 109.

The selected Expedia financial data set forth below, including the accompanying notes, are qualified in their entirety by, and should be read in conjunction with, the historical combined financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations of Expedia that are included in Appendix E to this proxy statement/prospectus.

IAC Summary Selected Historical Consolidated Financial Information

The following table presents selected historical financial data of IAC for each of the years in the five year period ended December 31, 2004. This data was derived from the audited consolidated financial statements of IAC and reflects the operations and financial position of IAC at the dates and for the periods indicated and therefore includes information and historical financial data of the businesses comprising Expedia, Inc. The information in this table should be read with the financial statements and accompanying notes and other financial data pertaining to IAC included in IAC's Annual Report on Form 10-K for the year ended December 31, 2004, which is incorporated into this proxy statement/prospectus by reference.

In August 2001, IAC completed its sale of all of the capital stock of certain USA Broadcasting subsidiaries that own 13 full-power television stations and minority interests in four additional full-power stations to Univision Communications, Inc. On May 7, 2002, IAC completed its transaction with Vivendi Universal, S.A. in which IAC's USA Entertainment Group, consisting of USA Cable, Studios USA, and USA Films, was contributed to Vivendi Universal Entertainment LLLP, a joint venture then controlled by Vivendi. In addition, during the second quarter of 2003, USA Electronic Commerce Solutions, Styleclick, Inc. and Avaltus, Inc., a subsidiary of PRC, ceased operations. The financial position and results of operations of these companies, as well as USA Broadcasting and USA Entertainment Group, have been presented as discontinued operations in the following table.

| | Year Ended December 31, | | | | |
|--|-------------------------|--------------|--------------|--------------|---------------|
| | 2000(1) | 2001(2) | 2002(3)(4) | 2003(5) | 2004(6)(7)(8) |
| (Dollars in Thousands, Except Per Share Data) | | | | | |
| Statements of Operations Data: | | | | | |
| Net revenues | \$ 2,918,011 | \$ 3,434,571 | \$ 4,580,925 | \$ 6,328,118 | \$ 6,192,680 |
| Operating (loss) profit | (107,955) | (140,318) | 152,598 | 400,183 | 232,506 |
| (Loss) earnings from continuing operations before cumulative effect of accounting change | (144,767) | (162,811) | 1,997 | 126,657 | 185,761 |
| (Loss) earnings before cumulative effect of accounting change | (147,983) | 392,795 | 2,414,492 | 167,396 | 164,861 |
| Net (loss) earnings available to common shareholders | (147,983) | 383,608 | 1,941,344 | 154,341 | 151,808 |
| Basic (loss) earnings per common share from continuing operations available to common shareholders(9)(10) | (0.40) | (0.44) | (0.02) | 0.19 | 0.25 |
| Diluted (loss) earnings per common share from continuing operations available to common shareholders(9)(10) | (0.40) | (0.44) | (0.04) | 0.17 | 0.23 |
| Basic (loss) earnings per common share before cumulative effect of accounting change available to common shareholders(9)(10) | (0.41) | 1.05 | 5.64 | 0.26 | 0.22 |
| Diluted (loss) earnings per common share before cumulative effect of accounting change available to common shareholders(9)(10) | (0.41) | 1.05 | 5.62 | 0.23 | 0.20 |
| Basic (loss) earnings per common share available to common shareholders(9)(10) | (0.41) | 1.03 | 4.55 | 0.26 | 0.22 |
| Diluted (loss) earnings per common share available to common shareholders(9)(10) | (0.41) | 1.03 | 4.54 | 0.23 | 0.20 |
| Balance Sheet Data (end of period): | | | | | |
| Working Capital | \$ 355,157 | \$ 1,380,936 | \$ 3,069,516 | \$ 2,336,795 | \$ 2,239,037 |
| Total Assets | 5,586,822 | 6,491,809 | 15,640,859 | 21,568,455 | 22,398,865 |
| Long-term obligations, net of current maturities | 551,766 | 544,372 | 1,211,145 | 1,120,097 | 796,715 |
| Minority Interest | 960,068 | 791,572 | 1,182,162 | 211,687 | 291,922 |
| Shareholders' equity | 3,439,871 | 3,945,501 | 7,931,463 | 14,415,585 | 14,605,304 |

Other Data:

Net cash provided by (used in):

| | | | | | | | | | | |
|---------------------------------|----|-----------|----|-----------|----|-----------|----|-------------|----|-----------|
| Operating activities | \$ | 141,365 | \$ | 369,279 | \$ | 778,481 | \$ | 1,304,668 | \$ | 1,273,228 |
| Investing activities | | (427,955) | | (521,859) | | 316,637 | | (1,770,072) | | (753,194) |
| Financing activities | | (9,482) | | 6,954 | | 672,521 | | (567,640) | | (259,646) |
| Discontinued operations | | 94,706 | | 322,342 | | (172,832) | | (85,632) | | (17,528) |
| Effect of exchange rate changes | | (2,687) | | (3,663) | | 11,131 | | 19,624 | | 15,540 |

- (1) Net loss available to common shareholders includes a pre-tax gain of \$104.6 million related to IAC'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 the impairment of Styleclick goodwill.
- (2) Net earnings available to common shareholders 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."
- (3) In connection with IAC's acquisition of a controlling interest in Expedia.com, IAC issued approximately 13.1 million shares of Series A 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 IAC 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 IAC common stock over a ten-day trading period prior to conversion exceeds \$35.10. Holders of Series A preferred stock may require IAC to purchase their shares on the fifth, seventh, tenth and fifteenth anniversary of the closing on February 4, 2002. IAC has the right to redeem such shares commencing on the tenth anniversary of February 4, 2002. Any payment by IAC with respect to the dividend or pursuant to any redemption requested by holders of Series A preferred stock or by IAC may be made in cash or IAC common stock, or a combination thereof, at the option of IAC.
- (4) Net earnings available to common shareholders includes a gain of \$2.4 billion, net of tax, related to the contribution of the USA Entertainment Group to Vivendi Universal Entertainment LLLP 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 Interval since its acquisition by IAC on September 24, 2002.
- (5) Includes the results of Entertainment Publications, Inc., LendingTree, Inc. and Hotwire, Inc. since their acquisitions by IAC on March 25, 2003, August 8, 2003 and November 5, 2003, respectively.
- (6) Includes the results of TripAdvisor, ServiceMagic and Home Loan Center since their acquisitions by IAC on April 27, 2004, September 1, 2004 and December 14, 2004, respectively.
- (7) Net earnings available to common shareholders includes a pre-tax impairment charge of \$184.8 million related to a write-down of Teleservices goodwill that resulted from IAC's annual impairment review under Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangibles".
- (8) As part of the integration of IAC Travel's businesses, Hotels.com conformed its merchant hotel business practices with those of the other IAC Travel businesses. As a result, beginning January 1, 2004, IAC commenced prospectively reporting revenue for Hotels.com on a net basis, consistent with Expedia.com's historical practice.
- (9) Earnings (loss) per common share data and shares outstanding retroactively reflect the impact of a two-for-one stock split of IAC common stock and IAC Class B common stock paid on February 24, 2000. All share numbers give effect to such stock split.

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(10)

The following table adjusts IAC'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 SFAS 142 were effective January 1, 2000:

| | Year Ended December 31, | |
|---|-------------------------|--------------|
| | 2000 | 2001 |
| (In Thousands, Except Per Share Data) | | |
| LOSS FROM CONTINUING OPERATIONS AVAILABLE TO COMMON SHAREHOLDERS | | |
| Reported loss from continuing operations available to common shareholders | \$ (144,767) | \$ (162,811) |
| Add: goodwill amortization | 63,851 | 134,018 |
| Loss from continuing operations as adjusted | \$ (80,916) | \$ (28,793) |
| Basic loss per share from continuing operations available to common shareholders as adjusted: | | |
| Reported basic loss per share | \$ (0.40) | \$ (0.44) |
| Add: goodwill amortization | 0.18 | 0.36 |
| Adjusted basic loss per share | \$ (0.22) | \$ (0.08) |
| Diluted loss per share from continuing operation available to common shareholders as adjusted: | | |
| Reported diluted loss per share | \$ (0.40) | \$ (0.44) |
| Add: goodwill amortization | 0.18 | 0.36 |
| Adjusted diluted loss per share | \$ (0.22) | \$ (0.08) |
| NET (LOSS) EARNINGS AVAILABLE TO COMMON SHAREHOLDERS | | |
| Net (loss) earnings available to common shareholders | \$ (147,983) | \$ 383,608 |
| Add: goodwill amortization | 206,151 | 176,413 |
| Net earnings available to common shareholders as adjusted | \$ 58,168 | \$ 560,021 |
| Basic (loss) earnings per share as adjusted: | | |
| Reported basic net (loss) earnings per share | \$ (0.41) | \$ 1.03 |
| Add: goodwill amortization | 0.57 | 0.47 |
| Adjusted basic net earnings per share | \$ 0.16 | \$ 1.50 |
| Diluted (loss) earnings per share: | | |
| Reported diluted net (loss) earnings per share | \$ (0.41) | \$ 1.03 |
| Add: goodwill amortization | 0.57 | 0.47 |
| Adjusted diluted net earnings per share | \$ 0.16 | \$ 1.50 |

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Expedia, Inc. Summary Selected Historical Combined Financial Information

The following table presents summary selected historical combined financial information for Expedia for each of the years in the five year period ended December 31, 2004. This data was derived, in part, from the Historical Combined Financial Statements of Expedia included in Appendix E, and reflects the operations and financial position of Expedia at the dates and for the periods indicated.

This information assumes (i) the contribution or other transfer of all of the subsidiaries and assets relating to IAC's travel and travel-related businesses (excluding Interval International and TV Travel Shop) and TripAdvisor (collectively, the "Expedia Businesses") to Expedia, (ii) the assumption by Expedia or one or more of its subsidiaries of all of the liabilities relating to the Expedia Businesses and (iii) the allocation to Expedia of certain IAC corporate expenses relating to the Expedia Businesses for certain periods, all of which will occur in connection with the spin-off and certain of which are governed by the terms of the separation agreement that will be entered into between IAC and Expedia at the time of the spin-off.

Accordingly, this information reflects the historical financial position, results of operations and cash flows of the Expedia Businesses since their respective dates of acquisition by IAC, at the dates and for the periods indicated, based on the historical consolidated financial statements and accounting records of IAC and using the historical results of operations and historical bases of the assets and liabilities of the Expedia Businesses.

The information in this table should be read with the Historical Combined Financial Statements and accompanying notes and other financial data pertaining to Expedia included in Appendix E to this proxy statement/prospectus.

| | Year Ended December 31, | | | | |
|--|-------------------------|------------|--------------|--------------|--------------|
| | 2000(a)(f) | 2001(a)(f) | 2002(b) | 2003(c) | 2004(d)(e) |
| | (In Thousands) | | | | |
| Statements of Operations Data: | | | | | |
| Service revenue | \$ 327,977 | \$ 536,497 | \$ 1,499,075 | \$ 2,339,813 | \$ 1,843,013 |
| Operating income | 9,166 | 15,811 | 193,770 | 243,518 | 240,473 |
| Net income | 7,729 | 8,901 | 76,713 | 111,407 | 163,473 |
| Balance Sheet Data (end of period): | | | | | |
| Working capital | \$ 113,821 | \$ 140,376 | \$ 528,630 | \$ 854,838 | \$ 1,263,678 |
| Total assets | 555,613 | 643,835 | 3,203,082 | 8,755,270 | 9,537,187 |
| Minority interest | 267,675 | 315,999 | 592,054 | | 18,435 |
| Invested equity | 216,520 | 225,890 | 2,055,756 | 7,554,301 | 8,152,629 |
| Other Data: | | | | | |
| Net cash provided by (used in): | | | | | |
| Operating activities | \$ 82,083 | \$ 102,961 | \$ 450,900 | \$ 644,023 | \$ 802,853 |
| Investing activities | (124,440) | (117,327) | (402,392) | (703,181) | 340,308 |
| Financing activities | 90,461 | 7,598 | 120,279 | 37,975 | (1,163,075) |
| Effect of exchange rate changes | | | (2) | (3,232) | (13,768) |

- (a) Only includes the results of Hotels.com.
- (b) Includes the results of Expedia.com since IAC's acquisition of a controlling interest on February 4, 2002.
- (c) Includes the results of Hotwire, Inc. since IAC's acquisition on November 5, 2003.
- (d) Includes the results of TripAdvisor since IAC's acquisition on April 27, 2004 and Egencia since IAC's acquisition on April 16, 2004.

- (e) As part of the integration of Expedia's businesses, Hotels.com conformed its merchant hotel business practices with those of the other Expedia businesses. As a result, beginning January 1, 2004, Expedia commenced prospectively reporting revenue for Hotels.com on a net basis, consistent with Expedia.com's historical practice.
- (f) The following table adjusts Expedia's reported net income to exclude amortization expense related to goodwill and other intangible assets with indefinite lives as if SFAS 142 were effective January 1, 2000:

| | Year Ended December 31, | |
|----------------------------|-------------------------|-----------|
| | 2000 | 2001 |
| | (In Thousands) | |
| NET INCOME | | |
| Reported net income | \$ 7,729 | \$ 8,901 |
| Add: goodwill amortization | 24,249 | 29,228 |
| Net income as adjusted | \$ 31,978 | \$ 38,129 |

Ask Jeeves Selected Historical Consolidated Financial Information

The consolidated selected financial data set forth below present the financial results of Ask Jeeves and its consolidated subsidiaries. The information in this table should be read with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes and other financial data pertaining to Ask Jeeves included in Ask Jeeves' Annual Report on Form 10-K for the year ended December 31, 2004, which is incorporated into this proxy statement/prospectus by reference. The consolidated statements of operations data set forth below for the years ended December 31, 2004, 2003 and 2002 and the consolidated balance sheets data set forth below as of December 31, 2004 and 2003 are derived from and qualified by reference to Ask Jeeves' audited financial statements included in Ask Jeeves' Annual Report on Form 10-K for the year ended December 31, 2004, which is incorporated into this proxy statement/prospectus by reference. The consolidated operating information set forth below for the years ended December 31, 2001 and 2000 and the consolidated balance sheets data as of December 31, 2002,

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2001 and 2000 are derived from and qualified by reference to Ask Jeeves' audited financial statements. Ask Jeeves' historical results are not necessarily indicative of results for any future period.

| | Year Ended December 31, | | | | |
|--|--|-----------|-----------|------------|------------|
| | 2000 | 2001 | 2002 | 2003 | 2004 |
| | (in thousands, except per share information) | | | | |
| Consolidated Statements of Operations Data: | | | | | |
| Revenues | \$ 71,799 | \$ 51,569 | \$ 65,048 | \$ 107,292 | \$ 261,327 |
| Income (loss) from continuing operations | (166,462) | (409,764) | (10,856) | 24,785 | 52,445 |
| Earnings per Share Basic: | | | | | |
| Income (loss) from continuing operations | (4.84) | (11.06) | (0.27) | 0.56 | 0.97 |
| Earnings per Share Diluted: | | | | | |
| Income (loss) from continuing operations | (4.84) | (11.06) | (0.27) | 0.45 | 0.80 |
| Revenues from related parties | 12,308 | 18,991 | 6,189 | 4,525 | 2,740 |

| | December 31, | | | | |
|--|----------------|-----------|-----------|------------|------------|
| | 2000 | 2001 | 2002 | 2003 | 2004 |
| | (in thousands) | | | | |
| Consolidated Balance Sheet Data: | | | | | |
| Cash, cash equivalents and marketable securities | \$ 87,836 | \$ 51,796 | \$ 33,440 | \$ 180,648 | \$ 109,702 |
| Restricted cash and marketable securities | 17,130 | 24,806 | 11,065 | 104 | 580 |
| Total assets | 537,867 | 111,338 | 72,176 | 212,255 | 544,409 |
| Long-term obligations | 1,465 | 573 | | 115,000 | 115,460 |
| Total liabilities | 72,099 | 64,124 | 42,899 | 139,047 | 166,273 |
| Total stockholders' equity | 465,768 | 47,214 | 29,277 | 73,208 | 378,136 |

Selected Unaudited Pro Forma Condensed Combined Financial Information

The unaudited pro forma condensed combined financial statements give effect, in accordance with Article 11 of the Securities and Exchange Commission's Regulation S-X, to the following:

the acquisition on April 1, 2005 of Cornerstone Brands, Inc. (referred to as "Cornerstone") by IAC;

the Ask Jeeves merger and IAC's proposed buy back, through its previously authorized share repurchase programs, of at least sixty percent of the number of fully diluted shares it will issue to Ask Jeeves stockholders in the merger; and

the proposed Expedia spin-off.

Pro forma financial information, which gives effect to the proposed spin-off, is being included in order to provide you with information about IAC if the spin-off is consummated. Ask Jeeves stockholders are not being asked to vote on the proposed spin-off, and, if the merger is consummated, there can be no assurance that IAC stockholders will approve the spin-off or that the spin-off will be consummated. Accordingly, Ask Jeeves stockholders are urged to review the pro forma financial information set forth below, which reflects the combination of IAC and Ask Jeeves, both before and after giving effect to the proposed spin-off.

For purposes of the unaudited pro forma condensed combined financial statements, the Cornerstone acquisition, the Ask Jeeves merger, the buy back of IAC shares and the Expedia spin-off are all assumed to have occurred as of January 1, 2004 with respect to the unaudited pro forma condensed combined statement of operations and as of December 31, 2004 for purposes of the unaudited pro forma condensed combined balance sheet.

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All per share data amounts reflect the retroactive effect of the IAC one-for-two reverse stock split that will be effected immediately prior to the Expedia spin-off.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2004 has been derived from:

the audited historical consolidated statement of operations of IAC for the year ended December 31, 2004;

the unaudited historical consolidated statement of operations of Cornerstone for the year ended January 29, 2005;

the audited historical consolidated statement of operations of Ask Jeeves for the year ended December 31, 2004; and

the audited historical combined statement of operations of Expedia for the year ended December 31, 2004.

The unaudited pro forma condensed combined balance sheet as of December 31, 2004 has been derived from:

the audited historical consolidated balance sheet of IAC as of December 31, 2004;

the unaudited historical consolidated balance sheet of Cornerstone as of January 29, 2005;

the audited historical consolidated balance sheet of Ask Jeeves as of December 31, 2004; and

the audited historical combined balance sheet of Expedia as of December 31, 2004.

| Year ended December 31, 2004 | |
|--|--|
| Combined IAC Pro Forma | Combined Post-Spin IAC Pro Forma |
| (In thousands, except per share amounts) | |

Statement of operations data:

| | | |
|--|--------------|--------------|
| Revenue | \$ 7,178,730 | \$ 5,354,557 |
| Operating income (loss) | 249,651 | (29,529) |
| Earnings (loss) from continuing operations | 171,461 | (17,964) |

Balance sheet data (end of period):

| | | |
|--|------------|------------|
| Working capital | \$ 539,655 | \$ 399,770 |
| Total assets | 23,648,002 | 15,928,486 |
| Long-term obligations | 991,275 | 991,275 |
| Minority interest | 291,922 | 273,487 |
| Shareholders' equity | 15,188,924 | 8,852,663 |
| Earnings per share Basic: | | |
| Earnings (loss) from continuing operations | \$ 0.44(1) | \$ (0.05) |
| Earnings per share Diluted: | | |
| Earnings (loss) from continuing operations | \$ 0.41(2) | \$ (0.05) |

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- (1) This amount would be \$0.22 without giving effect to the one-for-two reverse stock split that is a part of the spin-off.
- (2) This amount would be \$0.20 without giving effect to the one-for-two reverse stock split that is a part of the spin-off.

Certain Historical and Pro Forma Per Share Data**Unaudited Comparative Per Share Data**

The following table presents historical per share data for IAC and Ask Jeeves as of and for the year ended December 31, 2004, and combined pro forma per share data for IAC and equivalent pro forma per share data for Ask Jeeves as of and for the year ended December 31, 2004. The following table also presents combined pro forma per share data for IAC assuming that the spin-off occurs. The combined pro forma per share data, which we present for comparative purposes only, assumes that both the acquisition of Cornerstone and the Ask Jeeves merger have been completed at January 1, 2004 for income statement purposes. For balance sheet purposes, the combined pro forma per share data assumes that both the acquisition of Cornerstone and the Ask Jeeves merger have been completed at December 31, 2004. The combined post-spin pro forma per share data assumes that the acquisition of Cornerstone, the Ask Jeeves merger and the spin-off have each been completed at January 1, 2004 for income statement purposes and for balance sheet purposes it assumes that the acquisition of Cornerstone, the Ask Jeeves merger and the spin-off have each been completed at December 31, 2004. Neither IAC nor Ask Jeeves declared any cash dividends on its common stock during the periods presented.

The unaudited comparative per share data does not purport to be, and you should not rely on it as, indicative of (1) the results of operations or financial position which would have been achieved if any of the foregoing transactions actually had been completed at the beginning of the period or as of the date indicated, or (2) the results of operations or financial position which may be achieved by the combined company in the future.

You should read this information along with the separate financial statements and accompanying notes of IAC and Ask Jeeves that are incorporated by reference into this document and the financial statements and accompanying notes of Expedia that are included in Appendix E. You should also read the pro forma condensed combined financial statements and accompanying notes beginning on page 80 under "IAC/InterActiveCorp and Subsidiaries Unaudited Pro Forma Condensed Combined Financial Statements."

| | <u>IAC Historical Per Share Data</u> | <u>Combined IAC Pro Forma Per Share Data</u> | <u>Combined Post-Spin IAC Pro Forma Per Share Data</u> | <u>Ask Jeeves Historical Per Share Data</u> | <u>Ask Jeeves Equivalent Pro Forma Per Share Data(1)</u> |
|--|--|--|--|---|--|
| Book value per share: | | | | | |
| December 31, 2004 | \$ 19.99 | \$ 20.20 | N/A(2) | \$ 6.47 | \$ 25.60 |
| Earnings per share from continuing operations: | | | | | |
| Basic for the twelve months ended December 31, 2004 | 0.25 | 0.22 | N/A(2) | 0.97 | 0.28 |
| Diluted for the twelve months ended December 31, 2004 | 0.23 | 0.20 | N/A(2) | 0.80 | 0.26 |
| Cash dividends per common share: | | | | | |
| December 31, 2004 | | | N/A(2) | | |

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Adjusted for one-for-two reverse stock split that has been proposed in connection with the spin-off:

| | <u>IAC Historical Per Share Data</u> | <u>Combined IAC Pro Forma Per Share Data</u> | <u>Combined Post-Spin IAC Pro Forma Per Share Data</u> | <u>Ask Jeeves Historical Per Share Data</u> | <u>Ask Jeeves Equivalent Pro Forma Per Share Data(1)</u> |
|--|--|--|--|---|--|
| Book value per share: | | | | | |
| December 31, 2004 | \$ 39.99 | \$ 40.41 | \$ 24.61 | \$ 6.47 | \$ 51.19 |
| Earnings (loss) per share from continuing operations: | | | | | |
| Basic for the twelve months ended | | | | | |
| December 31, 2004 | 0.50 | 0.44 | (0.05) | 0.97 | 0.56 |
| Diluted for the twelve months ended | | | | | |
| December 31, 2004 | 0.47 | 0.41 | (0.05) | 0.80 | 0.52 |
| Cash dividends per common share: | | | | | |
| December 31, 2004 | | | | | |

(1) Amounts are calculated by multiplying the combined IAC Pro Forma per share amounts by the exchange ratio for the common shares in the merger (1.2668 shares of IAC common stock for each share of Ask Jeeves common stock).

(2) The spin-off will not occur without the one-for-two reverse stock split occurring immediately prior thereto. See the table immediately below, which presents comparative per share information adjusted to give effect to the reverse stock split.

Comparative Per Share Market Price Information and Dividend Policy

The following table sets forth the high and low intraday sale prices for a share of IAC common stock and for a share of Ask Jeeves common stock, rounded to the nearest cent, for the periods indicated, adjusted for splits. IAC is listed on the Nasdaq National Market under the symbol "IACI" and Ask Jeeves is listed on the Nasdaq National Market under the symbol "ASKJ." The prices below are as quoted on the Nasdaq National Market, based on published financial sources.

| | IAC Common Stock | | Ask Jeeves Common Stock | |
|---|---------------------|----------|----------------------------|----------|
| | High | Low | High | Low |
| 2005 | | | | |
| Second Quarter (through April 22, 2005) | \$ 22.98 | \$ 21.39 | \$ 28.92 | \$ 26.68 |
| First Quarter | 27.87 | 21.00 | 30.88 | 21.20 |
| 2004 | | | | |
| Fourth Quarter | 28.91 | 19.16 | 39.00 | 21.52 |
| Third Quarter | 30.72 | 20.67 | 38.50 | 22.74 |
| Second Quarter | 34.62 | 28.44 | 44.66 | 32.70 |
| First Quarter | 34.93 | 27.46 | 36.86 | 18.37 |
| 2003 | | | | |
| Fourth Quarter | 39.16 | 28.31 | 22.18 | 15.91 |
| Third Quarter | 42.88 | 33.01 | 22.75 | 12.81 |
| Second Quarter | 39.60 | 25.07 | 14.80 | 6.83 |
| First Quarter | 28.63 | 20.73 | 7.48 | 2.42 |

The following table presents the closing price of one share of IAC common stock and one share of Ask Jeeves common stock on March 18, 2005, the last trading day preceding the announcement of the execution of the merger agreement, and on [], 2005, the last trading day preceding the date of this proxy statement/prospectus. The table also presents the equivalent per share sale prices that Ask Jeeves' stockholders would receive in exchange for each share of Ask Jeeves common stock if the merger were completed on these two dates, applying the exchange ratio of 1.2668 offered in the merger.

| Date | IAC Common Stock | Ask Jeeves Common Stock | Equivalent Per Share Price of Ask Jeeves Common Stock with Exchange Ratio of 1.2668 |
|----------------|---------------------|----------------------------|--|
| March 18, 2005 | \$ 22.29 | \$ 24.24 | \$ 28.24 |
| [], 2005 | \$ | \$ | \$ |

The above table shows only historical stock price information and comparisons based on that information. You should obtain current stock price information for IAC and Ask Jeeves common stock and review carefully the other information contained in or incorporated by reference into this proxy statement/prospectus in considering how to vote on the merger agreement.

IAC has never paid any cash dividends on shares of IAC common stock, and Ask Jeeves has never paid any cash dividends on shares of Ask Jeeves common stock. IAC and Ask Jeeves currently anticipate that they will retain all of their future earnings available for distribution to the holders of IAC common stock and Ask Jeeves common stock, respectively, for use in the expansion and operation of their respective businesses and the business of the combined company after the merger, and do not anticipate paying any cash dividends on shares of IAC common stock or Ask Jeeves common stock in the foreseeable future. Expedia does not anticipate paying cash dividends on Expedia common stock in the foreseeable future if the spin-off is consummated.

RECENT DEVELOPMENTS

IAC Recent Developments

On March 1, 2005, IAC announced that it had agreed to acquire Cornerstone Brands, Inc., a portfolio of print catalogs and online retailing sites that sell home products and leisure and casual apparel. IAC completed this acquisition on April 1, 2005. IAC currently operates Cornerstone as part of its Electronic Retailing segment and will continue to do so following the spin-off of Expedia.

On March 28, 2005, IAC announced that it would commence purchasing shares of its common stock pursuant to a 10b5-1 purchase plan (the "10b5-1 Plan") designed to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. Prior to the implementation of the 10b5-1 Plan, IAC was authorized to purchase up to 102.9 million shares of its common stock pursuant to the two previously announced share repurchase authorizations by its board of directors in November 2003 and November 2004. The 10b5-1 Plan will automatically terminate no later than the earlier of the mailing of the proxy statement/prospectus for IAC's annual meeting of stockholders (at which IAC's stockholders will vote on the spin-off and related proposals) and the Ask Jeeves special meeting.

Ask Jeeves Recent Developments

On April 5, 2005, Ask Jeeves announced the launch of a beta, or final testing stage, version of Ask Jeeves España, which will be an Ask Jeeves brand search site targeted toward residents of Spain. The site allows users to run their search across the entire Web or to restrict their search either to Spanish-language sites or to sites in Spain. Currently available at <http://es.ask.com>, this Spanish site is expected to formally launch this summer at www.askjeeves.es.

Also on April 5, 2005, Ask Jeeves announced that Ask Jeeves Japan (www.Ask.jp), a joint venture between Ask Jeeves, Inc. and transcosmos, has come out of beta and that the joint venture has signed an agreement with Google Inc. to provide the site with sponsored links.

RISK FACTORS

As a result of the merger, Ask Jeeves' stockholders will be subject to the following new or increased risks related to IAC, the ownership of IAC securities and/or 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 Ask Jeeves and IAC have filed with the SEC that are incorporated by reference into this proxy statement/prospectus.

If the merger is not consummated, Ask Jeeves will be subject to certain risks described below and will continue to be subject to the risks described in the documents Ask Jeeves has filed with the SEC that are incorporated by reference into this proxy statement/prospectus. See the risk factor below headed "Failure to complete the merger could negatively impact the price of Ask Jeeves common stock and Ask Jeeves' future business and operations" and "Where You Can Find More Information Incorporation of Documents by Reference" starting on page 109.

The risks described below and in the documents incorporated by reference into this proxy statement/prospectus could have a material adverse effect on the business, financial condition, results of operations or cash flows of the combined company following the merger, and these effects could adversely affect the value of your stock in IAC. The risks described below should be considered along with the other information included or incorporated by reference into this proxy statement/prospectus.

Risk Factors Relating to the Merger

The number of shares of IAC common stock that holders of Ask Jeeves common stock will receive in the merger will be based upon a fixed exchange ratio. The value of the shares of IAC common stock at the time Ask Jeeves' stockholders receive them could be less than the value of those shares today.

In the merger, each share of Ask Jeeves common stock will be converted into the right to receive 1.2668 shares of IAC common stock. IAC and Ask Jeeves will not adjust the exchange ratio as a result of any change in the market price of IAC common stock between the date of this proxy statement/prospectus and the date you receive shares of IAC common stock in exchange for your shares of Ask Jeeves common stock. The exchange ratio may only be adjusted if IAC splits or otherwise reclassifies its stock. The market price of IAC common stock will likely be different, and may be lower, on the date you receive your shares of IAC common stock than the market price of shares of IAC common stock as of the date of this proxy statement/prospectus. Differences in price may be the result of changes in the business, operations or prospects of IAC, market reactions to the proposed merger, general market and economic conditions and other factors. Because we will complete the merger only after Ask Jeeves holds its special meeting of stockholders and the other conditions to closing are satisfied or waived, the price of the IAC common stock on the date of the special meeting of stockholders will not necessarily be indicative of the price of the IAC common stock at the time we complete the merger. You should obtain current market quotations for IAC common stock and Ask Jeeves common stock. See "Summary Comparative Per Share Market Price Information and Dividend Policy" beginning on page 19.

The trading price of IAC common stock may be affected by factors different from or in addition to the factors affecting the trading price of Ask Jeeves common stock.

If the merger is completed, all holders of outstanding shares of Ask Jeeves common stock immediately prior to the merger (other than IAC and its affiliates) will become holders of IAC common stock. IAC owns and operates a number of lines of business in which Ask Jeeves does not participate, including online retail, ticketing, travel services and online dating services. Accordingly, IAC's results of operations and business, and the trading price of IAC common stock, may be affected by factors different from or in addition to those affecting Ask Jeeves' results of operations and business and the trading price of Ask Jeeves common stock.

Failure to complete the merger could negatively impact the price of Ask Jeeves common stock and Ask Jeeves' future business and operations.

If the merger is not completed for any reason, Ask Jeeves may be subject to a number of risks, including:

Ask Jeeves may be obligated to pay IAC a termination fee of \$68.5 million and reimburse IAC for its expenses if the merger agreement is terminated in certain circumstances;

the current market price of Ask Jeeves common stock may reflect a market assumption that the merger will occur, and a failure to complete the merger could result in a negative perception by the market of Ask Jeeves generally and a resulting decline in the market price of the Ask Jeeves common stock;

many costs related to the merger, such as legal, accounting and financial advisory fees, must be paid regardless of whether the merger occurs;

there may be substantial disruption to the business of Ask Jeeves and a distraction of its management and employees from day-to-day operations, because matters related to the merger may require substantial commitments of time and resources, which would not benefit Ask Jeeves if the merger is not completed; and

the risks Ask Jeeves faces as an independent company, as further described in the documents that Ask Jeeves has filed with the SEC that are incorporated by reference into this proxy statement/prospectus.

Ask Jeeves stockholders may receive a lower return on their investment after the merger.

Although IAC and Ask Jeeves believe that the merger will create financial, operational and strategic benefits for the combined company and its stockholders, these benefits may not be achieved. The combination of IAC's and Ask Jeeves' businesses, even if conducted in an efficient, effective and timely manner, may not result in combined financial performance that is better than what each company would have achieved independently if the merger had not occurred.

IAC and Ask Jeeves may not successfully integrate their business operations after the merger. As a result, IAC and Ask Jeeves may not achieve the anticipated benefits of the merger, which could adversely affect the price of IAC common stock.

IAC and Ask Jeeves entered into the merger agreement with the expectation that the merger will result in benefits to the combined company. However, these expected benefits may not be fully realized. The integration of IAC's and Ask Jeeves' operations after the merger may be difficult, time-consuming and costly. After completion of the merger, the combined company may desire to integrate, among other things, sales and marketing, research and development, administrative and customer service functions, and management information systems. In addition, IAC will need to retain the management, key employees, key suppliers and other business partners of Ask Jeeves. It is possible that these integration efforts will not be completed as smoothly as planned or that these efforts will distract management from the operations of the companies' businesses. In addition, the combined company may not successfully integrate the operations and technology of IAC and Ask Jeeves in a timely manner, or at all, and the combined company may not realize the anticipated benefits of the merger to the extent anticipated.

Ask Jeeves' directors and officers have conflicts of interest in recommending the merger to Ask Jeeves stockholders.

In considering the recommendation of the Ask Jeeves board of directors to approve the merger, Ask Jeeves stockholders should recognize that certain of Ask Jeeves' directors and officers have

interests in the merger that differ from, or are in addition to, their interests as Ask Jeeves stockholders. These interests include:

future employment arrangements;

severance benefits as a result of the merger;

acceleration of stock options and other equity-based compensation as a result of the merger; and

indemnification of Ask Jeeves' directors and officers against certain liabilities arising both before and after the merger.

These and additional interests are described under the heading "Interests of Certain Persons in the Merger."

IAC could lose key personnel from Ask Jeeves necessary to achieve the benefits for the combined company expected as a result of the merger.

The success of the combined company will depend in part on the continued service of specific Ask Jeeves personnel. As a result of the merger, current and prospective Ask Jeeves employees could experience uncertainty about their future roles within IAC, which would adversely affect the ability of the combined company to attract and retain key management, sales, marketing and technical personnel. If a substantial number of key employees leave as a result of the announcement of the merger or after completion of the merger, or the combined company fails to attract key personnel, the combined company's business could be adversely affected.

The merger agreement contains provisions that may discourage other companies from trying to acquire Ask Jeeves.

The merger agreement contains provisions that may discourage a third party from submitting a business combination proposal to Ask Jeeves that might result in greater value to Ask Jeeves stockholders than the merger. These provisions include the prohibition on Ask Jeeves from soliciting any acquisition proposal or offer for a competing transaction and the requirement that Ask Jeeves pay a \$68.5 million termination fee if the merger agreement is terminated in specified circumstances.

Shareholder litigation related to the merger may prevent or delay the closing of the merger or otherwise negatively impact the business and operations of IAC and Ask Jeeves.

Two stockholder lawsuits have been filed against Ask Jeeves, its directors and IAC (in one suit only). See "Certain Legal Proceedings" starting on page 93. The suits allege breaches of fiduciary duties by Ask Jeeves' directors in connection with the merger. The two suits seek to block the merger or, in the alternative, to undo the merger, as well as to force us to pay money damages. Even if this litigation is proven to lack merit, these actions could prevent or delay the closing of the merger. In addition, the cost of defending this litigation, even if resolved favorably, could be substantial. This litigation could also substantially divert the attention of management and resources in general.

Risk Factors Relating to IAC

IAC depends on its key personnel.

IAC is dependent upon the continued contributions of its senior corporate management, particularly Barry Diller, the Chairman and Chief Executive Officer of IAC, and certain key employees for its future success. Mr. Diller does not have an employment agreement with IAC, although he has been granted options to purchase a substantial number of shares of IAC common stock. However, such options expire between August 2005 and November 2007. If Mr. Diller no longer serves in his positions at IAC, IAC's business, as well as the market price of IAC common stock, could experience substantial

adverse consequences. IAC 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.

IAC is controlled by Mr. Diller. If Mr. Diller ceases to control IAC, Liberty Media Corporation may effectively control IAC.

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

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

IAC's success depends on maintaining the integrity of its systems and infrastructure. System interruption and the lack of integration and redundancy in IAC's information systems may affect IAC's business.

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. IAC's current security measures may not be adequate and, if any compromise of IAC's security were to occur, it could have a detrimental effect on IAC's reputation and adversely affect its ability to attract customers. At times, IAC's business may experience occasional system interruptions that make some or all systems unavailable or prevent the subsidiaries from efficiently fulfilling orders or providing services to third parties. IAC 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 IAC's ability to process transactions for its customers and the quality of service IAC can offer to them. It is unlikely that IAC could make up for the level of orders lost in these circumstances by increased phone orders. Fire, flood, power loss, telecommunications failure, break-ins, earthquakes, acts of war or terrorism, acts of God, computer viruses, physical or electronic break-ins and similar events or disruptions may damage or interrupt computer or communications systems at any time. Any of these events could cause system interruption, delays and loss of critical data, and could prevent IAC subsidiaries from providing services to third parties. While IAC and its subsidiaries do have backup systems for certain aspects of operations, the systems are not fully redundant and disaster recovery planning may not be sufficient for all eventualities. In addition, IAC and its subsidiaries may have inadequate insurance coverage or insurance limits to compensate for losses from a major interruption. If any of this were to occur, it could damage the reputation of IAC and its subsidiaries and be costly to remedy.

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

IAC's future growth may be a function, in part, of acquisitions. To the extent that IAC grows through acquisitions, it will face the operational and financial risks commonly encountered with that type of a strategy. IAC 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 businesses as a result of changes in ownership and management. Some of IAC'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 IAC's growth and harm its businesses.

Unfavorable changes in existing, or the promulgation of new, laws, rules and regulations applicable to IAC and its businesses, including those related to the Internet or online commerce, consumer protection and privacy and sales, use, occupancy, value-added and other taxes, could decrease demand for products and services, increase costs and/or subject IAC to additional liabilities, which could adversely impact its business. For example, there is, and will likely continue to be, an increasing number of laws and regulations pertaining to the Internet and online commerce, which may relate to liability for information retrieved from or transmitted over the Internet, user privacy, taxation and the quality of products and services. Furthermore, the growth and development of online commerce may prompt calls for more stringent consumer protection laws that may impose additional burdens on online businesses generally.

In addition, the application of various domestic and international sales, use, occupancy, value-added and other tax laws, rules and regulations to the historical and new products and services of IAC is subject to interpretation by the applicable taxing authorities. While IAC believes that they are compliant with these tax provisions, there can be no assurances that taxing authorities will not take a contrary position, or that such positions will not have an adverse effect on the businesses, financial condition and results of operations of IAC.

Adverse trends in the industries in which IAC currently operates could harm IAC's businesses, results of operations and financial condition. In addition, declines or disruptions such industries, such as those caused by terrorism, war, bankruptcies or general economic downturns, could harm IAC's businesses.

IAC's businesses in general are sensitive to trends or events that are outside of IAC's control. For example, adverse trends or events, such as general economic downturns, decreases in consumer spending and natural or other disasters, among other adverse events and trends, may reduce the popularity and frequency of the events to which IAC sells tickets, reduce travel and may affect call center and other operations in areas where these trends or events occur. The occurrence of any of these adverse trends or events could significantly impact IAC's businesses, results of operations or financial condition.

For example, travel expenditures are sensitive to business and personal discretionary spending levels and tend to decline during general economic downturns. Accordingly, before the spin-off, IAC's travel businesses will be sensitive to downturns or weaknesses in the travel industry, which could adversely affect the growth of its business. Additionally, IAC's travel businesses are sensitive to safety concerns, and thus may decline after incidents of terrorism, during periods of geopolitical conflict in which travelers become concerned about safety issues or when travel might involve health-related risks, one or more of which could result in a protracted decrease in demand for its travel services. This decrease in demand, depending on its scope and duration, together with any future issues impacting travel safety, could significantly and adversely impact IAC's business, financial condition and results of operations over the short term and, if the spin-off does not occur, the long term.

IAC's businesses depend on their relationships with third party distribution channels, suppliers and advertisers and any adverse changes in these relationships could adversely affect IAC's business, financial condition and results of operations.

An important component of the success of IAC's various businesses depends on their ability to maintain their existing, as well as build new, relationships with third party distribution channels, suppliers and advertisers, among other parties. There is no assurance that IAC will be able to do so, and this could adversely affect IAC's businesses, financial condition and results of operations.

* * * * *

IAC has announced its intention to spin off its travel and travel-related businesses, subsidiaries and investments into an independent, separately traded public company. In addition, in connection with the spin-off, IAC intends to effect certain other changes to its certificate of incorporation that would impact your rights as a holder of IAC common stock. There are risks and uncertainties associated with IAC and the ownership of IAC securities in light of the proposed spin-off and the related IAC proposals and with Expedia and the ownership of Expedia securities if the spin-off is completed. Certain of these risks and uncertainties are discussed in Appendix E to this proxy statement/prospectus. You are not being asked to vote on the spin-off or the related IAC proposals described in Appendix E, and you will not be entitled to vote on any such proposals if the record date for such vote occurs prior to the closing of the merger. Nevertheless, we encourage you to read Appendix E in its entirety, including the section entitled "Risk Factors," before casting your vote on the merger.

**CAUTIONARY STATEMENT CONCERNING
FORWARD-LOOKING STATEMENTS**

This proxy statement/prospectus and the SEC filings that are incorporated by reference into this proxy statement/prospectus contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. For those statements, both IAC and Ask Jeeves claim 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 statements relating to the merger, the spin-off and related transactions, IAC's and Ask Jeeves' anticipated financial performance, business prospects, new developments, new merchandising strategies and similar matters, and/or statements in the future tense or that are preceded by, followed by or that include the words "believes," "could," "should," "will," "expects," "anticipates," "estimates," "intends," "plans," "projects," "seeks" or similar expressions. These forward-looking statements are necessarily estimates reflecting the best judgment of each company's senior management and the matters they describe involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks, uncertainties and assumptions could have a material adverse effect on the merger, the spin-off and/or on each company's respective businesses, financial condition or results of operations. As a result, actual events, results and developments could differ materially from those reflected in the forward-looking statements. You should consider in particular, the Risk Factors set forth above, as well as the other information contained in or incorporated by reference into IAC's and Ask Jeeves' filings with the SEC, including each company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, especially in the Management's Discussion and Analysis section, and each company's Current Reports on Form 8-K. Other unknown or unpredictable factors also could have material adverse effects on IAC's and Ask Jeeves' future results, performance or achievements. In light of these risks, uncertainties, assumptions and factors, the events, results and anticipated developments reflected in the forward-looking statements in this proxy statement/prospectus may not occur. We caution you 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 proxy statement/prospectus.

You should understand that the following important factors, in addition to the Risk Factors and other factors we discuss elsewhere in this document and in the documents incorporated into this proxy statement/prospectus by reference, could affect IAC's and Ask Jeeves' future results and could cause those results to differ materially from those expressed in the forward-looking statements:

the risk that IAC's and Ask Jeeves' businesses will not be integrated successfully;

material adverse changes in economic conditions generally or in IAC's and Ask Jeeves' markets or industries;

future regulatory and legislative actions and conditions affecting IAC's and Ask Jeeves' operating areas;

competition from other companies;

product demand and market acceptance;

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

the loss of key employees of Ask Jeeves as a result of the announcement or consummation of the merger;

the ability to maintain the integrity of IAC's and Ask Jeeves' systems and infrastructure;

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

the ability to obtain and retain key executives and skilled employees;

acts of terrorism;

war or political instability; and

other risks and uncertainties as may be detailed from time to time in IAC's, Ask Jeeves' and/or IAC's public subsidiary's public announcements and filings with the SEC.

Unless explicitly stated to the contrary, all forward-looking statements contained in this proxy statement/prospectus speak only as of the date of this proxy statement and neither IAC nor Ask Jeeves is under any obligation, and neither IAC nor Ask Jeeves intends, to make publicly available any update or other revisions to any of the forward-looking statements contained in this proxy statement/prospectus to reflect circumstances existing after the date of this proxy statement/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 ASK JEEVES SPECIAL MEETING

This proxy statement/prospectus is being furnished to Ask Jeeves stockholders in connection with the solicitation of proxies by Ask Jeeves' board of directors from the holders of Ask Jeeves common stock for use at the special meeting of Ask Jeeves stockholders and any adjournments or postponements thereof. This proxy statement/prospectus also is being furnished to Ask Jeeves stockholders as a prospectus of IAC in connection with the issuance by IAC of shares of IAC common stock to Ask Jeeves stockholders in connection with the merger.

Date, Time and Place

The special meeting will be held on [], 2005, at [10:00 a.m.] local time at the Oakland Marriott City Center Hotel, 1001 Broadway, Oakland, California.

Purpose of the Special Meeting

At the special meeting Ask Jeeves common stockholders will be asked:

to vote on a proposal to adopt the Agreement and Plan of Merger and Reorganization, dated as of March 21, 2005, by and among IAC, Merger Sub, a wholly-owned subsidiary of IAC, and Ask Jeeves pursuant to which Merger Sub will be merged with and into Ask Jeeves, with Ask Jeeves surviving the merger and becoming a wholly-owned subsidiary of IAC; and

to transact such other business that may properly come before the special meeting.

Record Date and Outstanding Shares

The Ask Jeeves board of directors has fixed the close of business on [], 2005, as the record date for purposes of determining the stockholders entitled to notice of and to vote at the special meeting. Only holders of record of shares of common stock on the record date are entitled to notice of and to vote at the special meeting. On the record date, there were [] shares of Ask Jeeves common stock outstanding and entitled to vote at the special meeting held by [] stockholders of record.

Voting Matters and Quorum Required

Each holder of record of shares of Ask Jeeves common stock as of the record date is entitled to cast one vote per share at the special meeting. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of common stock entitled to vote is necessary to constitute a quorum at the special meeting. The affirmative vote of at least a majority of the shares of Ask Jeeves common stock outstanding as of the record date is required to adopt the merger agreement.

As of the record date for the special meeting, directors and executive officers of Ask Jeeves and their affiliates (other than Ask Jeeves) beneficially owned an aggregate of [] shares of Ask Jeeves common stock entitled to vote at the special meeting. These shares represent approximately []% of the Ask Jeeves common stock outstanding and entitled to vote as of the record date.

How Shares Will Be Voted at the Special Meeting

All shares of Ask Jeeves common stock represented by properly executed proxies received before or at the special meeting, and not properly revoked, will be voted as specified in the proxies. Properly executed proxies that do not contain voting instructions will be voted **FOR** the adoption of the merger agreement.

A properly executed proxy marked "Abstain" with respect to any proposal will be counted as present for purposes of determining whether there is a quorum at the special meeting. However,

because adoption of the merger agreement requires the affirmative vote of a majority of the outstanding shares entitled to vote, abstentions will have the same effect as a vote AGAINST adoption of the merger agreement.

If you hold shares of Ask Jeeves common stock in street name through a bank, broker or other nominee holder, the nominee holder may only vote your shares in accordance with your instructions. If you do not give specific instructions to your nominee holder as to how you want your shares voted, your nominee will indicate that it does not have authority to vote on the proposal, which will result in what is called a "broker non-vote." Broker non-votes will be counted for purposes of determining whether there is a quorum present at the special meeting, but because adoption of the merger agreement requires the affirmative vote of a majority of the outstanding shares entitled to vote, broker non-votes will have the same effect as a vote AGAINST adoption of the merger agreement.

The Ask Jeeves board of directors is not currently aware of any business to be brought before the special meeting other than the proposal to adopt the merger agreement. However, if any other matters are properly brought before the special meeting, the proxies named in the proxy card will have discretion to vote the shares represented by duly executed proxies in their sole discretion.

How to Revoke a Proxy

You may revoke your proxy at any time before it is voted at the special meeting in the following ways:

you may send a written notice to the person to whom you submitted your earlier proxy indicating you are revoking your earlier proxy;

you may complete and submit a new proxy card with the Corporate Secretary of Ask Jeeves at our principal executive offices at 555 12th Street, Suite 500, Oakland, CA 94607 the latest dated and signed proxy actually received by Ask Jeeves before the special meeting of Ask Jeeves stockholders will be counted, and any earlier proxies will be considered revoked; or

you may attend the special meeting and vote in person. Merely attending the meeting without voting will not revoke any prior votes or proxies.

If your shares are held on your behalf by a bank, broker or other nominee holder, you must follow that entity's instructions regarding how to revoke the voting instructions that you have previously given.

Solicitation of Proxies

IAC will pay the expenses incurred in connection with filing, printing and mailing this proxy statement/prospectus. Ask Jeeves will pay the expenses incurred in connection with the solicitation of proxies from Ask Jeeves stockholders. Proxies may be solicited by mail, by telephone or via the Internet. Arrangements also will be made with brokerage houses and other custodians, nominees and fiduciaries to send proxy materials to beneficial owners, and IAC will, upon request, reimburse them for their reasonable expenses incurred in doing so.

Recommendation of the Ask Jeeves Board of Directors

Your board of directors has unanimously determined that the merger and the terms of the merger agreement are advisable, fair to and in the best interests of our stockholders. **Therefore, your board of directors unanimously recommends that you vote FOR the proposal to adopt the merger agreement.**

THE MERGER

This section of the proxy statement/prospectus describes 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 is attached as Appendix A to this proxy statement/prospectus and is incorporated herein by reference. We urge you to read the merger agreement carefully in its entirety, as it is the legal document that governs the merger and your rights with respect to the merger.

The attached merger agreement is not in any way intended as a document for you to obtain factual information about the current state of affairs of either Ask Jeeves or IAC. This information can be found elsewhere in this proxy statement/prospectus (including the attached appendices) and in the other public filings each of Ask Jeeves and IAC make with the Securities and Exchange Commission, which are available without charge at *www.sec.gov*. The merger agreement contains representations and warranties made by Ask Jeeves, AJI Acquisition Corp and IAC, which are qualified by information in confidential disclosure schedules that the parties exchanged in connection with signing the merger agreement. Although Ask Jeeves, IAC and AJI Acquisition Corp. do not believe that the disclosure schedules contain information that securities laws require us to publicly disclose other than information that has already been so disclosed, the disclosure schedules do contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the attached merger agreement. In addition, representations and warranties may be used as a tool to allocate risks between the parties where the parties do not have complete knowledge of all facts. Accordingly, you should not rely on the representations and warranties in the merger agreement as characterizations of the actual state of facts or condition of the parties, since they may be modified or qualified in important part by information disclosed in the disclosure schedules.

Background to the Merger

On November 4 and 5, 2004, the board of directors of Ask Jeeves held its annual off-site regular meeting at which the board discussed, among other topics, whether it should engage an investment bank to investigate strategic opportunities for the company.

On November 17, 2004, A. George (Skip) Battle, Executive Chairman of the board of Ask Jeeves, met with a representative of Allen & Company LLC to discuss the state of the industry and the competitive landscape in which Ask Jeeves competes.

On December 2, 2004, Mr. Battle, Steve Berkowitz, Chief Executive Officer of Ask Jeeves, and Steve Sordello, Executive Vice President and Chief Financial Officer of Ask Jeeves, met with representatives of Allen & Company to discuss Ask Jeeves' business and its management's view of the industry.

On December 3, 2004, the board of directors of Ask Jeeves held a special meeting at which, among other agenda items, Mr. Battle proposed engaging Allen & Company to review strategic alternatives for the company.

On December 16, 2004, the board of directors of Ask Jeeves held a special meeting at which, among other agenda items, the board discussed Ask Jeeves' various strategies for growth recommended by management.

On December 21, 2004, Messrs. Battle and Berkowitz and Barry Diller, Chairman and Chief Executive Officer of IAC, and Shana Fisher, Senior Vice President, Strategy and M&A of IAC, met to discuss preliminarily a potential transaction. Later that same day, Messrs. Battle and Berkowitz, together with representatives of Allen & Company, met with representatives of a first alternate party at Allen & Company's offices in New York.

On January 10, 2005, Ask Jeeves and IAC signed a non-disclosure agreement and began to exchange non-public information on a confidential basis. During that week, senior executives from Ask Jeeves and IAC met on several occasions to provide detailed explanations of the respective companies' businesses and to continue discussions regarding the possibility of a transaction.

On January 14, 2004, Mark Stein, Senior Vice President for Business Development of Ask Jeeves, and Paul Gardi, Senior Vice President, Strategy, participated in a conference call with representatives of a second alternate party where they focused on a number of prior meetings between the parties over the years and discussed a potential commercial and strategic relationship between the two companies. The parties did not discuss a business combination at that time.

Also on January 14, 2005, the board of directors of Ask Jeeves held a special meeting at which Mr. Battle led a discussion of potential strategic transaction opportunities for Ask Jeeves, including a potential transaction with IAC and an alternate transaction with the first alternate party. Mr. Berkowitz informed the board that he had a meeting scheduled with a third alternate party.

On January 18, 2005, Messrs. Battle and Berkowitz, and Brett Robertson, Executive Vice President, General Counsel and Secretary of Ask Jeeves, met with representatives of Gibson, Dunn & Crutcher LLP, Ask Jeeves' special legal counsel, to discuss potential acquisition transactions. Also on January 18, 2005, Ask Jeeves and the first alternate party signed a non-disclosure agreement and subsequently continued discussions and exchanged non-public information on a confidential basis.

On January 19, 2005, representatives of Allen & Company had a conference call with Victor Kaufman, Vice Chairman of IAC, during which they discussed four possible transaction structures. During this call, representatives of Allen & Company advised Mr. Kaufman that Ask Jeeves would prefer an all-stock transaction, although Ask Jeeves would consider other structures. Mr. Kaufmann also indicated that IAC wanted Ask Jeeves to agree to exclusive discussions with IAC.

On January 20, 2005, a representative of the first alternate party sent to representatives of Allen & Company a nonbinding expression of interest. The expression of interest contemplated two alternate consideration structures, one of which was an all-cash structure and the other of which was a combination of cash and contribution of equity interests of other companies to the capital of Ask Jeeves. Representatives of the first alternate party advised the Allen & Company representatives that for an all-cash transaction, the first alternate party was considering offering Ask Jeeves' stockholders a per share premium ranging from 15% to 25% over the then-closing Ask Jeeves stock price. The first alternate party's expression of interest was not presented as a formal offer, and the first alternate party specified that the proposal was subject to approval by its board and management, as well as to conduct of and completion of due diligence.

Also on January 20, 2005, the Ask Jeeves board of directors held a special meeting at which representatives of Allen & Company presented to the board the financial advisor's preliminary views regarding a possible merger with IAC. Allen & Company also discussed other potential business combinations that could be explored, including a summary of discussions to date with the first alternate party and a description of possible transactions involving the third alternate party. A representative of Allen & Company discussed the preliminary valuation analyses in connection with certain of the proposed transactions, including a potential transaction with IAC. After discussing the matters raised at the meeting, the board directed Allen & Company to continue to negotiate with IAC and the first alternate party, and also determined that entering into exclusive discussions with IAC at that stage would not be appropriate in light of the first alternate party's expression of interest. Representatives of Gibson, Dunn & Crutcher discussed director fiduciary duties under Delaware law in connection with potential business combinations.

From January 22 to January 27, 2005, representatives of Ask Jeeves and IAC and their respective financial advisors continued discussions regarding a potential transaction. IAC agreed to continue

transaction discussions with Ask Jeeves on a non-exclusive basis and delivered a due diligence request list to Ask Jeeves' counsel and financial advisor.

On January 27, 2005, the Ask Jeeves board of directors held a special meeting. Members of senior management, as well as representatives of Ask Jeeves' financial and legal advisors, were in attendance. At the meeting, Ask Jeeves' board discussed potential strategic transactions with the first alternate party, second alternate party and third alternate party. The board resolved to contact Citigroup to discuss their potential engagement to render a second fairness opinion to the board in connection with potential strategic transaction opportunities for Ask Jeeves, including a potential merger with IAC. Also on January 27, 2005, Ask Jeeves formally executed an engagement letter with Allen & Company with respect to financial advisory services related to the various proposed or potential transactions and to render an opinion evaluating the financial fairness of any proposed transaction. After the board meeting, Messrs. Battle and Berkowitz, together with representatives of Allen & Company, met with representatives of the first alternate party, while other representatives of both parties met to discuss technical due diligence matters.

From January 28, 2005 until mid to late February 2005, IAC and its advisors conducted legal, financial, technical and accounting due diligence on Ask Jeeves, based on information and documentation provided to them by Ask Jeeves' advisors. During this period, Ask Jeeves and its advisors also conducted due diligence on IAC.

On January 31, 2005, IAC's counsel sent a draft merger agreement to Ask Jeeves' counsel.

From January 31, 2005 through February 4, 2005, representatives of the first alternate party conducted legal due diligence with respect to Ask Jeeves.

On February 2, 2005, the Ask Jeeves board of directors held a special meeting. Representatives of Allen & Company and Gibson, Dunn & Crutcher LLP, Ask Jeeves' special legal counsel, as well as members of Ask Jeeves senior management, were also in attendance. At the meeting, Mr. Battle updated the board on his conversations with Mr. Diller, a representative of Allen & Company provided a status update on discussions with and financial due diligence by IAC and the first alternate party and Mr. Berkowitz discussed his upcoming scheduled meeting with the third alternate party. A representative of Gibson, Dunn & Crutcher summarized for the board the draft merger agreement circulated by IAC's legal counsel, discussed key issues raised by the draft and updated the board on the legal due diligence process.

On February 4, 2005, representatives of Gibson, Dunn & Crutcher and Wachtell, Lipton, Rosen & Katz, special counsel to IAC, commenced discussions and negotiations relating to the merger agreement.

On February 7, 2005, Messrs. Battle and Berkowitz met with representatives of IAC senior management at Ask Jeeves' offices to discuss the status of due diligence and any matters requiring further investigation by IAC. Also on February 7, 2005, Mr. Battle contacted a representative of Citigroup to discuss the possibility of engaging Citigroup to render an opinion evaluating the financial fairness of any proposed transactions.

On February 9, 2005, Mr. Berkowitz met with representatives of the third alternate party at the third alternate party's offices to discuss a possible transaction.

On February 10, 2005, the Ask Jeeves board of directors held a special meeting. Members of Ask Jeeves senior management, as well as representatives of Ask Jeeves' financial and legal advisors, were also present at the meeting. At the meeting, a representative of Allen & Company reviewed the potential business combinations being explored and then updated the board on the status of negotiations with IAC and the first alternate party. Mr. Berkowitz led a discussion of strategy, cost synergies and timing of the possible transactions being explored, including with parties other than IAC.

and the first alternate party. A representative of Gibson, Dunn & Crutcher discussed specific key unresolved legal and business issues in the draft merger agreement received from IAC. The board also authorized management to engage Citigroup to act as an additional financial advisor to Ask Jeeves and to render an opinion to the board evaluating the financial fairness of any potential strategic transaction opportunities for Ask Jeeves, including a potential merger with IAC.

During the week of February 14, 2005, representatives from Ask Jeeves and IAC continued to discuss the potential transactions, and legal advisors for the two parties continued to negotiate and discuss the draft merger agreement.

On February 18, 2005, Ask Jeeves and the third alternate party signed a non-disclosure agreement, agreeing to keep confidential all non-public information disclosed in connection with evaluating a possible transaction between the parties.

On February 21, 2005, a representative of the third alternate party sent a preliminary due diligence request list to a senior executive at Ask Jeeves.

On February 22, 2005, Mr. Berkowitz and Mr. Diller met in New York to discuss their strategic vision for Ask Jeeves in light of the proposed transaction. Messrs. Berkowitz and Diller also discussed issues relating to operations, corporate culture and general industry and market trends. Mr. Diller expressed to Mr. Berkowitz his desire that Mr. Berkowitz continue as an employee of IAC if the parties were to successfully negotiate and consummate a transaction.

On February 24, 2005, the Ask Jeeves board of directors held a special meeting, which representatives of Allen & Company and Gibson, Dunn & Crutcher also attended. At the meeting, a representative of Allen & Company updated the board on the status of discussions with IAC and the likelihood of receiving a firm offer from IAC in the near future. Mr. Battle led the board in a discussion of Ask Jeeves' ability to further develop business in the industry as an independent company as compared to as a wholly-owned subsidiary of IAC.

On February 24 and 25, 2005, representatives of the third alternate party conducted legal and business due diligence with respect to Ask Jeeves.

On February 28, 2005, Ask Jeeves executed an engagement letter with Citigroup whereby Citigroup agreed to render an opinion evaluating the financial fairness of any proposed transaction and representatives of Citigroup met with representatives of Ask Jeeves to discuss the potential business combination with IAC.

On March 1, 2005, representatives of Ask Jeeves participated in a conference call with representatives of the third alternate party and provided a detailed briefing on Ask Jeeves' business.

On March 3, 2005, the Ask Jeeves board of directors held a special meeting, which representatives of Allen & Company and Gibson, Dunn & Crutcher also attended. Representatives of Allen & Company and Gibson, Dunn & Crutcher updated the board regarding the status of merger agreement negotiations with IAC. The board discussed each of IAC, the first alternate party and the third alternate party.

On March 9, 2005, members of senior management of IAC advised Ask Jeeves' financial advisor that IAC had discussed with the second alternate party the possibility of granting the second alternate party a participation in the acquisition of Ask Jeeves. The next day, a representative of the second alternate party contacted Mr. Berkowitz to discuss the possibility of a business combination between Ask Jeeves and the second alternate party alone.

On March 10, 2005, a representative of the first alternate party contacted a representative of Allen & Company to advise that the first alternate party remained interested in considering acquiring

Ask Jeeves, but noted that the first alternate party's view on valuation had changed negatively and that it was not in a position to move forward with a transaction at that time.

On March 11, 2005, Mr. Diller communicated to Ask Jeeves, through its financial advisor, an offer of 80 million shares of IAC common stock as consideration for acquiring all Ask Jeeves common stock on a fully-diluted basis. This offer was rejected on behalf of Ask Jeeves by a representative of Allen & Company. Later that day, Mr. Kaufman contacted a representative of Allen & Company and indicated that IAC was increasing its offer of 80 million shares to 85 million shares of IAC common stock, and that IAC desired to move quickly to negotiate a definitive agreement at that price.

On March 14, 2005, the Ask Jeeves board of directors held a special meeting, which representatives of Allen & Company, Citigroup and Gibson, Dunn & Crutcher also attended. Representatives of Allen & Company updated the board on activities to date with each of IAC, the first alternate party, the second alternate party and the third alternate party. The board discussed the possible transactions at length.

During the week of March 14, 2005, Mr. Diller informed Mr. Battle that IAC would require that Mr. Berkowitz execute an employment agreement in connection with the transaction. Mr. Diller and Mr. Battle also discussed the possibility of Mr. Battle joining the board of IAC if IAC and Ask Jeeves were to complete a business combination transaction. Messrs. Diller and Battle also agreed that they would postpone discussions relating to a consulting arrangement between Mr. Battle and IAC until completion of the merger.

On March 15, 2005, representatives from Allen & Company, Citigroup and Ask Jeeves engaged in due diligence discussions with representatives of IAC regarding IAC's business segments, strategy, prospects and other due diligence matters. Also on March 15, 2005, IAC's legal counsel circulated a revised draft of the merger agreement.

Also on March 15, 2005, a representative of Allen & Company contacted Mr. Kaufman to inquire whether IAC would be willing to pay a higher price if the transaction were structured as a combination of cash and stock, as opposed to an all-stock structure. In response to this inquiry, Mr. Kaufman proposed an alternate cash and stock structure that Ask Jeeves, with Allen & Company's assistance, ultimately determined to be less preferable than an all-stock structure.

On March 16, 2005, Mr. Battle contacted Mr. Diller to discuss various matters and requested that IAC increase the consideration in the proposed transaction to 88 million shares of IAC common stock. On that same day, senior management of Ask Jeeves met with representatives of the second alternate party at the second alternate party's offices.

On a regular basis from March 16 to March 21, 2005, representatives of IAC and Ask Jeeves, together with their respective legal counsel, continued negotiations relating to the merger agreement.

On March 17, 2005, a representative of the second alternate party contacted a representative of Allen & Company to discuss its possible interest in a transaction with Ask Jeeves. On that same day, a representative of the first alternate party confirmed to a representative of Allen & Company that it still was not in a position to move forward with a transaction at that time.

On March 18, 2005, the Ask Jeeves board of directors held a special meeting at which the board obtained updates from Allen & Company, Citigroup and Gibson, Dunn & Crutcher regarding the status of negotiations with IAC. The directors discussed among themselves and with their financial and legal advisors various open issues on the merger agreement and the proposed purchase price discussed by Messrs. Battle and Diller. During the course of the board meeting, Mr. Diller first contacted a representative of Allen & Company and then contacted Mr. Battle to offer an aggregate of 88 million shares of IAC common stock to acquire Ask Jeeves. Mr. Battle advised Mr. Diller that he would present the proposed price to the full board of directors. The board discussed the increased offer at

length. After the board meeting, Mr. Battle called Mr. Diller and informed him that the Board would agree to the 88 million share offer, but that there were other issues that needed to be resolved in the merger agreement. Over the course of that day and the following days, representatives of IAC and Ask Jeeves, together with their respective legal counsel, participated in conference calls to negotiate a definitive merger agreement.

During the week of March 14, Ask Jeeves and IAC again discussed with the second alternate party a possible commercial relationship with Ask Jeeves, including the possibility of a potential equity participation for the second alternate party at a future time.

On the morning of March 20, 2005, the Ask Jeeves board of directors held a special meeting at which the proposed merger was further discussed and considered. At the meeting, members of Ask Jeeves' senior management and representatives of Ask Jeeves and Ask Jeeves' financial advisors made presentations to the board regarding financial aspects of the proposed merger and each of the financial advisors rendered their respective oral opinions as of March 20, 2005, subsequently confirmed in writing as of March 21, 2005, to the effect that, as of the dates of their respective written opinions and based upon and subject to the various considerations and limitations set forth in those opinions, the exchange ratio in the merger agreement was fair to the Ask Jeeves stockholders from a financial point of view. Ask Jeeves' legal counsel then outlined the principal legal terms and conditions of the proposed merger agreement, certain potential legal risks of the proposed transaction and other legal issues associated with the proposed business combination. Following the financial and legal presentations and the respective oral fairness opinions, and after further discussion, the Ask Jeeves board unanimously approved the merger agreement and determined that the merger and the terms of the merger agreement were advisable, fair to and in the best interests of the Ask Jeeves stockholders.

In the early morning of March 21, 2005 counsel for IAC and Ask Jeeves finalized the merger agreement and related disclosure schedules. Thereafter, the merger agreement was executed by the parties. IAC and Ask Jeeves publicly announced the proposed merger prior to the opening of trading on the NASDAQ National Market on the morning of March 21, 2005.

Recommendation of the Ask Jeeves Board of Directors

Your board of directors has unanimously determined that the merger and the terms of the merger agreement are advisable, fair to and in the best interests of the Ask Jeeves stockholders. **Therefore, your board of directors unanimously recommends that you vote FOR the proposal to adopt the merger agreement.**

Ask Jeeves' Reasons for the Merger

At a special meeting held on March 20, 2005, the Ask Jeeves board of directors unanimously approved the merger agreement, and unanimously determined that the merger and the terms of the merger agreement are advisable, fair to and in the best interest of Ask Jeeves' stockholders.

In determining whether the merger was advisable, the Ask Jeeves board of directors identified a number of potential benefits that could result from the merger, including:

IAC's greater financial and other resources may allow Ask Jeeves' technology and services to be developed and enhanced at a more rapid pace following the merger than Ask Jeeves likely would be able to achieve as an independent company;

IAC's ability to use its extensive resources to continue building Ask Jeeves into one of the great brands on the Internet may accelerate the rate at which Ask Jeeves services and technologies are adopted and accepted in the market. These potential benefits could result from:

promoting the Ask Jeeves search box and results on IAC websites, thereby potentially reaching 44 million unique users per month; and

integrating offers from IAC's leading transaction brands directly into the search results pages;

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the likely improvement to the Ask Jeeves brand as a result of IAC's extensive experience and expertise in developing leading brands;

the potential increase in value to IAC stockholders (and consequently former Ask Jeeves stockholders) as IAC leverages the Ask Jeeves brand to increase traffic to IAC's product and service offerings;

enabling Ask Jeeves' stockholders to participate in the potential benefits of IAC's previously announced proposed spin-off, which is described in greater detail in Appendix E to this proxy statement/prospectus;

beneficial synergies that are expected to be achieved by the merger from the combined research and development efforts of Ask Jeeves and IAC and otherwise;

the combined company's experience, resources and breadth of product offerings may allow it to respond more quickly and effectively to technological change, increased competition and market demands;

the combined company is expected to have access to the skills and resources of both companies' respective management teams;

the belief of the Ask Jeeves board of directors that IAC's financial resources may allow Ask Jeeves to undertake projects or participate in strategic partnerships which entail more short-term financial risk than Ask Jeeves might be willing or able to accept as an independent company, but which could produce long-term rewards or strategic benefits; and

the stock-for-stock structure of the merger, which allows the merger to be treated as a tax-free reorganization for federal income tax purposes.

The Ask Jeeves board of directors also considered a number of additional factors relevant to the merger, including:

historical information concerning the respective businesses, prospects, financial performance and condition, operations, technology, management and competitive positions of IAC and Ask Jeeves, including public reports filed with the SEC concerning results of operations during the most recent fiscal year for each respective company;

Ask Jeeves management's view of the respective financial condition, results of operations and businesses of Ask Jeeves and IAC before and after giving effect to the merger and the proposed spin-off;

current financial market conditions and historical market prices, volatility and trading information with respect to the common stock of Ask Jeeves and the common stock of IAC;

Ask Jeeves' relatively small size and the risks that Ask Jeeves would bear in successfully growing the business, either organically or through strategic acquisitions, if it continued as an independent company;

the risk that Ask Jeeves would not be able to continue to successfully compete in a rapidly consolidating industry if it continued to exist as a smaller independent company;

the relationship between the recent and historical market value of Ask Jeeves common stock and the consideration to be received by Ask Jeeves stockholders in the merger as compared to premiums in other comparable merger transactions;

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the fact that Ask Jeeves had explored strategic transactions with alternative parties but no such party had indicated a willingness to engage in a transaction on terms as favorable as the merger;

the belief that the terms of the merger agreement, including the parties' representations, warranties and covenants, as qualified by the disclosure schedules, and the conditions to their respective obligations, are reasonable for a transaction of this nature;

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the potential for other third parties to enter into strategic relationships with or to acquire Ask Jeeves on terms preferential or superior to those in the proposed merger with IAC;

the financial analyses and information presented by Allen & Company and Citigroup, Ask Jeeves' financial advisors; and

the oral opinions of Ask Jeeves' financial advisors to the Ask Jeeves board of directors on March 20, 2005, subsequently confirmed in writing as of March 21, 2005, that, as of such dates and based upon and subject to the various considerations and assumptions set forth in their respective written opinions, the exchange ratio was fair to the holders of Ask Jeeves common stock, from a financial point of view.

The potential negative factors that Ask Jeeves' board considered included:

the possibility that the merger might not be consummated, and the effect of the public announcement of the merger on:

Ask Jeeves' sales, operating results and stock price;

Ask Jeeves' ability to attract and retain key management, sales and marketing and technical personnel; and

the progress of certain development projects;

the risk that the anticipated synergies and other potential benefits sought in the merger might not be realized;

the risk that if the merger were not consummated, Ask Jeeves might be required to pay to IAC a termination fee of \$68.5 million;

the risk that, notwithstanding the anticipated long-term benefits of the merger, IAC's financial results and stock price might decline in the short term;

the possibility of substantial charges to be incurred in connection with the merger, including costs of integrating the businesses and transaction expenses arising from the merger;

the risk that despite the efforts of IAC, key technical and management personnel might not remain employed by Ask Jeeves after the merger;

the risk that necessary approvals required to complete the merger, including stockholder approvals and antitrust regulatory approvals, might not be obtained;

the risk that the benefits sought in IAC's spin-off of its business into two separate publicly-traded businesses might not be realized; and

various other risks described in the section of this proxy statement/prospectus entitled "Risk Factors" and in the risk factors section included in each company's respective public filings with the SEC.

The foregoing discussion of the information and factors considered by the Ask Jeeves board of directors is intended to be illustrative and not exhaustive, but includes the material reasons and factors considered. In view of the wide variety of reasons and factors considered, the Ask Jeeves board of directors did not find it practical to, and did not, quantify or otherwise assign relative weights to the specified factors considered

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in reaching their determinations or the reasons for such determinations. Individual directors may have given differing weights to different factors or have had different reasons for their ultimate determination. In addition, the Ask Jeeves board of directors did not reach any specific conclusion with respect to any of the factors or reasons considered. Instead, the Ask Jeeves board of directors conducted an overall analysis of the factors and reasons described above and determined that the potential benefits considered outweighed in the aggregate the potential risks or possible negative consequences of the merger.

Opinions of Ask Jeeves' Financial Advisors

Opinion of Allen & Company LLC

The board of directors of Ask Jeeves received from Allen & Company LLC an oral fairness opinion on March 20, 2005, subsequently confirmed in a written fairness opinion dated March 21, 2005, to the effect that the exchange ratio whereby each share of Ask Jeeves common stock will be exchanged for 1.2668 shares of IAC common stock in the merger, was fair as of the respective dates of such opinion from a financial point of view to the holders of Ask Jeeves common stock.

The full text of Allen & Company's written fairness opinion, which sets forth the assumptions made, general procedures followed, matters considered, limits on the review undertaken and methods employed by Allen & Company in arriving at its opinion is attached hereto as Appendix B. The summary of the Allen & Company fairness opinion contained in this proxy statement/prospectus is qualified in its entirety by reference to the full text of such opinion.

Allen & Company's written opinion is addressed to the board of directors of Ask Jeeves in connection with its consideration of the merger agreement and the merger and does not constitute a recommendation as to how you should vote on the merger proposal. You should read the Allen & Company fairness opinion in its entirety.

In arriving at its opinion, Allen & Company:

reviewed trends in the online advertising, marketing services and online search industries;

reviewed and analyzed the terms and conditions of the merger, including the draft merger agreement (which prior to the delivery of its oral opinion had not been executed by the parties);

analyzed certain financial aspects of the merger, including the exchange ratio;

reviewed and analyzed publicly available historical business and financial information relating to Ask Jeeves and IAC as presented in documents filed with the Securities and Exchange Commission;

analyzed selected summary non-public financial and operating results of operations of Ask Jeeves, including Ask Jeeves' forecast and budget for 2005;

analyzed the financial conditions and business prospects of Ask Jeeves and IAC;

reviewed and analyzed public information, including certain stock market data and financial information relating to selected companies with businesses which Allen & Company deemed comparable to those of Ask Jeeves;

reviewed the trading histories of the common stock of Ask Jeeves and IAC and their relation to those of companies which Allen & Company deemed comparable to Ask Jeeves and IAC and selected market indices;

analyzed the market multiples of Ask Jeeves and IAC in relation to certain selected companies which Allen & Company deemed comparable to Ask Jeeves and IAC;

conferred with the management teams of each of IAC and Ask Jeeves;

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reviewed public financial and transaction information, including premiums paid, relating to selected mergers which Allen & Company deemed comparable to the merger; and

conducted such other financial analyses and investigations as Allen & Company deemed necessary or appropriate for the purposes of the opinion expressed herein.

Allen & Company's opinion was necessarily based upon market, economic and other conditions as they existed on, and could be evaluated as of, the date of its opinion. Allen & Company's opinion does not provide or imply any conclusion as to the likely trading range of any security issued by any party following the approval of the merger. These may vary depending upon, among other factors, changes in

interest rates, market conditions, general economic conditions and other factors that generally influence the price of securities.

In rendering its opinion, Allen & Company relied upon and assumed the accuracy and completeness of all of the financial and other information that was available to it from public sources or that was provided to it on behalf of Ask Jeeves, IAC or their respective representatives, or that was otherwise reviewed by Allen & Company. With respect to budgetary information, Allen & Company assumed that such information had been reasonably prepared in good faith reflecting the best currently available estimates and judgments of IAC and Ask Jeeves. For purposes of its opinion, Allen & Company assumed the merger would have the tax, accounting and legal effects contemplated by the merger agreement.

As of the date of its opinion, Allen & Company and its affiliates were stockholders in IAC and Ask Jeeves, and Donald R. Keough, Chairman of Allen & Company, also served as a director of IAC. In addition, in the ordinary course of its business as a broker-dealer and market maker, Allen & Company may have long or short positions, either on a discretionary or nondiscretionary basis, for its own account or for those of its clients, in the securities of IAC and Ask Jeeves.

Further, Allen & Company has been engaged by IAC (and its predecessors) to render financial advisory services from time to time in the past on several separate transactions for which Allen & Company has received customary fees. In addition, Allen & Company from time to time acts as agent for IAC in effecting open market purchases of IAC stock (including purchases described in "Recent Developments IAC Recent Developments" on page 20 of this proxy statement/prospectus) for which Allen & Company receives customary commissions. It is contemplated that Allen & Company will be available to provide investment banking and related services to IAC in the future on other engagements, for which Allen & Company would be compensated.

The following is a summary of the material analyses Allen & Company performed while preparing its fairness opinion.

Analysis of the Historical Trading Activity of Ask Jeeves Common Stock and IAC Common Stock

Allen & Company analyzed the historical price and trading activity of Ask Jeeves common stock and IAC common stock. For the twelve months ended March 18, 2005, the last trading day prior to the public announcement of the execution of the merger agreement, the closing price of Ask Jeeves common stock ranged from \$21.77 to \$44.05, with an average daily volume of approximately 4.4 million shares. For the 90 trading days ended March 18, 2005, the closing price of Ask Jeeves common stock ranged from \$21.77 to \$30.04, with an average daily volume of approximately 4.2 million shares. For the ten trading days ended March 18, 2005, the closing price of the Ask Jeeves common stock ranged from \$22.97 to \$24.85, with an average daily volume of approximately 2.4 million shares.

Allen & Company also examined the general trading pattern of Ask Jeeves common stock and the trading patterns of the stock of other companies which Allen & Company deemed comparable to Ask Jeeves.

The closing price of \$24.24 of Ask Jeeves common stock on March 18, 2005 was, in Allen & Company's analysis, determined to be a representative price for Ask Jeeves common stock.

For the twelve months ended March 18, 2005, the last trading day prior to the public announcement of the execution of the merger agreement, the closing price of IAC common stock ranged from \$19.18 to \$34.29, with an average daily volume of approximately 5.9 million shares. For the 90 trading days ended March 18, 2005, the closing price of the IAC common stock ranged from \$21.92 to \$27.92, with an average daily volume of approximately 4.8 million shares. For the ten trading days ended March 18, 2005, the closing price of the IAC common stock ranged from \$22.29 to \$23.31, with an average daily volume of approximately 3.9 million shares.

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Allen & Company also examined the general trading pattern for IAC common stock and the trading patterns of the stock of other companies which Allen & Company deemed comparable to IAC.

The closing price of \$22.29 of IAC common stock on March 18, 2005 was, in Allen & Company's analysis, determined to be a representative price for IAC common stock.

Analysis of IAC Based on its Business Segments

Allen & Company also analyzed the value of IAC as the sum of the values of each of its business segments. For each of IAC's business segments, Allen & Company determined a range of enterprise value to 2005 operating income before amortization multiples based on published reports of Wall Street analysts and then multiplied the projected 2005 operating income before amortization for each business segment by those multiples at the high and low ends of the range to determine the value of each business segment. Allen & Company then added those values and made certain adjustments to determine the implied equity value of IAC. The following table shows the results of this analysis:

Based on this analysis and the \$22.29 closing price of IAC common stock on March 18, 2005, the last trading day before the public announcement of the execution of the merger agreement, Allen & Company concluded that the IAC common stock was trading below the implied aggregate equity value of its business segments.

| | OIBA Multiple Range(1) | | 2005 OIBA | Valuation Range | |
|--|---------------------------------------|-------------|----------------------|------------------------|-------------|
| | Low | High | | Low | High |
| \$ In Millions, Except Per Share Information | | | | | |
| Travel | 15.0x | 19.0x | \$ 715 | \$ 10,725 | \$ 13,585 |
| HSN | 10.0x | 14.0x | 213 | 2,130 | 2,982 |
| Cornerstone Brands(2) | 9.9x | 9.9x | 73 | 720 | 720 |
| HSN International | 12.0x | 14.0x | 50 | 600 | 700 |
| Ticketing | 11.0x | 14.0x | 176 | 1,936 | 2,464 |
| Personals | 14.0x | 17.5x | 34 | 476 | 595 |
| Local Services | 12.0x | 14.0x | 35 | 420 | 490 |
| Financial Services & Real Estate | 14.0x | 20.0x | 30 | 420 | 600 |
| Teleservices | 9.0x | 14.0x | 26 | 234 | 364 |
| Interactive Development(3) | 13.1x | 16.6x | (8) | (105) | (133) |
| Corporate(3) | 13.1x | 16.6x | (90) | (1,176) | (1,498) |
| Total | | | \$ 16,381 | \$ 20,869 | |
| Less: Long-Term Obligations and Short-Term Borrowings | | | (1,362) | (1,362) | |
| Less: Series A Preferred Stock | | | (655) | (655) | |
| Plus: Cash and Equivalents | | | 437 | 437 | |
| Plus: Marketable Securities | | | 2,410 | 2,410 | |
| Plus: Long Term Investments | | | 1,609 | 1,609 | |
| Plus: Preferred Interest Exchangeable for Common Stock | | | 1,429 | 1,429 | |
| Implied Equity Value | | | 20,249 | 24,737 | |
| Dilutive Shares Outstanding (Treasury Method Based on Implied Price) | | | 764.4 | 774.8 | |
| Implied Price | | | \$ 26.49 | \$ 31.93 | |

**OIBA
Multiple
Range(1)**

- (1) Based on Wall Street analyst sum-of-parts analyses for IAC published since announcement of the spin-off (Goldman 12/21/04, CIBC World Markets 2/17/05, Citigroup 2/16/05, Legg Mason 2/16/05 and Merrill Lynch 1/24/05).
- (2) Valued at cost of acquisition.
- (3) Corporate and Interactive Development multiple range equal to weighted average multiple implied by multiples listed for other assets.

Analysis of Premiums Paid in Comparable Merger Transactions

In its oral presentation to the board of directors of Ask Jeeves as to the fairness of the merger from a financial point of view to the holders of Ask Jeeves common stock on March 20, 2005, Allen & Company based its analyses on an assumed exchange ratio of 1.270. This 1.270 exchange ratio was based on a calculation of the number of outstanding shares of Ask Jeeves common stock that did not include certain restricted stock units issued to members of Ask Jeeves management or shares of common stock potentially issuable pursuant to the Ask Jeeves employee stock purchase plan. Allen & Company noted in its oral presentation that if all of those restricted stock units and employee stock purchase plan shares were to be included in the calculation of outstanding shares of Ask Jeeves common stock, the exchange ratio could decrease to as low as 1.266. However, Allen & Company concluded and advised the board of directors that even if the exchange ratio were 1.266, the difference between 1.270 and 1.266 would not affect Allen & Company's analyses, conclusions or Allen & Company's overall opinion as to the fairness of the exchange ratio to Ask Jeeves stockholders from a financial point of view. The 1.270 to 1.266 range of exchange ratios analyzed and discussed by Allen & Company in connection with its March 20, 2005 oral fairness opinion was based on the best information then available to Ask Jeeves and Allen & Company as to the potential exchange ratio being negotiated.

The exchange ratio of 1.2668 ultimately agreed to between Ask Jeeves and IAC fell within the expected range as contemplated by Allen & Company in its oral presentation and thus was consistent with Allen & Company's analyses, conclusions and overall opinion as to the fairness of the exchange ratio to Ask Jeeves stockholders from a financial point of view. The calculations in this summary of Allen & Company's fairness opinion analyses are based on the final exchange ratio of 1.2668 reflected in the executed merger agreement.

Analysis of Premium Reflected in the Exchange Ratio

Allen & Company analyzed the proposed premium to be paid in the merger based on the final exchange ratio of 1.2668. Based on the closing trading prices of Ask Jeeves common stock and IAC common stock on March 18, 2005, the last trading day before the announcement of the execution of the merger agreement, the exchange ratio of 1.2668 represents a premium to the closing price of Ask Jeeves common stock on March 18, 2005, the last trading day before the announcement of the execution of the merger agreement, of 16.5% and a premium to the 30-trading-day trailing average prior to the announcement of 19.5%. In addition, the exchange ratio of 1.2668 is 22.9% higher than the 1.0311 exchange ratio implied by the trailing 30-trading-day average closing prices for Ask Jeeves and IAC as of March 18, 2005.

Allen & Company identified and analyzed the premiums paid in approximately 100 merger transactions valued between \$1.5 billion and \$3 billion which occurred from January 1, 2000 to March 12, 2005 involving public acquirors and public targets, and Allen & Company also separately analyzed the premiums paid in those comparable merger transactions which were stock-for-stock transactions. Allen & Company did this analysis to determine premiums paid in these transactions over

the applicable stock price of the target company one day and one month prior to announcement of the acquisition offer. The following graphs show the results of these analyses:

Stock-for-Stock Deals

All Deals

Based on these analyses, Allen & Company concluded that the exchange ratio of 1.2668 indicates a premium to the market price of Ask Jeeves common stock within the estimated range of premiums paid in the comparable merger transactions.

Analysis of Multiples Paid in Comparable Merger Transactions

Allen & Company determined the enterprise value of the merger by subtracting the approximately \$109 million of net cash of Ask Jeeves as of March 18, 2005 from the equity value of the merger (which was \$1.962 billion, the product of (i) the number of shares of IAC common stock to be issued to Ask Jeeves common stock holders in the merger implied by the exchange ratio of 1.2668 and (ii) \$22.29, the closing price of IAC common stock on March 18, 2005), and the result was approximately \$1.853 billion. Allen & Company then calculated the enterprise value of the merger as a multiple of Ask Jeeves' actual fiscal year 2004 and Thompson First Call Research consensus projections for 2005 and 2006 earnings before interest, tax, depreciation and amortization expenses.

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The analysis indicated the following multiples (dollars in millions):

| | Enterprise Value of the Merger | Ask Jeeves EBITDA | Implied EV to EBITDA Multiple |
|------|--------------------------------------|----------------------|-------------------------------------|
| 2004 | \$ 1,853 | \$ 85 | 21.9x |
| 2005 | 1,853 | 120 | 15.4x |
| 2006 | 1,853 | 154 | 12.0x |

Allen & Company then compared the enterprise value to EBITDA multiples implied by the Merger to the enterprise value to EBITDA multiples paid in the comparable merger transactions. The following graphs show that the enterprise value to EBITDA multiple implied by the merger falls within the 40th to 50th percentile of the enterprise value to last twelve months EBITDA multiples paid in the comparable merger transactions and within the 30th to 40th percentile of the enterprise value to forward twelve months EBITDA multiples paid in the comparable merger transactions.

Multiples Paid in Comparable Merger Transactions

Analysis of Selected Comparable Merger Transaction Premiums Applied to Market Multiples of Comparable Companies

Allen & Company also compared the enterprise value to projected 2005 EBITDA multiple implied by the merger of 15.4x to a range of projected enterprise value to 2005 EBITDA multiples indicated by applying the average one day and one month premiums paid in the comparable merger transactions to a range of the enterprise value to projected 2005 EBITDA multiples of seven companies which Allen & Company deemed comparable to Ask Jeeves. Those comparable companies were:

Infospace
CNET Networks
DoubleClick
ValueClick
aQuantive
FindWhat.com
24/7 Real Media

The following table shows the results of this analysis:

| Comparable Companies | EV/2005 EBITDA | Average Comparable Merger Transaction Premium | | Premium Multiple Using Premium for | |
|----------------------|----------------|--|---------|---------------------------------------|---------|
| | | 1 Day | 1 Month | 1 Day | 1 Month |
| Low | 6.0 | 25.9% | 34.2% | 7.5x | 8.0x |
| Mean | 13.3x | 25.9% | 34.2% | 16.7x | 17.8x |
| High | 21.5x | 25.9% | 34.2% | 27.1x | 28.9x |

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Based on these analyses, Allen & Company concluded that the exchange ratio of 1.2668 implies an enterprise value to EBITDA multiple which is within the range of multiples indicated by applying the average premiums paid in the comparable merger transactions to current enterprise value to projected 2005 EBITDA multiples of comparable companies.

Potential Operating Income Before Amortization Dilution Analysis

Allen & Company performed an analysis of potential dilution to operating income before amortization per share of IAC common stock if the merger were to occur. This analysis indicated that the merger would be slightly dilutive to the holders of IAC common stock.

General Matters Regarding Allen & Company Fairness Opinion

The preparation of a fairness opinion is not susceptible to partial analysis or summary description. Allen & Company believes that its analyses and the summary set forth above must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all analyses and factors, could create an incomplete view of the processes underlying the analysis set forth in its opinion. Allen & Company has not indicated that any of the analyses which it performed had a greater significance than any other.

In determining the appropriate analyses to conduct and when performing those analyses, Allen & Company made numerous assumptions with respect to industry performance, general business, financial, market and economic conditions and other matters, many of which are beyond the control of Ask Jeeves. The estimates contained in the analyses which Allen & Company performed are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by the analyses. The analyses were prepared solely as part of Allen & Company's analysis of the fairness from a financial point of view of the exchange ratio to the holders of Ask Jeeves common stock. The analyses are not appraisals and do not reflect the prices at which any securities may trade at the present time or at any time in the future.

Allen & Company is a nationally recognized investment banking firm that is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, recapitalizations, negotiated underwriting, competitive bids, secondary distributions of listed and unlisted securities, private placements, assessments of the fairness of transactions from a financial point of view and valuations for estate, corporate and other purposes. The board of directors of Ask Jeeves retained Allen & Company based on such qualifications.

The board of directors of Ask Jeeves entered into an engagement letter agreement with Allen & Company as of January 27, 2005, pursuant to which Allen & Company agreed to act as financial advisor to Ask Jeeves in connection with certain potential business combination transactions, including the merger with IAC, and to render an opinion as to the fairness from a financial point of view of the exchange ratio to the holders of Ask Jeeves common stock. Under the engagement letter, a fee of \$1 million was payable to Allen & Company upon delivery of its opinion, which amount will be credited against a success fee which Ask Jeeves will pay to Allen & Company upon consummation of the merger. Ask Jeeves also has agreed to reimburse Allen & Company for its travel and out-of-pocket expenses reasonably and actually incurred in connection with the performance of Allen & Company's services under the engagement letter, including the reasonable fees and disbursements of its legal counsel, and to provide customary indemnification to Allen & Company against certain liabilities and expenses in connection with its engagement.

Opinion of Citigroup Global Markets Inc.

Citigroup Global Markets Inc. was retained to act as financial advisor to Ask Jeeves in connection with the merger. Pursuant to Ask Jeeves' engagement letter agreement with Citigroup, dated February 28, 2005, Citigroup gave an oral opinion on March 20, 2005 to the Ask Jeeves board of directors as to the fairness of the proposed exchange ratio from a financial point of view to the holders of Ask Jeeves common stock. In its oral opinion, Citigroup based its analyses on an assumed exchange ratio of 1.270. This 1.270 exchange ratio was based on a calculation of the number of outstanding shares of Ask Jeeves common stock that did not include certain restricted stock units issued to members of Ask Jeeves management or shares of common stock potentially issuable pursuant to the Ask Jeeves employee stock purchase plan. In arriving at its oral opinion, Citigroup noted that if all of those restricted stock units and employee stock purchase plan shares were to be included in the calculation of outstanding shares of Ask Jeeves common stock, the exchange ratio could decrease to as low as 1.266 in light of the proposed aggregate consideration. The possible exchange ratios analyzed and discussed by Citigroup in connection with its March 20, 2005 oral fairness opinion were based on the best information then available to Ask Jeeves and Citigroup as to the potential exchange ratio being negotiated. Subsequent to the delivery of its oral opinion, Citigroup delivered a written opinion to the Ask Jeeves board of directors dated as of March 21, 2005, to the effect that, as of the date of the opinion, and based upon and subject to the considerations and limitations set forth in the opinion, Citigroup's work described below and other factors Citigroup deemed relevant, the exchange ratio of 1.2668 was fair, from a financial point of view, to the holders of Ask Jeeves common stock.

The full text of Citigroup's opinion, which sets forth the assumptions made, general procedures followed, matters considered and limits on the review undertaken, is included as Appendix C to this document. The summary of Citigroup's opinion set forth below is qualified in its entirety by reference to the full text of the opinion. **You are urged to read the Citigroup opinion carefully and in its entirety.**

Citigroup's opinion was limited solely to the fairness of the exchange ratio from a financial point of view as of the date of the opinion. Neither Citigroup's opinion nor the related analyses constituted a recommendation of the proposed merger to the Ask Jeeves board of directors. Citigroup makes no recommendation to any stockholder regarding how such stockholder should vote with respect to the merger.

In arriving at its opinion, Citigroup reviewed the merger agreement and held discussions with certain senior officers, directors and other representatives and advisors of Ask Jeeves and certain senior officers of IAC concerning the business, operations and prospects of Ask Jeeves and IAC. Citigroup examined certain publicly available business and financial information relating to Ask Jeeves and IAC as well as certain financial forecasts and other information and data relating to Ask Jeeves and IAC which were provided to, or otherwise reviewed by or discussed with, Citigroup by the respective managements of Ask Jeeves and IAC. Citigroup reviewed the financial terms of the merger as set forth in the merger agreement in relation to, among other things:

current and historical market prices and trading volumes of Ask Jeeves common stock and IAC common stock;

the historical earnings and other operating data of Ask Jeeves and IAC;

the projected earnings and other operating data of Ask Jeeves and IAC from various equity research reports as well as projections published by Thomson First Call Research; and

the capitalization and financial condition of Ask Jeeves and IAC.

Citigroup considered, to the extent publicly available, the financial terms of certain other transactions effected which Citigroup considered relevant in evaluating the merger and analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations Citigroup considered relevant in evaluating those of Ask Jeeves and IAC. Citigroup also evaluated certain pro forma financial effects of the merger on IAC. In addition to the

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foregoing, Citigroup conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as Citigroup deemed appropriate in arriving at its opinion.

In rendering its opinion, Citigroup assumed and relied, without independent verification, upon the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with it and upon the assurances of the managements of Ask Jeeves that they were not aware of any relevant information that had been omitted or remained undisclosed to Citigroup. With respect to forecasted information and data relating to Ask Jeeves provided to or otherwise reviewed by or discussed with it, Citigroup was advised by the management of Ask Jeeves that such information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of Ask Jeeves as to the matters covered thereby. With respect to forecasted information and data relating to IAC provided to or otherwise discussed with it, Citigroup was advised by IAC that they are reasonable forecasts and estimates of the expected future results and operations and financial condition of IAC. Citigroup assumed, with the consent of the Ask Jeeves board of directors, that the financial results reflected in such forecasts and other information and data will be realized in the amounts and at the times projected. Citigroup assumed, with the consent of the Ask Jeeves board of directors, that the merger will be consummated in accordance with the terms of the merger agreement, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the merger, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on Ask Jeeves and IAC or the contemplated benefits of the merger. Citigroup also assumed, with the consent of the Ask Jeeves board of directors, that the merger will be treated as a tax-free reorganization for federal income tax purposes.

Citigroup noted that its opinion relates in part to the relative values of Ask Jeeves and IAC. Citigroup did not express any opinion as to what the value of the IAC common stock actually will be when issued pursuant to the merger or the price at which the IAC common stock will trade at any time. Citigroup did not make and was not provided with an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Ask Jeeves and IAC nor did Citigroup make any physical inspection of the properties or assets of Ask Jeeves and IAC.

In connection with rendering its opinion, Citigroup was not requested to, and did not, participate in the negotiation or structuring of the merger, nor was Citigroup requested to, and Citigroup did not, solicit third party indications of interest in the possible acquisition of all or a part of Ask Jeeves; however, Citigroup was informed by management of Ask Jeeves that such an inquiry was conducted and of the results of such inquiries. Citigroup expresses no view as to, and Citigroup's opinion does not address, the relative merits of the merger as compared to any alternative business strategies that might exist for Ask Jeeves or the effect of any other transaction in which Ask Jeeves might engage. Citigroup's opinion was necessarily based upon information available to it, and financial, stock market and other conditions and circumstances existing, as of the date of its opinion.

In connection with rendering its opinion, Citigroup made a presentation to the Ask Jeeves board of directors on March 20, 2004 with respect to the material analyses performed by Citigroup in evaluating the fairness to Ask Jeeves of the exchange ratio. Citigroup subsequently delivered a written presentation to the Ask Jeeves board of directors dated March 21, 2005 updating the presentation delivered on March 20, 2005 to take into account the final exchange ratio of 1.2668. The following is a summary of that presentation. The summary includes information presented in tabular format. **In order to understand fully the financial analyses used by Citigroup, these tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.** The following quantitative information, to the extent it is based on market data, is, except as otherwise indicated, based on market data as it existed at or prior to March 18, 2005, the last trading

day before the public announcement of the execution of the merger agreement, and is not necessarily indicative of current or future market conditions.

Historical Exchange Ratio Analysis

Citigroup calculated the exchange ratio of the closing price per share of Ask Jeeves common stock to the closing price per share of IAC common stock on March 18, 2005, the last full trading day before the announcement of the execution of the merger agreement, and the high, low and average historical exchange ratios of the closing price per share of Ask Jeeves common stock to the closing price per share of IAC common stock for the ten, thirty, sixty, and ninety trading days, and the six-month and twelve-month periods, in each case ending March 18, 2005. Citigroup compared these derived historical exchange ratios to the exchange ratio in the merger of 1.2668x. The results of this analysis are set forth below:

| Time Period | High | Low | Average | 1.2668x as a Premium to Average |
|--------------------------|-------------|------------|----------------|--|
| Current (March 18, 2005) | 1.0875x | 1.0875x | 1.0875x | 16.5% |
| Last Ten Trading Days | 1.1030x | 0.9948x | 1.0558x | 20.0% |
| Last Thirty Trading Days | 1.1030x | 0.9522x | 1.0335x | 22.6% |
| Last Sixty Trading Days | 1.2154x | 0.9522x | 1.0629x | 19.2% |
| Last Ninety Trading Days | 1.2154x | 0.9347x | 1.0516x | 20.5% |
| Last Six Months | 1.8531x | 0.9347x | 1.1735x | 8.0% |
| Last Twelve Months | 1.8531x | 0.9347x | 1.1706x | 8.2% |

Ask Jeeves Comparable Companies Valuation

Citigroup compared financial, operating and stock market data and forecasted financial information for selected publicly traded Internet companies that Citigroup deemed appropriate with similar information for Ask Jeeves on a stand-alone basis. Citigroup divided the selected comparable companies into two groups: (a) Internet companies with similar scale, growth and profitability to Ask Jeeves which are referred to as Tier 1 comparables, and (b) leading Internet search companies. The selected comparable companies considered by Citigroup were:

Tier 1 comparables:

Infospace, Inc.;

ValueClick, Inc.;

aQuantive, Inc.; and

Shopping.com Ltd.

Leading Internet Search Companies:

Google Inc.; and

Yahoo! Inc.

The forecasted financial information used by Citigroup in the course of this analysis was based on projections from various equity research reports as well as projections published by Thomson First Call Research. Thomson First Call Research compiles summaries of financial forecasts published by various equity research firms. The historical financial information used by Citigroup in the course of this analysis was based on publicly available historical information. With respect to Ask Jeeves and the comparable companies, calculations were made based on

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the closing price per share of each company's stock as of March 18, 2005, the last trading day before the announcement of the merger.

For each of the selected comparable companies and Ask Jeeves, Citigroup derived and compared firm value as a multiple of:

estimated revenue for each of calendar years 2005 and 2006; and

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estimated earnings before interest, taxes, depreciation and amortization (EBITDA) for each of calendar years 2005 and 2006.

Firm value was calculated as the sum of the value of:

all shares of common stock, assuming the exercise of all in-the-money options, warrants and convertible securities outstanding, less the proceeds from such exercise (which we refer to in this section of the proxy statement/prospectus as "equity value"); plus

non-convertible indebtedness; plus

non-convertible preferred stock; plus

minority interest; plus

out-of-the-money convertibles; minus

investments in unconsolidated affiliates and cash and cash equivalents.

For the purposes of the comparable companies analysis, Citigroup adjusted EBITDA for Ask Jeeves and each of the comparable companies to exclude unusual and non-recurring items.

The results of this analysis were as follows:

Firm Value as a Multiple of:

| | 2005 Estimated EBITDA | 2006 Estimated EBITDA | 2005 Estimated Revenue | 2006 Estimated Revenue |
|--|--------------------------|--------------------------|---------------------------|---------------------------|
| Ask Jeeves | 13.0x | 10.2x | 4.1x | 3.4x |
| Tier 1 Comparables | | | | |
| Low | 11.1x | 7.5x | 2.7x | 2.1x |
| Mean/Median | 14.0x/14.2x | 10.2x/10.8x | 3.0x/3.1x | 2.5x/2.5x |
| High | 16.4x | 11.8x | 3.2x | 2.7x |
| Leading Internet Search Companies | | | | |
| Low | 24.7x | 18.1x | 11.9x | 9.5x |
| Mean/Median | 27.2x/27.2x | 20.1x/20.1x | 13.8x/13.8x | 10.6x/10.6x |
| High | 29.6x | 22.2x | 15.8x | 11.6x |

IAC Comparable Companies Valuation

Citigroup compared financial, operating and stock market data and forecasted financial information for selected publicly traded Internet and media companies that Citigroup deemed appropriate with similar information for IAC on a stand-alone basis. Citigroup divided the selected comparable companies into three groups: (a) leading Internet companies, (b) Internet travel companies, and (c) diversified media companies. The selected comparable companies considered by Citigroup were:

Leading Internet Companies:

Amazon.com, Inc.;

EBay Inc.;

Google Inc.; and

Yahoo! Inc.

Internet Travel Companies:

priceline.com Incorporated

Diversified Media Companies:

The Walt Disney Company;

Time Warner Inc.; and

Viacom Inc.

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The forecasted financial information used by Citigroup in the course of this analysis was based on projections from various equity research reports as well as projections published by Thomson First Call Research. The historical financial information used by Citigroup in the course of this analysis was based on publicly available historical information. With respect to IAC and the comparable companies, calculations were made based on the closing price per share of each company's stock as of March 18, 2005, the last trading day before the announcement of the execution of the merger agreement.

For each of the selected comparable companies and IAC, Citigroup derived and compared:

firm value as a multiple of:

estimated revenue for each of calendar years 2005 and 2006 and

estimated EBITDA for each of calendar years 2005 and 2006; and

stock price, as of March 18, 2005, as a multiple of estimated earnings per share for calendar years 2005 and 2006.

For the purposes of the comparable companies analysis, Citigroup adjusted EBITDA and earnings per share for IAC and the selected comparable companies to exclude unusual and non-recurring items. In making calculations for IAC, Citigroup adjusted financial statement data for IAC pro forma for \$720 million net cash resulting from IAC's acquisition of Cornerstone Brands Inc. announced on March 1, 2005.

The results of this analysis were as follows:

| | Firm Value as a Multiple of: | | | | Stock Price | |
|-----------------------------|------------------------------|-----------------------------|------------------------------|------------------------------|--|--|
| | 2005 Estimated EBITDA | 2006 Estimated EBITDA | 2005 Estimated Revenue | 2006 Estimated Revenue | 2005 Estimated Earnings Per Share | 2006 Estimated Earnings Per Share |
| | IAC | 11.6x | 9.5x | 1.9x | 1.7x | 21.6x |
| Comparable Companies | | | | | | |
| Low | 9.7x | 7.7x | 0.9x | 0.9x | 19.5x | 16.3x |
| Median | 21.3x | 15.7x | 2.6x | 2.5x | 28.6x | 23.8x |
| Mean | 19.5x | 15.5x | 6.0x | 4.8x | 33.8x | 27.1x |
| High | 29.6x | 23.6x | 15.8x | 11.6x | 59.8x | 45.8x |

Precedent Transactions Analysis

Citigroup reviewed publicly available information for:

five merger and acquisition transactions announced since October 10, 2002 in the Internet industry with transaction values between \$576 million and \$1.946 billion; and

five merger and acquisition transactions announced since February 19, 2002 in the Internet travel industry with transaction values between \$685 million and \$6.675 billion.

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The selected precedent transactions reviewed by Citigroup were:

| Transaction (Target/Acquiror) | Announcement Date |
|---|--------------------|
| Internet Industry Transactions | |
| Kelkoo S.A. / Yahoo! Inc. | March 26, 2004 |
| Overture Services, Inc. / Yahoo! Inc. | July 14, 2003 |
| LendingTree, Inc. / USA Interactive | May 5, 2003 |
| Ticketmaster / USA Interactive | October 10, 2002 |
| PayPal, Inc. / eBay Inc. | July 8, 2002 |
| Internet Travel Industry Transactions | |
| Orbitz, Inc. / Cendant Corporation | September 29, 2004 |
| Hotwire, Inc. / USA Interactive | September 22, 2003 |
| Hotels.com / USA Interactive | April 10, 2003 |
| Expedia, Inc. / USA Interactive | March 19, 2003 |
| Travelocity.com Inc. / Sabre Holdings Corporation | February 19, 2002 |

For the selected Internet industry transactions noted above as a group, the selected Internet travel industry transactions noted above as a group and the merger, Citigroup derived and compared, among other things:

the ratio of transaction value to the target company's estimated EBITDA for each of calendar year 2005 and 2006; and

the ratio of transaction value to the target company's estimated revenue for each of calendar year 2005 and 2006.

With respect to the selected Internet industry transactions, Citigroup did not consider financial data relating to the PayPal, Inc. / eBay Inc. transaction announced on July 8, 2002 due to Paypal, Inc.'s significantly higher expected revenue growth. With respect to information relating to the Travelocity.com / Sabre Holdings Corporation transaction announced on February 19, 2002, transaction statistics were based on the announced deal terms as of March 18, 2002.

With respect to the financial information for the companies involved in the selected precedent transactions, Citigroup relied on information available in public documents, various equity research reports and projections published by Thomson First Call Research. Transaction value was defined as:

equity value of the target company; plus

indebtedness; plus

minority interest; minus

investments in unconsolidated affiliates and cash and cash equivalents.

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The results of this analysis were as follows:

Transaction Value

| | 2005 Estimated EBITDA | 2006 Estimated EBITDA | 2005 Estimated Revenue | 2006 Estimated Revenue |
|--|--------------------------|--------------------------|---------------------------|---------------------------|
| Ask Jeeves / IAC | 15.4x | 12.1x | 4.8x | 4.0x |
| Internet Transactions | | | | |
| Low | 13.9x | 10.0x | 1.5x | 1.2x |
| Median | 17.1x | 10.7x | 3.6x | 2.4x |
| Mean | 18.0x | 11.6x | 3.6x | 2.4x |
| High | 24.0x | 14.0x | 5.8x | 3.6x |
| Internet Travel Industry Transactions | | | | |
| Low | 17.0x | 14.1x | 2.4x | 2.0x |
| Median | 25.7x | 17.3x | 3.6x | 3.1x |
| Mean | 24.4x | 17.8x | 4.4x | 3.5x |
| High | 29.5x | 22.5x | 7.9x | 6.0x |

Premiums Paid Analysis

Citigroup also reviewed publicly available information for sixteen merger and acquisition transactions announced since the beginning of calendar year 2003 in the technology industry with transaction values between \$1 billion and \$3 billion.

The selected precedent technology transactions reviewed by Citigroup were:

| Transaction (Target/Acquiror) | Announcement Date |
|--|--------------------|
| Technology Industry Transactions | |
| Ascential Software Corporation / International Business Machines Corporation | March 14, 2005 |
| Siliconix Incorporated / Vishay Intertechnology, Inc. | March 3, 2005 |
| Terra Lycos, S.A. / Telefónica, S.A. | February 10, 2005 |
| Bellsystem24, Inc. / NPI Holdings, Inc. | November 26, 2004 |
| Internet Auction Inc. / eBay Inc. | August 31, 2004 |
| National Processing, Inc. / Bank of America Corporation | July 13, 2004 |
| Advanced Fibre Communications, Inc. / Tellabs, Inc. | May 20, 2004 |
| ChipPAC Inc. / ST Assembly Test Services Ltd. | February 10, 2004 |
| Ambit Microsystems Corporation / Hon Hai Precision Ind. Co., Ltd. | November 6, 2003 |
| Documentum, Inc. / EMC Corporation | October 14, 2003 |
| The Titan Corporation / Lockheed Martin Corporation | September 15, 2003 |
| Overture Services, Inc. / Yahoo! INC. | July 14, 2003 |
| Legato Systems, Inc. / EMC Corporation | July 8, 2003 |
| Sumisho Computer Systems Corporation / Sumitomo Corporation | June 19, 2003 |
| J.D. Edwards & Company / PeopleSoft, Inc. | June 2, 2003 |
| Fidelity National Information Solutions, Inc. / Fidelity National Financial, Inc. | May 23, 2003 |

With respect to the selected technology industry transactions as a group, Citigroup derived and compared to similar information for Ask Jeeves, the low, mean, median and high implied premium paid or proposed to be paid per common share based on the closing price per common share of the

target company's common stock one day, one week and four weeks prior to announcement of the transaction. The results of this analysis were as follows:

| | Premium to Target Closing Stock Price One Day Prior to Announcement | Premium to Target Closing Stock Price One Week Prior to Announcement | Premium to Target Closing Stock Price Four Weeks Prior to Announcement |
|--------------------------------|--|---|---|
| Ask Jeeves / IAC | 16.5% | 16.3% | 21.5% |
| Technology Transactions | | | |
| Low | (9.5)% | (8.0)% | (19.6)% |
| Mean | 14.1% | 17.6% | 17.0% |
| Median | 16.6% | 17.6% | 13.7% |
| High | 46.9% | 58.6% | 47.9% |

With respect to the selected Internet industry transactions noted above as a group and the selected Internet travel industry transactions noted above as a group (other than the Kelkoo S.A. / Yahoo! Inc. transaction announced on March 26, 2004 and the Hotwire, Inc. USA Interactive transaction announced on April 10, 2003, each of which were non-public transactions), Citigroup derived and compared to similar information for Ask Jeeves, the low, mean, median and high implied premium paid or proposed to be paid per common share based on the closing price per common share of the target company's common stock one day, one week, ten days and thirty days prior to announcement of the transaction. With respect to information relating to the Travelocity.com / Sabre Holdings Corporation transaction announced on February 19, 2002, premium statistics were based on unaffected stock prices prior to the announcement of the transaction on February 19, 2002. The results of this analysis were as follows:

| | Premium to Target Closing Stock Price One Day Prior to Announcement | Premium to Target Closing Stock Price One Week Prior to Announcement | Premium to Target Closing Stock Price Ten Days Prior to Announcement | Premium to Target Closing Stock Price Thirty Days Prior to Announcement |
|--|--|---|---|--|
| Ask Jeeves / IAC | 16.5% | 16.3% | 20.0% | 22.6% |
| Internet Transactions | | | | |
| Low | 13.5% | 0.8% | (6.5)% | (6.7)% |
| Mean | 24.9% | 22.7% | 28.6% | 31.5% |
| Median | 19.2% | 17.6% | 27.1% | 16.4% |
| High | 47.5% | 54.8% | 66.7% | 100.1% |
| Internet Travel Industry Transactions | | | | |
| Low | 13.0% | 9.8% | (1.3)% | 14.8% |
| Mean | 30.8% | 35.8% | 26.1% | 46.4% |
| Median | 32.2% | 41.3% | 29.0% | 48.4% |
| High | 45.8% | 51.1% | 47.7% | 73.9% |

Relative Contribution Analysis

Citigroup reviewed certain historical market and historical and estimated future operating and financial information for Ask Jeeves and IAC, and the relative contribution of Ask Jeeves and IAC to the combined company based on Thomson First Call Research estimates and various equity research report estimates for 2005 and 2006 revenues, EBITDA and market valuation for Ask Jeeves and IAC. The results of this analysis are set forth below:

| | (\$ Million) | | | % Contribution to the Combined Company | |
|--|-----------------|----------------|-----------------|--|-------------|
| | IAC | Ask Jeeves | Combined | IAC | Ask Jeeves |
| Revenues | | | | | |
| 2005 Estimated | 6,983.2 | 384.1 | 7,367.4 | 94.8 | 5.2 |
| 2006 Estimated | 7,836.9 | 460.5 | 8,297.5 | 94.4 | 5.6 |
| EBITDA | | | | | |
| 2005 Estimated | 1,149.1 | 119.9 | 1,269.0 | 90.6 | 9.4 |
| 2006 Estimated | 1,397.9 | 152.9 | 1,550.7 | 90.1 | 9.9 |
| Market Valuation | | | | | |
| Equity Value (as of March 18, 2005) | 16,879.6 | 1,672.0 | 18,551.6 | 91.0 | 9.0 |
| Net Cash | 3,576.2 | 108.5 | 3,684.7 | 97.1 | 2.9 |
| Firm Value | 13,303.4 | 1,563.5 | 14,866.9 | 89.5 | 10.5 |
| Implied Equity Value at Transaction Terms | 16,879.6 | 1,957.0 | 18,836.6 | 89.6 | 10.4 |
| <i>IAC Sum of the Parts Valuation</i> | | | | | |

Citigroup performed a "sum of the parts" analysis of IAC by valuing separately each of IAC's core businesses, its investment in Vivendi Universal Entertainment LLLP and its net cash, and deriving therefrom a range for the implied equity value of IAC as a whole. With respect to IAC's core business segments of (a) travel, (b) Home Shopping Network/ticketing (which includes IAC's teleservices division), and (c) other Internet properties, Citigroup analyzed the value of each of the business segments based on an analysis of the EBITDA multiples of companies comparable to each business segment. In calculating the EBITDA multiples for each of IAC's business segments, Citigroup deducted allocated corporate overhead (plus \$6 million in assumed incremental overhead that would result from the separation of each of the business segments) and development expenses proportionally based on relative operating income before amortization.

With respect to the financial information for the companies involved in the "sum of the parts" valuation, Citigroup relied on information available in various equity research reports. The results of this analysis are set forth below:

| | Firm Value (\$ million) | |
|--|-------------------------|---------------|
| | Low | High |
| IAC Business Segment | | |
| Travel | 9,986 | 12,649 |
| Home Shopping Network/Ticketing | 3,115 | 3,894 |
| Other Internet Properties | 939 | 1,503 |
| Firm Value Based on Business Segment Values | 14,041 | 18,047 |
| Investment in Vivendi Universal Entertainment LLLP | 1,262 | 1,429 |
| Net Cash | 2,148 | 2,148 |
| Total Equity Value Range | 17,450 | 21,623 |
| Equity Value Per Share (\$) | 23.04 | 28.55 |

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Citigroup's advisory services and opinion were provided for the information of the Ask Jeeves board of directors in its evaluation of the merger and did not constitute a recommendation of the merger to Ask Jeeves or a recommendation to any holder of Ask Jeeves common stock as to how that stockholder should vote on any matters relating to the merger.

The preceding discussion is a summary of the material financial analyses furnished by Citigroup to the Ask Jeeves board of directors, but it does not purport to be a complete description of the analyses performed by Citigroup or of its presentation to the Ask Jeeves board of directors. The preparation of financial analyses and fairness opinions is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. Citigroup made no attempt to assign specific weights to particular analyses or factors considered, but rather made qualitative judgments as to the significance and relevance of all the analyses and factors considered and determined to give its fairness opinion as described above. Accordingly, Citigroup believes that its analyses, and the summary set forth above, must be considered as a whole, and that selecting portions of the analyses and of the factors considered by Citigroup, without considering all of the analyses and factors, could create a misleading or incomplete view of the processes underlying the analyses conducted by Citigroup and its opinion. With regard to the comparable companies and precedent transaction analyses summarized above, Citigroup selected comparable public companies and precedent transactions on the basis of various factors, including size and similarity of the line of business of the relevant entities; however, no company utilized in this analysis is identical to Ask Jeeves and IAC and no precedent transaction is identical to the merger. As a result, this analysis is not purely mathematical, but also takes into account differences in financial and operating characteristics of the subject companies and other factors that could affect the transaction or the public trading value of the subject companies to which Ask Jeeves and IAC are being compared.

In its analyses, Citigroup made numerous assumptions with respect to Ask Jeeves, IAC, industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Ask Jeeves and IAC. Any estimates contained in Citigroup's analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by these analyses. Estimates of values of companies do not purport to be appraisals or necessarily to reflect the prices at which companies may actually be sold. Because these estimates are inherently subject to uncertainty, none of Ask Jeeves, IAC, the Ask Jeeves board of directors, the IAC board of directors, Citigroup or any other person assumes responsibility if future results or actual values differ materially from the estimates.

Citigroup's analyses were prepared solely as part of Citigroup's analysis of the fairness of the exchange ratio and were provided to the Ask Jeeves board of directors in that connection. The opinion of Citigroup was only one of the factors taken into consideration by the Ask Jeeves board of directors in making its determination to approve the merger agreement and the merger. See " Ask Jeeves' Reasons for the Merger" starting on page 36.

Citigroup is an internationally recognized investment banking firm engaged in, among other things, the valuation of businesses and their securities in connection with mergers and acquisitions, restructurings, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Ask Jeeves selected Citigroup to act as its financial advisor to the board of directors of Ask Jeeves in connection with the proposed merger on the basis of Citigroup's international reputation.

Pursuant to its engagement letter with Ask Jeeves, upon delivery of Citigroup's fairness opinion to the Ask Jeeves board of directors Citigroup became entitled to receive a fee of \$2,250,000 from Ask Jeeves. Ask Jeeves has also agreed to provide customary indemnification to Citigroup against specific liabilities and expenses relating to or arising out of its engagement, including liabilities under the

federal securities laws. In the ordinary course of its business, Citigroup and its affiliates may actively trade or hold the securities of Ask Jeeves and IAC for its own account or for the account of its customers and, accordingly, may at any time hold a long or short position in such securities. In addition, Citigroup and its affiliates (including Citigroup Inc. and its affiliates) may maintain relationships with Ask Jeeves, IAC and their respective affiliates.

IAC's Reasons for the Merger

IAC's Board of Directors believes that the merger represents a unique opportunity for IAC to enter into the large and attractive advertising and search markets, which are growing rapidly. IAC's management believes that Ask Jeeves is one of four world-class search technology providers, with approximately 42 million U.S. unique monthly users, and is one of the largest generators of online advertising. IAC believes that the addition of Ask Jeeves to its diversified portfolio of specialized and global brands is consistent with IAC's mission to harness the power of interactivity to make daily life easier and more productive for people all over the world.

IAC believes that, through the merger, it will be able to:

build on Ask Jeeves' growth trajectory by applying IAC's experience in brand management and marketing, as well as through investment in distribution, research and development, technology, infrastructure and international markets;

further enhance the Ask Jeeves brand by promoting the Ask Jeeves search box on every IAC site, exposing 44 million U.S. unique users per month to the Ask Jeeves brand;

enhance Ask Jeeves' local search offerings and make local search a significant differentiator for Ask Jeeves from other search engines on the Internet; and

create new revenue opportunities through integrating IAC's leading transactional brands and offers into the Ask Jeeves properties.

Material United States Federal Income Tax Consequences

The following description summarizes the material U.S. federal income tax consequences of the merger to holders of Ask Jeeves common stock, or referred to as Ask Jeeves stock or Ask Jeeves capital stock. The discussion is based on the Internal Revenue Code of 1986, as amended, or the Code, regulations under the Code, administrative rulings and judicial decisions, all as in effect on the date of this proxy statement/prospectus and all of which are subject to change (possibly with retroactive effect) and to differing interpretations. Any change in the foregoing could affect the continuing validity of the tax consequences described in this proxy statement/prospectus. Neither IAC nor Ask Jeeves has requested or will 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.

This description applies only to holders of Ask Jeeves stock 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 U.S. resident alien, as determined for U.S. federal income tax purposes;

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

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

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This description is not a comprehensive description of all the tax consequences that may be relevant to holders of Ask Jeeves capital stock. It applies only to holders of Ask Jeeves capital stock that hold their Ask Jeeves capital stock as a capital asset within the meaning of Section 1221 of the Code (each referred to as a "holder"). No attempt has been made to address all aspects of U.S. federal taxation that may be relevant to a particular stockholder in light of his, her or its particular circumstances or to stockholders subject to special treatment under the U.S. federal income tax laws, including, for example:

banks, insurance companies, trusts and financial institutions;

tax-exempt organizations;

mutual funds;

foreign holders;

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

pass-through or disregarded entities and investors in pass-through or disregarded entities;

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

dealers in securities or foreign currency;

stockholders who received their Ask Jeeves stock through the exercise of employee stock options, through a tax-qualified retirement plan or otherwise as compensation;

holders of options or warrants granted by Ask Jeeves; and

stockholders who hold Ask Jeeves stock as part of a hedge, straddle, constructive sale, conversion transaction or other integrated investment.

In addition, this discussion does not address any alternative minimum tax or any state, local or foreign or non-income tax consequences of the merger. It also does not address the tax consequences of any transaction other than the merger.

Each holder of Ask Jeeves Stock should consult his, her or its tax advisor with respect to the particular tax consequences of the merger to such holder.

The merger has been structured to qualify as a reorganization within the meaning of Section 368(a) of the Code. Assuming the merger so qualifies, a holder will not recognize any gain or loss upon receipt of IAC common stock in exchange for his, her or its Ask Jeeves stock, except in respect of cash received instead of a fractional share of IAC common stock (as discussed below). The aggregate adjusted tax basis of the shares of IAC common stock (including fractional shares deemed received and redeemed as described below) received in the merger will be equal to the aggregate adjusted tax basis of the shares of Ask Jeeves stock surrendered for the IAC common stock, and the holding period of the IAC common stock (including fractional shares deemed received and redeemed as described below) will include the period during which the shares of Ask Jeeves stock exchanged for IAC common stock were held. IAC and Ask Jeeves will not be required to complete the merger unless IAC receives an opinion from Wachtell, Lipton, Rosen & Katz and Ask Jeeves receives an opinion from Gibson, Dunn & Crutcher LLP, in each case dated the closing date and to the effect that the merger will constitute a "reorganization" within the meaning of Section 368(a) of the Code. An opinion of counsel is not binding on the IRS, however, and therefore the IRS could take the position that the merger does not qualify as a reorganization and therefore is fully taxable to Ask Jeeves shareholders. The balance of this discussion assumes that the merger qualifies as a reorganization.

A holder who receives cash instead of a fractional share of IAC common stock will generally be treated as having received such fractional share in the merger and then as having received cash in

redemption of such fractional share. Gain or loss generally will be recognized based on the difference between the amount of cash received instead of the fractional share and the portion of the holder's aggregate adjusted tax basis of the shares of Ask Jeeves stock surrendered which is allocable to the fractional share. Such gain or loss generally will be long-term capital gain or loss if the holding period for such shares of Ask Jeeves stock is more than one year at the effective time of the merger.

Payments of cash in lieu of fractional shares made in connection with the merger may be subject to "backup withholding" at a rate of 28%. Backup withholding generally applies if a holder (1) fails to furnish his, her or its Taxpayer Identification Number, or TIN, (2) furnishes an incorrect TIN, (3) fails properly to include a reportable interest or dividend payment on its United States federal income tax return or (4) 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 holder is not subject to backup withholding. Backup withholding does not constitute an additional tax, but merely an advance payment of tax, which may be refunded to the extent it results in an overpayment of tax, provided that the required information is properly supplied to the IRS.

Certain persons are generally exempt from backup withholding, including corporations, financial institutions and certain foreign stockholders if such foreign stockholders submit a statement, signed under penalty 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 holder of Ask Jeeves capital stock should consult with his, her or its own tax advisor as to its qualification for exemption from backup withholding and the procedure for obtaining such exemption. All stockholders who are U.S. persons exchanging shares of Ask Jeeves stock in 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 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 IAC and the exchange agent). Non-corporate foreign stockholders should complete and sign IRS Form W8-BEN, in order to avoid backup withholding.

Tax matters are very complicated, and the tax consequences of the merger to each holder of Ask Jeeves capital stock will depend on the facts of that stockholder's particular situation. The U.S. federal income tax discussion set forth above does not address all U.S. federal income tax consequences that may be relevant to a particular holder and may not be applicable to holders in special situations. We urge holders of Ask Jeeves capital stock to consult their own tax advisors regarding the specific tax consequences of the merger.

Appraisal Rights

Holders of Ask Jeeves common stock do not have appraisal rights under Delaware law in connection with the merger.

Regulatory Approvals Required for the Merger

IAC and Ask Jeeves have agreed to use their reasonable efforts to obtain all material regulatory approvals required to be obtained in connection with the merger and the other transactions contemplated by the merger agreement.

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (also known as the HSR Act), IAC and Ask Jeeves may not complete the merger prior to furnishing certain information and materials to the Antitrust Division of the Department of Justice and the Federal Trade Commission and until the applicable waiting period under the HSR Act has expired or been terminated. The relevant filings by both IAC and Ask Jeeves were made on April 6, 2005 and April 5, 2005, respectively. On April 18, 2005, the applicable waiting period under the HSR Act was terminated.

Certain Effects of the Merger

Effects on the Market for Ask Jeeves Common Stock

Shares of Ask Jeeves common stock currently are listed and traded on the Nasdaq National Market under the symbol "ASKJ." Following the merger, we expect that the shares of Ask Jeeves common stock will be delisted from the Nasdaq National Market, following which time, shares of Ask Jeeves common stock will not be publicly traded.

Exchange Act Deregistration

Shares of Ask Jeeves common stock are currently registered under the Securities Exchange Act of 1934. Following the merger, we will file a Form 15 with the SEC requesting the suspension and termination of registration of the stock under the Exchange Act.

Accounting Treatment for the Merger

IAC will account for the merger under the purchase method of accounting in accordance with accounting principles generally accepted in the United States. Accordingly, the cost to acquire shares of Ask Jeeves common stock and outstanding stock options in excess of the carrying value of Ask Jeeves' assets and liabilities will be allocated to Ask Jeeves' assets, including any identified intangible assets, and liabilities based on their fair values, with any excess being allocated to goodwill. The determination of asset lives and required purchase accounting adjustments reflected in this document, including the allocation of the purchase price to the assets and liabilities of Ask Jeeves based on their respective fair values, is preliminary. See the notes accompanying the IAC/InterActiveCorp and Subsidiaries Unaudited Pro Forma Combined Condensed Financial Statements contained in this proxy statement/prospectus starting on page 80.

Resale of IAC Common Stock

Shares of IAC common stock issued in the merger will not be subject to any restrictions on transfer arising under the Securities Act, except for shares of IAC common stock issued to any Ask Jeeves stockholder that is an "affiliate" of IAC or Ask Jeeves for purposes of Rule 145 under the Securities Act. Persons that may be deemed to be "affiliates" of IAC or Ask Jeeves for such purposes generally include individuals or entities that control, are controlled by, or are under common control with, IAC or Ask Jeeves, and will include the directors and certain executive officers of Ask Jeeves. The merger agreement requires Ask Jeeves to use its reasonable efforts to cause each of its affiliates to execute a written agreement with IAC to the effect that such affiliate will not transfer any shares of IAC 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.

This proxy statement/prospectus does not cover resales of shares of IAC common stock received by any person in connection with the merger, and IAC has not authorized any person to make any use of this proxy statement/prospectus in connection with any resale of shares of IAC common stock.

INTERESTS OF CERTAIN PERSONS IN THE MERGER

In considering the recommendation of Ask Jeeves' board of directors with respect to the merger agreement, you should be aware that some of Ask Jeeves' executive officers and directors have interests in the merger and have arrangements that are different from, or in addition to, those of Ask Jeeves' stockholders generally, as described below. The board of directors was aware of these matters and considered them in unanimously approving the merger agreement and determining that the merger and the terms of the merger agreement are advisable, fair to and in the best interest of Ask Jeeves' stockholders.

Ask Jeeves Stock Held by Directors and Executive Officers

As of the record date for the special meeting, directors and executive officers of Ask Jeeves and their affiliates (other than Ask Jeeves) beneficially owned an aggregate of [] shares of Ask Jeeves common stock entitled to vote at the special meeting. These shares represent approximately []% of the Ask Jeeves common stock outstanding and entitled to vote as of the record date. Upon completion of the merger, the shares of Ask Jeeves common stock held by each of the directors and executive officers of Ask Jeeves will be converted into shares of IAC common stock on the same basis as the shares of Ask Jeeves common stock held by other stockholders.

The following table shows beneficial ownership of Ask Jeeves common stock by Ask Jeeves' directors and its five most highly compensated executive officers as of April 1, 2005. The information provided in the table sets forth beneficial ownership in accordance with the rules of the Securities and Exchange Commission, which require us to include securities over which a named person has or shares voting or investment control, as well as securities over which a named person has the right to acquire voting or investment control within 60 days of April 1, 2005, such as, for example, upon exercise of an option that is currently vested or which is scheduled to vest within that 60-day period. Unless otherwise indicated by footnote, the persons named in the table have sole voting and sole investment power with respect to all shares of common stock shown as beneficially owned by them, subject to applicable community property laws.

| Directors and Executive Officers | Common Stock Beneficially Owned | Percentage of Class |
|--|------------------------------------|------------------------|
| A. George (Skip) Battle(1) | 798,907 | 1.3% |
| Steven Berkowitz(2) | 217,640 | * |
| David S. Carlick(3) | 119,671 | * |
| James Casella(4) | 14,291 | * |
| Joshua C. Goldman(5) | 48,783 | * |
| Garrett Gruener(6) | 1,343,315 | 2.3% |
| James D. Kirsner(7) | 191,500 | * |
| Geoffrey Y. Yang(8) | 122,680 | * |
| Steven J. Sordello(9) | 150,182 | * |
| Brett M. Robertson(10) | 19,127 | * |
| Adrian Cox(11) | 74,789 | * |
| All current directors and executive officers as a group (16 persons)(12) | 3,470,354 | 5.7% |

*

Less than 1%.

(1)

Includes: (a) 555,749 shares issuable pursuant to options exercisable within 60 days, (b) 14,847 shares held by A. George Battle Custodian under Emily Taylor Battle UTMA IL, (c) 4,847 shares held by A. George Battle, Trustee UA 7-29-96 Daniel Kurt Webster Battle Trust, (d) 8,000 shares held by Mr. Battle's wife as Custodian under CAUTMA for Catherine McNelley, and (e) 7,500 shares held by Daniel Kurt Webster Battle.

(2)

Includes 176,457 shares issuable pursuant to options exercisable within 60 days.

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- (3) Includes 93,906 shares issuable pursuant to options exercisable within 60 days and 25,000 shares held by Wholly Cow, LLC. Includes 325 shares held by Mr. Carlick as Custodian under CUTMA for Scott Cooper, of which Mr. Carlick disclaims beneficial ownership. Includes 440 shares held by Mr. Carlick as Custodian under CUTMA for Martin Cooper, of which Mr. Carlick disclaims beneficial ownership.
- (4) Includes 14,291 shares issuable pursuant to options exercisable within 60 days.
- (5) Includes 46,783 shares issuable pursuant to options exercisable within 60 days and 2,000 shares held by the Goldman Family Limited Partnership, in which Mr. Goldman is a general partner.
- (6) Includes 115,500 shares issuable pursuant to options exercisable within 60 days and 22,483 shares held by Mr. Gruener's wife, Amy Slater.
- (7) Includes 115,500 shares issuable pursuant to options exercisable within 60 days and 76,000 shares held by Kirsner Family Trust U/A Dated May 24, 1993, James D. and Joan C. Kirsner, Trustee.
- (8) Includes 115,500 shares issuable pursuant to options exercisable within 60 days and 7,180 shares held by Yang Family Trust, Geoffrey Y. Yang, Trustee.
- (9) Includes 98,999 shares issuable pursuant to options exercisable within 60 days.
- (10) Includes 19,127 shares issuable pursuant to options exercisable within 60 days.
- (11) Includes 74,789 shares issuable pursuant to options exercisable within 60 days.
- (12) Includes 1,605,847 shares issuable upon exercise of options granted to our directors and executive officers that are exercisable within 60 days.

Stock Options

Pursuant to the merger agreement and the terms of Ask Jeeves' various stock plans (excluding the Ask Jeeves' employee stock purchase plan), upon completion of the merger each Ask Jeeves option and other equity-based compensation award relating to shares of Ask Jeeves stock, including any options or awards held by directors and executive officers of Ask Jeeves, will be converted into an option or other equity-based compensation award, as the case may be, relating to shares of IAC common stock, with such option or other award covering 1.2688 shares of IAC common stock for each share of Ask Jeeves common stock subject to the option or award (rounded down to the nearest whole share of IAC common stock) and, in the case of stock options, at an exercise price per share equal to the per-share exercise price of the Ask Jeeves option immediately prior to the effective time of the merger divided by 1.2688 (rounded up to the nearest cent) and otherwise on the same terms and conditions as were applicable to the Ask Jeeves stock option or award prior to the merger. As of April 1, 2005, directors and executive officers of Ask Jeeves considered as a group held options to purchase an aggregate of 3,594,912 shares of Ask Jeeves common stock at exercise prices ranging from \$0.875 to \$61.895 per share, of which options to purchase an aggregate of 1,979,565 shares were neither vested at April 1, 2005, nor scheduled to vest within the following 60 days.

Acceleration of Stock Options

Under the terms of Severance Benefit Letters (described below) entered into by Ask Jeeves with Ms. Robertson and Messrs. Battle, Berkowitz, Sordello, Scott Bauer (Vice President and Corporate Controller), Scott Garell (Executive Vice President, Marketing and General Manager), Tuoc Luong (Executive Vice President, Technology), and Adrian Cox (Executive Vice President, European Operations), all of their unvested options will become vested and exercisable in the event that, within 18 months following a change-in-control, such as completion of the merger, the executive officer's employment is terminated by Ask Jeeves without "cause" or the executive officer resigns for "good reason" (as each term is defined under the Severance Benefit Letter), subject to the executive officer's execution and non-revocation of a release of claims. As a result of the change-in-control provisions in the Severance Benefit Letters and the new employment agreement that Mr. Berkowitz has entered into with AJI Acquisition Corp., based on the number of options outstanding as of [] and assuming

that the merger is completed on [], 2005, and that each named executive officer's employment is terminated by Ask Jeeves without cause immediately thereafter, Ms. Robertson and Messrs. Battle, Sordello, Bauer, Garell, Luong and Cox will vest in options to purchase [], [], [], [] and [] shares of Ask Jeeves common stock, respectively, and as of completion of the merger. Pursuant to a new employment agreement among IAC, AJI Acquisition Corp. and Mr. Berkowitz, if the merger is completed, each of Mr. Berkowitz's Ask Jeeves stock options that are unvested and outstanding will vest at that time. Assuming that the merger is completed on [], 2005, Mr. Berkowitz will vest in options to purchase [] shares of Ask Jeeves common stock.

Conditional Stock Award to Messrs. Berkowitz and Sordello

On September 30, 2003, Ask Jeeves granted Messrs. Berkowitz and Sordello conditional rights to be issued up to 140,000 and 70,000 shares of Ask Jeeves common stock, respectively, under Ask Jeeves 1999 Equity Incentive Plan. Conditional stock will be issued to Messrs. Berkowitz and Sordello following a change in control, such as completion of the merger, if Mr. Berkowitz's or Mr. Sordello's employment is terminated either:

by Ask Jeeves for any reason other than for "cause"; or

by the executive for "good reason" as defined below.

The terms "cause," "good reason" and others used in the conditional stock grants were deemed to be amended in the conditional stock grants to conform to the same definitions used and defined in the Severance Benefit Letters.

Until the conditional stock is issued, the number of shares of conditional stock subject to the award will be automatically reduced by 10,000 shares, in the case of Mr. Berkowitz, and 5,000 shares, in the case of Mr. Sordello, each quarter until the date on which no shares of conditional stock remain subject to the award. As of March 31, 2005, the most recent quarter end, 80,000 and 40,000 shares remain issuable pursuant to the conditional stock awards for Messrs. Berkowitz and Sordello, respectively.

Pursuant to the merger agreement, IAC will assume these obligations and issue shares of IAC common stock to Mr. Sordello if the triggering events occur. Pursuant to a new employment agreement among IAC, AJI Acquisition Corp. and Mr. Berkowitz, as further described below, if the merger is completed, Mr. Berkowitz will be entitled to receive that number of shares of Ask Jeeves stock subject to the conditional stock award immediately prior to the merger.

Severance Benefit Letters

Ask Jeeves has entered into Severance Benefit Letters with some of its executive officers, including each of Ms. Robertson and Messrs. Battle, Berkowitz, Sordello, Bauer, Garell, Luong and Cox, pursuant to which each may receive severance benefits in connection with certain terminations of employment as described below. These arrangements were approved by the Compensation Committee of Ask Jeeves on October 28, 2004 and were entered into in January 2005 in replacement of prior agreements between such officers and Ask Jeeves. The Severance Benefit Letter with Mr. Berkowitz will be superseded upon closing of the merger by a new employment agreement entered into with AJI Acquisition Corp., as further described below.

In general, an executive officer who is a party to a Severance Benefit Letter must resign within 60 days after a demotion or other triggering event in order to receive the severance benefits described below.

If during the 18-month period following a change in control, such as completion of the merger, such executive officer's employment is terminated by Ask Jeeves without cause or by any such executive officer for "good reason," any of Messrs. Battle, Bauer, Garell and Luong and Ms. Robertson (but

excluding Messrs. Berkowitz and Cox), who are so terminated, will receive, subject to such executive officer's execution and non-revocation of a release:

salary continuation payments for a period of 12 months;

within 30 days of the date of the executive officer's termination of employment, a payment equal to 100% of the executive officer's target bonus;

for a period equal to the lesser of (a) the salary continuation period, (b) the applicable period of COBRA continuation coverage or (c) the period ending on the date on which the executive officer is covered by the health plan of another employer, continued medical, dental and vision coverage; and

outplacement services for up to \$20,000.

Pursuant to their respective Severance Benefit letters, each of Messrs. Battle, Berkowitz and Sordello and Ms. Robertson will be entitled to resign for "good reason" if IAC does not offer that executive a similar position at IAC after the merger.

In addition, as described above, upon such a termination and, subject to the executive officer's execution and non-revocation of a release of claims, to the extent outstanding at the time of the change in control and the termination of employment, any unvested options held by the executive officer (including Mr. Cox) will vest and become immediately exercisable.

If any of the executive officer's payments or benefits under the Severance Benefit Letters or otherwise would be subject to the excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended, the executive officer's payments under the Severance Benefit Letters or otherwise will be reduced such that the executive officer will receive one dollar less than the maximum amount that could be paid to the executive officer without the executive officer being subject to such tax, if the after-tax benefit to the executive officer would be greater than the after-tax benefit to the executive officer if the payments had not been so reduced.

Assuming that the merger is completed on [], 2005, and that each executive officer's employment is terminated by Ask Jeeves without cause immediately thereafter, Messrs. Battle, Bauer, Garell and Luong and Ms. Robertson will be entitled to receive cash payments of \$[], [], [], [] and [], respectively.

Mr. Cox also is a party to a substantially similar severance benefit letter agreement, although it provides only for the acceleration of option vesting (as described above under "Acceleration of Stock Options"), and not future salary and bonus payment upon termination without "cause" or resignation for "good reason" within 18 months following a change in control.

In addition to his severance benefit letter, pursuant to Mr. Cox's offer letter dated October 27, 2003, if Ask Jeeves were to terminate Mr. Cox's employment other than for cause with less than twelve months' notice, Ask Jeeves, or any successor to Ask Jeeves, would be required to pay him the greater of £175,000 or his then-current salary (in either case pro rated, based on the extent to which Ask Jeeves has given him less than twelve months' notice).

Employment Agreement with Mr. Berkowitz

On March 20, 2005, AJI Acquisition Corp. entered into an employment agreement with Mr. Berkowitz, setting forth the terms of his employment with AJI Acquisition Corp. The agreement will be effective upon completion of the merger and have a three-year term, and no later than three months prior to the end of the term, AJI Acquisition Corp. and Mr. Berkowitz will enter into good-faith discussions to extend the employment term if Mr. Berkowitz has provided written notice to AJI Acquisition Corp. between six and four months prior to the end of the term that he wishes to continue his employment with AJI Acquisition Corp. Pursuant to the employment agreement,

Mr. Berkowitz will remain as chief executive officer of AJI Acquisition Corp. If the merger is not completed, the employment agreement will be of no further force or effect.

If the merger is completed, Mr. Berkowitz will receive an annual base salary of \$500,000 and will be eligible to receive a discretionary annual bonus with a target bonus of 80% of Mr. Berkowitz's annual base salary. Mr. Berkowitz will be entitled to participate in welfare, health and life insurance and pension benefits of AJI Acquisition Corp. as may be provided to executives of AJI Acquisition Corp. generally.

On the completion of the merger, Mr. Berkowitz will receive an initial grant of restricted stock units of IAC with a fair market value of \$1,000,000 (referred to as the "regular grant") and an additional grant of IAC restricted stock units with a fair market value of \$2,000,000 (referred to as the "leadership grant"), subject, in each case, to the approval of the compensation committee of the board of directors of IAC. The regular grant will vest in five equal installments on each of the first, second, third, fourth and fifth anniversaries of completion of the merger and the leadership grant will vest on the fifth anniversary of completion of the merger, subject, in each case, to Mr. Berkowitz's continued employment with AJI Acquisition Corp. through such date. The regular grant and leadership grant will vest upon a "change of control" of IAC as defined in the IAC Amended and Restated 2000 Stock and Annual Incentive Plan or a successor plan.

As described above, if the merger is completed, each of Mr. Berkowitz's Ask Jeeves stock options that are unvested and outstanding at that time will vest and remain exercisable for IAC common stock in accordance with the terms of the merger agreement and the original option grant. The conditional stock award described above will be immediately settled as if Mr. Berkowitz had incurred an involuntary termination as set forth in the grant agreement.

Upon a termination of Mr. Berkowitz's employment by AJI Acquisition Corp. without "cause" or by Mr. Berkowitz for "good reason" (as each term is defined in the agreement), AJI Acquisition Corp. will continue to pay Mr. Berkowitz his salary for the remainder of the term (but at least for 12 months) and will pay to Mr. Berkowitz a pro rata bonus for the year in which the termination occurs. In addition, Mr. Berkowitz will immediately vest in an additional one-fifth of his regular grant and will vest in one-fifth of the units subject to his leadership grant for each anniversary following the completion of the merger prior to Mr. Berkowitz's termination of employment plus one additional one-fifth of the units subject to the grant.

In the event that Mr. Berkowitz's payments or benefits under the employment agreement or otherwise would be subject to the excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended, Mr. Berkowitz's payments under the employment agreement or otherwise will be reduced to the maximum amount that could be paid to Mr. Berkowitz without subjecting him to such tax, if the after-tax benefit to him would be greater than the after-tax benefit to him if the payments had not been so reduced.

During his employment with AJI Acquisition Corp. and for one year after his termination of employment for any reason, Mr. Berkowitz is subject to a covenant not to solicit employees or business partners or affiliates of AJI Acquisition Corp. or its affiliates. In addition, Mr. Berkowitz is subject to an agreement not to use or disclose any confidential information of AJI Acquisition Corp. or its affiliates.

Indemnification of Directors and Officers; Directors' and Officers' Insurance

The merger agreement provides that, after the merger, IAC will indemnify persons who were directors or officers of Ask Jeeves before the merger against any liabilities or losses from any threatened or actual claim or proceeding based on the merger agreement or from serving as a director or officer of Ask Jeeves.

IAC has agreed to maintain in effect directors' and officers' liability insurance for six years after the merger, but will not be required to spend for each year of such coverage more than 250% of the current annual premium paid by Ask Jeeves. If the aggregate annual premium expense would exceed that amount, IAC must purchase as much insurance as can be obtained for that amount. See "The Merger Agreement Covenants Indemnification; Insurance" starting on page 73.

Other Material Contracts or Arrangements Between Ask Jeeves and IAC

Ask Jeeves' Arrangements with Citysearch for Local Content

On July 30, 2004, Ask Jeeves entered into a distribution agreement with Citysearch to display Citysearch's local content and business data on Ask Jeeves' various sites. Citysearch is a wholly-owned subsidiary of IAC. Pursuant to this agreement, on September 13, 2004, Ask Jeeves began displaying Citysearch content, often including Citysearch's pay for performance local business advertising, in the "Smart Answer" box on *Ask.com* results pages. Like Ask Jeeves' other Smart Answers, this content is displayed above the regular web results so as to provide users with the information they seek directly on the results page (without the need to click through to any other sites). Citysearch data also appears in Ask Jeeves' "local channel" at *local.ask.com*, which is a user interface optimized for local searches. Ask Jeeves subsequently integrated maps and driving directions supplied by Telcontar with the Citysearch content. These product features complement Ask Jeeves' other existing local search features such as weather, people search, movies, local news and local time. Pursuant to the distribution agreement, users clicking on links in the Citysearch content are generally taken to a co-branded version of Citysearch's site hosted by Citysearch. During the two year term of the agreement, Ask Jeeves is obligated to pay Citysearch an annual fee and, if minimum monthly advertising revenues are not generated, a monthly fee. Citysearch, in turn, is obligated to pay Ask Jeeves a specified percentage of its advertising receipts generated through Ask Jeeves and the co-branded site.

Ask Jeeves' Arrangements with Expedia for Travel Booking Services

On February 1, 2002, The Excite Network, Inc. (which became a wholly-owned subsidiary of Ask Jeeves on May 6, 2004) entered into a Cross Promotion and Distribution Agreement with Expedia, Inc., which was amended on June 2, 2003. Pursuant to this agreement, Expedia supplies the travel booking engine and other travel content accessible through the "travel channels" of Ask Jeeves' proprietary web brands Excite (at *travel.excite.com*) and iWon (at *travel.iwon.com*). Pursuant to the distribution agreement, users clicking on links in the Expedia content are taken either to Expedia's main site or to a co-branded version of Expedia's site hosted by Expedia. In exchange for Expedia's placement in those travel channels, Expedia pays Excite monthly fees that vary based on the level of user traffic in the travel channels.

Other Arrangements Between IAC and Expedia

During 2003 and 2004, Ticketmaster, a wholly-owned subsidiary of IAC, placed Ask Jeeves advertising on the following websites: *ticketmaster.com*, *match.com*, *citysearch.com* and *evite.com*. The total amount spent by Ask Jeeves in connection with these advertisements during 2003 and 2004 was approximately \$160,000. Pursuant to Ticketmaster's arrangement with its affiliates, a portion of the revenue from advertisements placed on an affiliate's site is retained by Ticketmaster as sales commission, and the remainder goes to that affiliate. As of the date hereof, no such arrangements are in place between Ticketmaster and Ask Jeeves.

THE MERGER AGREEMENT

This section of the proxy statement/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 is attached as Appendix A to this proxy statement/prospectus. We urge you to read the merger agreement carefully in its entirety, as it is the legal document that governs the merger.

General Terms of the Merger Agreement

On March 21, 2005, IAC, Ask Jeeves and AJI Acquisition Corp., a wholly-owned subsidiary of IAC, entered into an Agreement and Plan of Merger and Reorganization, sometimes referred to as the merger agreement. The merger provided for by the merger agreement will become effective upon the filing of a properly executed certificate of merger with the Secretary of State of the State of Delaware in accordance with the Delaware General Corporation Law. We refer to the time the merger becomes effective as the "effective time" or the "closing" of the merger.

At the effective time, AJI Acquisition Corp. will be merged with and into Ask Jeeves, with Ask Jeeves surviving as a wholly-owned subsidiary of IAC, and the separate existence of AJI Acquisition Corp. will cease. We sometimes refer to Ask Jeeves following the completion of the merger as the surviving corporation. At the effective time, the certificate of incorporation of the surviving corporation will be amended and restated in its entirety to read as set forth in Appendix D to this proxy statement/prospectus, and the bylaws of the surviving corporation will be amended and restated to read the same as the bylaws of AJI Acquisition Corp. At the effective time, the directors of AJI Acquisition Corp. will become the initial directors of the surviving corporation, and the officers of Ask Jeeves at that time will continue as the officers of the surviving corporation.

Treatment of Securities in the Merger

Ask Jeeves Common Stock

The merger agreement provides that each share of Ask Jeeves common stock outstanding immediately prior to the effective time will, at the effective time, be converted into the right to receive 1.2668 fully paid and nonassessable shares of IAC common stock (which, together with the cash in lieu of any fractional share of IAC common stock described below, we refer to as the merger consideration). However, any shares of Ask Jeeves common stock held in the treasury of Ask Jeeves or owned by IAC or any of its wholly-owned subsidiaries will be cancelled without any payment for those shares.

IAC will not issue any fractional shares of IAC common stock in the merger; instead, a cash payment will be made to the holders of shares of Ask Jeeves common stock who would otherwise be entitled to receive a fraction of a share of IAC common stock. See "Cash Instead of Fractional Shares" on page 68.

If, between the date of the merger agreement and the effective time, the outstanding shares of IAC common stock or Ask Jeeves common stock are changed into a different number of shares or a different class by reason of any reclassification, stock split, reverse stock split, stock dividend (whether of IAC stock or a subsidiary of IAC, including as a result of any spin-off), reorganization, recapitalization, or other similar change, then the exchange ratio will be appropriately and proportionately adjusted.

AJI Acquisition Corp. Common Stock

At the effective time, all outstanding shares of common stock of AJI Acquisition Corp. will be automatically converted into one fully paid and nonassessable share of common stock, par value \$0.01

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per share, of the surviving corporation. All of the common equity of the surviving corporation will be held by IAC.

Options to Acquire Ask Jeeves Common Stock

Each option to purchase shares of common stock of Ask Jeeves, whether vested or unvested, outstanding immediately prior to the effective time will be converted into an option to purchase shares of IAC common stock on the same terms and conditions (including vesting) as were applicable to the option immediately prior to the effective time.

The number of shares of IAC common stock subject to the assumed option will be equal to the number of shares of Ask Jeeves common stock subject to each such option immediately prior to the effective time multiplied by the exchange ratio, rounded, if necessary, down to the nearest whole share of IAC common stock. Each assumed option will have an exercise price per share (rounded up to the nearest cent) equal to the per share exercise price of such option immediately prior to the effective time divided by the exchange ratio.

Ask Jeeves' Employee Stock Purchase Plan

The Ask Jeeves employee stock purchase plan, which is referred to as the "ESPP," will terminate immediately prior to the effective time and all balances in ESPP participant accounts will be applied to the purchase of shares in accordance with the terms of the ESPP immediately prior to the effective time. Ask Jeeves has agreed to limit the total number of shares purchased under the ESPP between the date of the merger agreement and the effective time to 260,000 in the aggregate.

Exchange of Certificates

Exchange Agent

IAC will select an exchange agent reasonably acceptable to Ask Jeeves to manage the exchange of Ask Jeeves stock certificates for shares of IAC common stock in the merger and the payment of cash for fractional shares that Ask Jeeves stockholders otherwise would have received in the merger.

Exchange Procedures

Immediately after the effective time, IAC will deposit with the exchange agent, for the benefit of the holders of shares of Ask Jeeves common stock, certificates representing the shares of IAC common stock issuable in the merger.

As soon as practicable after the effective time (but in no event later than two business days after the effective time), the exchange agent will mail to each holder of record of an Ask Jeeves certificate a letter of transmittal and instructions for exchanging the holder's Ask Jeeves certificates for the merger consideration. After receipt of the transmittal forms and any other documents as may reasonably be required by the exchange agent, each holder of an Ask Jeeves certificate will be able to surrender his, her or its Ask Jeeves certificate to the exchange agent, and the holder of an Ask Jeeves certificate will receive in exchange a book-entry statement reflecting (or, if requested, certificates representing):

that number of whole shares of IAC common stock to which the holder of the Ask Jeeves certificate is entitled;

any cash which may be payable instead of a fraction of a share of IAC common stock; and

any dividends or other distributions with respect to IAC common stock having a record date and paid after the effective time.

In the event of a transfer of ownership of shares of Ask Jeeves common stock which is not registered on the transfer records of Ask Jeeves, a book-entry statement reflecting (or a certificate representing) the proper number of shares of IAC common stock, any cash instead of a fraction of a

share of IAC common stock and applicable dividends and distributions may be issued and paid to a transferee if the Ask Jeeves certificate representing the applicable Ask Jeeves shares is presented to the exchange agent, accompanied by all documents required to evidence and effect such transfer and evidence that any applicable stock transfer taxes have been paid. The consideration to be issued in the merger will be delivered by the exchange agent as promptly as practicable following surrender of an Ask Jeeves certificate 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

Holders of shares of Ask Jeeves common stock will not be entitled to receive any dividends or distributions payable by IAC in respect of IAC common stock until they exchange their Ask Jeeves certificates for shares of IAC common stock. After they deliver their Ask Jeeves certificates to the exchange agent, those stockholders will receive, subject to applicable law:

the amount of dividends or other distributions on IAC common stock having a record date after the effective time previously paid, without interest; and

at the applicable payment date, the amount of dividends or other distributions on IAC common stock with a record date after the effective time and a payment date after the surrender of such Ask Jeeves certificates, without interest.

Cash Instead of Fractional Shares

No fractional shares of IAC common stock will be issued upon the surrender of Ask Jeeves certificates. No dividend or distribution will be paid on any fractional share of IAC common stock that would otherwise be issuable in the merger, and those fractional shares of IAC common stock will not entitle the owner to any voting rights of an IAC stockholder. Holders of shares of Ask Jeeves common stock otherwise entitled to a fraction of a share of IAC common stock, if any, will receive a cash payment instead of the fractional share of IAC common stock they would otherwise be entitled to receive upon surrender of their Ask Jeeves certificates. Following completion of the merger, the exchange agent will determine the excess of the number of whole shares of IAC common stock issuable upon surrender of the certificates by the holders of Ask Jeeves common stock (including fractional shares) over the aggregate number of whole shares of IAC common stock to be distributed to Ask Jeeves stockholders (excluding fractional shares). The exchange agent will then, as promptly as reasonably practicable, sell the excess shares of IAC common stock at the then-prevailing prices on the open market, in the manner provided for in the merger agreement, and make the proceeds available for distribution to the former holders of shares of Ask Jeeves common stock otherwise entitled to a fraction of a share of IAC common stock upon surrender of their Ask Jeeves certificates. IAC will pay all commissions, transfer taxes and other associated out-of-pocket transaction costs relating to the sale by the exchange agent of shares of IAC common stock and distribution of the proceeds.

Return of Exchange Fund

Any IAC shares or cash held by the exchange agent on behalf of the former holders of shares of Ask Jeeves common stock that remains undistributed to the former Ask Jeeves stockholders for six months after the effective time will be delivered to IAC, upon demand, and IAC will then act as the exchange agent. After the first anniversary of the effective time, former Ask Jeeves stockholders that have not validly exchanged Ask Jeeves certificates for the merger consideration will be required to look as a general creditor only to IAC for payment of the merger consideration, subject to applicable law.

Tax Withholding

Each of the exchange agent, the surviving corporation and IAC will be entitled to deduct and withhold from the consideration otherwise payable under the merger agreement to any holder of Ask

Jeeves certificates any amounts that it is required to deduct and withhold with respect to the making of such payments under the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated under the Internal Revenue Code, or any provisions of state, local or foreign law. Any amounts so withheld will be treated for all purposes of the merger agreement as having been paid to the holder of the shares of Ask Jeeves common stock in respect of which the deduction and withholding was made.

Lost Certificates

In the event any certificate is lost, stolen or destroyed, the exchange agent will issue in exchange for such lost, stolen or destroyed certificate the merger consideration for which the certificate would have been exchanged under the merger agreement, provided that the person claiming that such certificate was lost, stolen or destroyed makes an affidavit of that fact and, if reasonably required by IAC, posts a bond in such amount as IAC may determine is reasonably necessary as indemnity against any claim that may be made against IAC with respect to such certificate.

Representations and Warranties

In the merger agreement, Ask Jeeves and IAC (along with AJI Acquisition Corp.) made customary representations and warranties to each other about their respective companies. The representations and warranties given by Ask Jeeves, IAC and AJI Acquisition Corp. will not survive completion of the merger.

These representations and warranties are qualified by information in confidential disclosure schedules that the parties exchanged in connection with signing the merger agreement. The merger agreement is attached as Appendix A to provide you with information regarding its terms and conditions. It is not intended to provide any other factual information about us. Such information can be found elsewhere in this proxy statement/prospectus and in the other public filings each of us makes with the Securities and Exchange Commission, which are available without charge at www.sec.gov.

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.

Conduct of Business Prior to the Merger

Ask Jeeves agreed that, except as expressly contemplated or permitted by the merger agreement, Ask Jeeves and its material subsidiaries will: (a) conduct their businesses in the ordinary course consistent with past practices, (b) use reasonable efforts to maintain and preserve intact their business organizations and advantageous business relationships and to retain the services of their key officers and key employees, and (c) take no action that would reasonably be likely to adversely affect or delay the ability of any of the parties from (i) obtaining any necessary approvals of any regulatory agency or other governmental authority required for the transactions contemplated hereby, (ii) performing their covenants and agreements under the merger agreement or consummating the transactions contemplated thereby or (iii) otherwise delay or prohibit consummation of the merger or any other transactions contemplated by the merger agreement. In addition, subject to certain exceptions, Ask Jeeves has agreed (as to itself and its material subsidiaries) that, without IAC's prior consent, it will not take any of the following actions prior to the completion of the merger:

incur any indebtedness for borrowed money, assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other individual, corporation or other entity, or make any loan or advance, in excess of \$5,000,000 in the aggregate;

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adjust, split, combine or reclassify any capital stock, except for any such transaction by a wholly-owned material subsidiary which remains wholly-owned after consummation of such transaction;

declare or pay any dividends or make other distributions on any of its capital stock or redeem or purchase any shares of capital stock;

grant any right to acquire any shares of its capital stock;

issue any shares of capital stock, except pursuant to the exercise of stock options outstanding under Ask Jeeves' stock incentive plans, or any other securities convertible into shares of Ask Jeeves common stock issued and outstanding as of March 21, 2005 and in accordance with its terms;

amend or terminate Ask Jeeves' stockholder rights agreement, other than in connection with certain other qualifying transactions;

sell, transfer, mortgage, encumber or otherwise dispose of any of its lines of business, material properties or assets to any person, other than to a wholly-owned subsidiary, or cancel, release or assign any indebtedness to any such person or any claims held by any such person, except pursuant to contracts or agreements in force as of March 21, 2005 or, in the case of cancellation or release of material indebtedness, as a result of debt collections;

pay, or agree to pay, cash consideration of more than \$25,000,000 in the aggregate, whether by purchase of stock or securities, contributions to capital, property transfers or purchase of any property or assets of any other person other than to a wholly-owned subsidiary of Ask Jeeves;

adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization, other than in relation to a wholly-owned subsidiary, and other than a merger of a wholly-owned subsidiary of Ask Jeeves with or into a third party in which the sole consideration to be issued in such transaction to such third party is cash solely to the extent such transaction is permitted by, and is in accordance with, the immediately previous bullet point;

terminate, amend or waive any material provision of any Ask Jeeves material contract, or make any material change in any instrument or agreement governing the terms of any lease or contract;

establish, adopt, amend or terminate any Ask Jeeves benefit plan, or amend the terms of any outstanding equity based award;

establish, or increase compensation or benefits provided under, or make any payment not required by any employee benefit plan, program, policy, or agreement or arrangement, except as may be required to comply with applicable law or existing contractual arrangements;

otherwise increase or accelerate the vesting or payment of the compensation payable or the benefits provided or to become payable or provided to any of its current or former directors, officers, employees, consultants or service providers or those of any substantial subsidiary, or otherwise pay any amounts not due, except as may be required to comply with applicable law or existing contractual arrangements;

enter into any new, or amend any existing, employment or consulting agreement with any director, officer, employee, consultant or service provider or retain the services of any such person if the compensation (base and bonus) shall exceed \$250,000;

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establish, adopt or enter into any collective bargaining agreement;

settle any material claim, action or proceeding;

amend its certificate of incorporation or its bylaws or enter into any agreement with its stockholders in their capacity as such;

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take any action that is intended or would reasonably be expected to result in any of its representations and warranties in the merger agreement being or becoming untrue such that a condition to closing set forth in the merger agreement is be incapable of being satisfied;

other than in the ordinary course of business consistent with past practice, sell, assign, otherwise transfer, sublicense or enter into contracts relating to intellectual property or enter into or materially amend any material contract, whereby a third party is granted marketing or distribution rights with respect to material products or services of Ask Jeeves or its subsidiaries;

enter into any "non-compete" or similar agreement that would materially restrict the businesses of the surviving corporation or its subsidiaries following the effective time or that reasonably would be expected to restrict the businesses of IAC and its subsidiaries (excluding the surviving corporation and its subsidiaries);

implement or adopt any change in its accounting principles, practices or methods, other than as consistent with or as may be required by law, generally accepted accounting principles or regulatory guidelines;

settle or compromise any material liability for taxes, file any material tax return in a manner materially inconsistent with past practice (other than otherwise required by law), make any material tax election (other than in the ordinary course of business) or change any method of accounting for tax purposes;

enter into any new, or amend or otherwise alter any current, transaction with affiliates of Ask Jeeves; or

agree to take, make any commitment to take, or adopt any resolutions of its board of directors in support of, any of the actions prohibited by any of the above covenants.

Acquisition Transactions

Ask Jeeves agreed in the merger agreement not to initiate, solicit, negotiate, encourage or provide confidential information or in any way facilitate any proposal or offer to acquire more than 25% of the business, properties or assets or more than 15% of the capital stock or voting power of Ask Jeeves or its significant subsidiaries, in each case whether by merger, purchase of assets, tender offer or otherwise (we refer to a transaction that meets these criteria as an acquisition transaction). However, before obtaining the required approvals by Ask Jeeves' stockholders of the merger agreement:

Ask Jeeves or its board of directors may furnish confidential or non-public information to, and negotiate with, the potential acquirer (provided that Ask Jeeves has received from the potential acquirer a confidentiality agreement containing terms at least as stringent in all material respects as the confidentiality agreement entered into with IAC) in response to a bona fide written offer or proposal for a potential or proposed acquisition transaction not solicited in violation of the merger agreement (which we refer to in this document as an acquisition proposal) which the board of directors of Ask Jeeves determines, in good faith (1) after consultation with its independent financial advisor, would reasonably be expected to result (if consummated pursuant to its terms) in an acquisition transaction more favorable to Ask Jeeves' stockholders than the merger (we refer to such an acquisition proposal as a qualifying proposal) and (2) after consulting with its independent outside legal counsel, that the failure to engage in such action reasonably would be likely to cause the members of the Ask Jeeves board of directors to breach their fiduciary duties under applicable law, and

Ask Jeeves or its board of directors may resolve to accept, or recommend, and, upon termination of the merger agreement in accordance with the applicable termination provision and after payment to IAC of the required fee, enter into agreements relating to, a qualifying proposal as to which the board of directors of Ask Jeeves has determined in good faith (1) after

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consultation with its independent financial advisor would result in an acquisition transaction more favorable to Ask Jeeves' stockholders than the IAC merger and is reasonably capable of being financed and consummated and (2) after consulting with its independent outside legal counsel, that the failure to engage in such action would cause the members of the Ask Jeeves board of directors to breach their fiduciary duties under applicable law (in this document we refer to such a qualifying proposal as a superior proposal).

In addition, Ask Jeeves' board of directors is permitted to take and disclose to Ask Jeeves' stockholders a position contemplated by Rule 14d-9 or Rule 14e-2 under the Exchange Act or otherwise make disclosure required by the federal securities laws.

Ask Jeeves agreed in the merger agreement to notify IAC promptly, but in no event later than two business days, after receipt of any acquisition proposal, indication of interest or request for non-public information relating to Ask Jeeves in connection with an acquisition proposal or for access to the properties, books or records of Ask Jeeves or any subsidiary by any person that after the date merger agreement informs the board of directors of Ask Jeeves or such subsidiary that it is considering making, or has made, an acquisition proposal.

Ask Jeeves also agreed in the merger agreement immediately to cease and terminate any activities, discussions or negotiations conducted prior to the date of the merger agreement with any parties other than IAC with respect to any of the above activities, and agreed not to waive any standstill or confidentiality provisions. Ask Jeeves is required promptly to provide to IAC any information regarding Ask Jeeves or its subsidiaries provided to any person making an acquisition proposal, unless such information has been previously provided to IAC.

Ask Jeeves Stockholder Approval

Ask Jeeves has agreed to use reasonable efforts to cause a special meeting of its stockholders to be held as soon as practicable after the registration statement is declared effective by the SEC and this proxy statement/prospectus is mailed to Ask Jeeves stockholders for the purpose of obtaining the required stockholder approvals of the merger agreement. Ask Jeeves' board of directors is required to use its reasonable efforts to obtain from its stockholders the votes required by Delaware law in favor of the approval of the merger agreement and any other related matters required to be approved in connection with the merger, and to recommend to Ask Jeeves' stockholders that they so vote at the stockholder meeting or any adjournment or postponement of the meeting. However, Ask Jeeves' board of directors will not be required to use its reasonable efforts to obtain those approvals or to make or continue to make such recommendations if Ask Jeeves' board of directors, after having received and considered the advice of, and after consultation with, its independent outside legal counsel, determines that the making of such reasonable best efforts to obtain the vote or making or continuing to make such recommendation would cause the members of Ask Jeeves' board of directors to breach their fiduciary duties under applicable laws. Unless the merger agreement is earlier terminated, Ask Jeeves is required to submit the merger agreement proposal to its stockholders for approval at a duly held stockholder meeting, whether with or without the recommendation of its board of directors.

Nasdaq Quotation

IAC has agreed to use its reasonable efforts to cause the shares of IAC common stock issuable in the merger (including the shares of IAC common stock reserved for issuance upon exercise of converted Ask Jeeves stock options) to be eligible for quotation on Nasdaq (or other national market or exchange on which IAC common stock is then traded or quoted, subject only to official notice of issuance) before the effective time.

Indemnification; Insurance

For six years after the effective time, IAC will cause to be maintained in effect the directors' and officers' liability insurance currently maintained by Ask Jeeves (although IAC may substitute similar policies containing terms that are not less advantageous in any material respect issued by a reputable insurance company) covering matters or events occurring before the effective time to the extent available. However, the surviving corporation and its affiliates are not required to expend more than an amount per year equal to 250% of current annual premiums paid by Ask Jeeves to maintain this insurance coverage, and, if the annual premiums of such insurance coverage exceed 250% of the current annual premiums, IAC will be obligated to obtain a policy with the greatest coverage available for a cost not exceeding such amount.

From and after the effective time, IAC will cause the surviving corporation to indemnify and hold harmless each present and former director and officer of Ask Jeeves, determined as of the effective time, against any costs (including reasonable attorneys' fees), judgments incurred in connection with any claim, action or suit existing or occurring at or before the effective time. Any indemnification agreements or arrangements of Ask Jeeves or any of its subsidiaries provided to IAC prior to the date of the merger agreement will survive the merger and will continue in full force and effect. The rights of the indemnified parties under these agreements will not be amended in any manner that would adversely affect those rights.

In the event that IAC or the surviving corporation or their respective successors or assigns (1) consolidate with or merge into another person and are not the continuing or surviving corporation or entity of such consolidation or merger or (2) transfer or convey all or substantially all of their properties and assets to any person, then IAC and the surviving corporation will ensure that proper provision be made so that the successors and assigns of IAC or the surviving corporation assume the obligations of IAC and the surviving corporation in the merger agreement relating to indemnification of directors and officers of Ask Jeeves and its subsidiaries.

Employee Matters

IAC will, or will cause the surviving corporation or a subsidiary to, for the period beginning on the closing date and ending on December 31, 2005, provide to employees of Ask Jeeves as of the closing date who continue employment with Ask Jeeves or its subsidiaries, salary and employee benefits that in the aggregate are substantially similar to the salary and benefits as provided by Ask Jeeves and its subsidiaries to such employees as of immediately prior to the closing date. IAC agrees that it will not terminate or amend the Ask Jeeves severance plan in effect on the date of the merger agreement for the period beginning on the closing date and ending on December 31, 2005 and that such severance plan shall remain in full force and effect during such period for all transferring Ask Jeeves employees.

Transferring Ask Jeeves employees will be credited for their length of service with Ask Jeeves and any subsidiary to the extent of the employee benefit plans maintained by IAC, Ask Jeeves or the surviving corporation for purposes of eligibility, vesting and any pre-existing condition limitations, other than (i) under any defined benefit pension plan, (ii) to the extent that any such crediting of service would result in duplication of benefits, (iii) for purposes of eligibility for subsidized early retirement benefits or (iv) for any new program for which credit prior to the effective date of such program is not given to similarly situated employees of IAC other than the transferring Ask Jeeves employees.

The health plans that cover the transferring Ask Jeeves employees in the plan year in which the closing date occurs shall credit such transferring employees with all co-payments, deductibles and similar amounts paid by the transferring employees under the applicable Ask Jeeves benefits plans prior to the closing date to the extent credited under the applicable IAC benefit plans.

Additional Covenants

Ask Jeeves and IAC have agreed to other customary covenants in the merger agreement, relating to, among other matters:

access to information, and confidential treatment of that information;

tax matters;

actions that would result in a material breach of any of the representations and warranties or covenants set forth in the merger agreement;

the preparation of this proxy statement/prospectus and the registration statement of which this proxy statement/prospectus is a part;

the taking of specified actions to facilitate completion of the merger, and the taking of additional actions after the effective time that are necessary or desirable to carry out the purposes of the merger agreement;

the obtaining of any consents or approvals necessary in order to complete the merger and the other transactions contemplated by the merger agreement;

Ask Jeeves' efforts to cause its affiliates to deliver to IAC the written agreements described above under "The Merger Resale of IAC Common Stock";

notification to the other parties to the merger agreement of specified matters prior to completion of the merger;

the agreement not to take actions that would jeopardize qualification of the merger as a reorganization under U.S. tax laws, and to employ reasonable efforts to obtain tax opinions of counsel;

public announcements related to the merger and the other transactions contemplated by the merger agreement;

actions to exempt the acquisition and disposition of securities in connection with the merger under Rule 16b-3 of the Exchange Act; and

not declaring or paying dividends.

IAC agreed that the spin-off will not jeopardize the status of the merger as a reorganization within the meaning of the Internal Revenue Code. IAC further agreed not to consummate the spin-off until after the merger becomes effective.

Conditions to the Merger

The respective obligations of IAC and Ask Jeeves to effect the merger are subject to the satisfaction or waiver of a number of customary conditions before completion of the merger, including all of the following:

Ask Jeeves' stockholders must approve the merger agreement by the required vote;

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The shares of IAC common stock issuable to Ask Jeeves stockholders in the merger (including the shares of IAC common stock reserved for issuance upon exercise of converted Ask Jeeves stock options and Ask Jeeves warrants) must be authorized for quotation on the Nasdaq Stock Market (or other national exchange on which IAC common stock is then quoted or listed);

The waiting period (and any extension) applicable to the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, must have expired or been terminated;

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The registration statement of which this proxy statement/prospectus forms a part must have become effective under the Securities Act, and no stop order suspending that effectiveness will have been issued and no proceedings for that purpose will have been initiated or threatened by the SEC;

No injunction prohibiting the consummation of the merger can be in effect. No statute, rule, regulation, order, injunction or decree can have been enacted, entered, promulgated or enforced by any governmental entity that prohibits, materially restricts or makes illegal consummation of the merger, and no governmental entity can have instituted any proceeding or be threatening to institute any proceeding seeking such an order, injunction or decree; and

Ask Jeeves and IAC will have received written opinions of Gibson, Dunn & Crutcher LLP and Wachtell, Lipton, Rosen & Katz, respectively, dated as of the closing date of the merger, to the effect that the merger will constitute a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code.

The obligations of Ask Jeeves to effect the merger are subject to the satisfaction or waiver of a number of additional conditions, including all of the following:

The representations and warranties of IAC made in the merger agreement with respect to IAC's capitalization must be, as of the date of the merger agreement and as of the closing date, materially true;

The representations and warranties of IAC made in the merger agreement that are qualified by material adverse effect must be true as of the date of the agreement and as of the closing date (or, if the representations and warranties spoke as of another date, as of that other date);

All other representations and warranties of IAC made in the merger agreement and not qualified by material adverse effect must be true and correct as of the date of the merger agreement and as of the closing date (or, if the representations and warranties spoke as of another date, as of that other date), except where the failures of those representations and warranties to be true and correct would not, when taken together, have a material adverse effect on IAC; and

IAC will have performed in all material respects all obligations required to be performed by it under the merger agreement at or prior to the effective time, and Ask Jeeves will have received certificates signed on behalf of IAC by an appropriate executive officer of IAC to that effect.

The obligations of IAC to effect the merger are subject to the satisfaction or waiver of a number of additional conditions, including all of the following:

The representations and warranties of Ask Jeeves made in the merger agreement with respect to Ask Jeeves' capitalization must be, as of the date of the merger agreement and as of the closing date, true and correct (other than for insubstantial numerical inaccuracies), except for representations and warranties that speak as of another date, in which case those representations and warranties must be true and correct (other than for insubstantial numerical inaccuracies) as of that other date;

The representations and warranties of Ask Jeeves made in the merger agreement that are qualified by material adverse effect must be true as of the date of the agreement and as of the closing date (or, if the representations and warranties spoke as of another date, as of that other date);

All other representations and warranties of Ask Jeeves made in the merger agreement and not qualified by material adverse effect must be true and correct as of the date of the merger agreement and as of the closing date (or, if the representations and warranties spoke as of

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another date, as of that other date), except where the failures of those representations and warranties to be true and correct would not, when taken together, have a material adverse effect on Ask Jeeves;

Ask Jeeves will have performed in all material respects all obligations required to be performed by it under the merger agreement at or prior to the effective time, and IAC will have received certificates signed on behalf of Ask Jeeves by an appropriate officer to that effect; and

Ask Jeeves will have obtained consents under certain agreements.

The term "material adverse effect," as used in the merger agreement, refers, with respect to Ask Jeeves or IAC, as the case may be, to any condition, state of facts, change or effect that is or would reasonably be expected to be materially adverse to:

the business, assets, liabilities, operations, results of operations or financial condition, of such entity and its subsidiaries taken as a whole; or

the ability of such entity to timely consummate the transactions contemplated in the merger agreement.

However, "material adverse effect" is not deemed to include the impact of any condition, fact, change or effect relating to or arising from:

the execution, announcement or consummation of the merger agreement and the transactions contemplated by the merger agreement, including any impact on relationships, contractual or otherwise, with partners (including joint venture partners, syndication partners and strategic partners), customers, suppliers or employees;

changes in economic or regulatory conditions in the industries in which Ask Jeeves or IAC carried on business as of the date of the merger agreement and changes in general economic, regulatory or political conditions, including, without limitation, acts of war or terrorism, except to the extent such changes have a materially disproportionate effect on Ask Jeeves or IAC and their respective significant subsidiaries taken as a whole, as the case may be, relative to other participants in the industries in which Ask Jeeves or IAC carries on business as of such date; or

any changes or effects resulting from any matter that is expressly contemplated or permitted by the terms of the merger agreement, including any matter that is approved by IAC after the date of the merger agreement pursuant to the provisions of the merger agreement that relate to Ask Jeeves' interim operations.

Termination of the Merger Agreement; Effects of Termination; Termination Fee

The merger agreement may be terminated at any time before the effective time as follows:

By the mutual written consent of IAC and Ask Jeeves.

By either IAC or Ask Jeeves if any governmental entity that must grant a regulatory approval described as a condition to closing under " Conditions to the Merger" has denied approval of the merger and that denial has become final and nonappealable, or any governmental entity of competent jurisdiction has issued a final nonappealable order permanently enjoining or otherwise prohibiting the consummation of the transactions contemplated by the merger agreement, provided that the terminating party has fulfilled its obligations under the merger agreement relating to regulatory matters.

By IAC or Ask Jeeves if the effective time has not occurred on or before September 21, 2005, unless the effective time has not occurred principally due to the failure of the party seeking to terminate the merger agreement to perform or observe its covenants and agreements in the

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merger agreement. However, if on September 21, 2005, each of the conditions to the merger has been fulfilled or is capable of being fulfilled, other than those relating to required regulatory approvals and/or the stockholder approval (as described in detail under " Ask Jeeves Stockholder Approval"), then the date on which a party may terminate the merger agreement under this provision will be automatically extended to December 21, 2005.

Ask Jeeves would also be required to pay to IAC a termination fee of \$68.5 million if Ask Jeeves terminates the merger agreement under this provision, other than as a result of IAC's failure to proceed in a timely manner, and prior to the termination, an acquisition proposal (as described in detail under " Acquisition Transactions") was disclosed publicly or to Ask Jeeves and within 12 months following Ask Jeeves' termination, Ask Jeeves, directly or indirectly, enters into an agreement for, or consummates, a transaction whereby the third party acquires more than 33% of Ask Jeeves' business, property or assets, or 33% of Ask Jeeves or its material subsidiaries' capital stock or voting power. The termination fee is payable immediately upon the earlier of entering into or consummating that transaction.

Also, Ask Jeeves must pay to IAC a termination fee of \$68.5 million if Ask Jeeves terminates the merger agreement under this provision and at the time of the termination, IAC would have been permitted to terminate the merger agreement because Ask Jeeves' board of directors had failed to recommend, had withdrawn or modified or amended in any respect materially adverse to IAC its approval or recommendation to its stockholders regarding the merger agreement, or recommended another acquisition proposal (as described in detail under " Acquisition Transactions") or resolved to accept a superior proposal or failed to publicly affirm its approval or recommendation of the merger agreement within ten days of IAC's request made after any offer or proposal from a third party to acquire more than 33% of Ask Jeeves' business, property or assets, or 33% of Ask Jeeves or its material subsidiaries' capital stock or voting power, was disclosed to Ask Jeeves' stockholders generally. The termination fee is payable prior to termination.

By Ask Jeeves (unless Ask Jeeves is then in material breach of any of its representations, warranties, covenants or other agreements contained in the merger agreement) if there has been a breach by IAC of its covenants or agreements or its representations or warranties set forth in the merger agreement that would permit Ask Jeeves not to close, which is not cured within 15 days following written notice by Ask Jeeves to IAC or which by its nature or timing cannot be cured prior to the closing date of the merger.

IAC must pay all fees and expenses actually incurred by Ask Jeeves in connection with the merger agreement up to \$3 million if Ask Jeeves terminates the merger agreement under this provision.

By IAC (unless IAC or AJI Acquisition Corp. is then in material breach of any of its representations, warranties, covenants or other agreements contained in the merger agreement) if there has been a breach by Ask Jeeves of its covenants or agreements or its representations or warranties set forth in the merger agreement that would permit IAC not to close and which is not cured within 15 days following written notice by IAC to Ask Jeeves, or which by its nature or timing cannot be cured prior to the closing date of the merger.

If Ask Jeeves terminates the merger agreement pursuant to this provision, Ask Jeeves must pay all fees and expenses actually incurred by IAC in connection with the merger agreement, up to \$3 million.

Ask Jeeves would also be required to pay IAC a termination fee of \$68.5 million if the agreement is terminated pursuant to this provision on the basis of a material breach of a covenant or agreement in the merger agreement by Ask Jeeves, if, prior to Ask Jeeves' breach,

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an acquisition proposal (as described in detail under " Acquisition Transactions") was disclosed publicly or to Ask Jeeves, and, within 12 months of termination of the merger agreement, Ask Jeeves enters into an agreement for, or consummates, a transaction whereby a third party acquires more than 33% of Ask Jeeves' business, property or assets, or 33% of Ask Jeeves or its material subsidiaries' capital stock or voting power. The termination fee is payable immediately upon the earlier of the Company's entry into or consummation of the acquisition transaction.

By Ask Jeeves, if prior to receipt of the stockholder approval required by Delaware law of the merger agreement: (1) Ask Jeeves receives a superior proposal (as described in detail under " Acquisition Transactions"), (2) Ask Jeeves has promptly notified IAC of its intention to terminate the merger agreement and has otherwise complied with its obligations described under " Acquisition Transactions," (3) if requested in good faith by IAC within two business days after its receipt of notice of the superior proposal, Ask Jeeves has negotiated during the following three business days with IAC in good faith to determine with IAC whether adjustments in the terms and conditions of the merger agreement would enable Ask Jeeves to proceed with the merger on such adjusted terms, and notwithstanding such negotiations and adjustments, the board of directors of Ask Jeeves concludes, in its good faith judgment, that the transactions contemplated by the merger agreement on such terms as adjusted, are not at least as favorable to the stockholders of Ask Jeeves as the superior proposal, and (4) the board of directors of Ask Jeeves thereafter resolves to accept the superior proposal after having consulted with its independent outside legal counsel and determined in good faith that the failure to take such action would constitute a breach of the fiduciary duties of Ask Jeeves' board of directors under applicable law. If the Ask Jeeves board of directors concludes that IAC's proposal under clause (3) above is at least as favorable to the stockholders of Ask Jeeves as the superior proposal, the merger agreement will promptly be amended to reflect such terms, and Ask Jeeves will no longer have the right to terminate the merger agreement under this provision with respect to the original superior proposal.

Termination of the merger agreement by Ask Jeeves under this provision will not be effective until Ask Jeeves has paid to IAC a termination fee of \$68.5 million.

By IAC, if the board of directors of Ask Jeeves has failed to recommend, or has withdrawn, or modified or amended in any respect materially adverse to IAC, its approval or recommendation of the merger agreement or has resolved to take any such action, or has recommended another acquisition proposal (as described in detail under " Acquisition Transactions") or if the board of directors of Ask Jeeves has resolved to accept a superior proposal (as described in detail under " Acquisition Transactions") or has failed publicly to affirm its approval or recommendation of the merger agreement (or failed to publicly state that it cannot at such time make any recommendation pending completion of its analysis and discussions regarding the acquisition proposal consistent with Ask Jeeves' board of directors' fiduciary duties) within ten days of IAC's request made after any acquisition proposal has been disclosed to Ask Jeeves' stockholders generally.

If IAC terminates the merger agreement under this provision, Ask Jeeves must pay to IAC a termination fee of \$68.5 million within two business days of termination.

By IAC or Ask Jeeves, if the stockholders of Ask Jeeves fail to approve the merger agreement upon a vote held at a duly held meeting of stockholders called for that purpose. Ask Jeeves must pay to IAC a termination fee of \$68.5 million if IAC or Ask Jeeves terminates the merger agreement under this provision and prior to the stockholder vote a proposal for an acquisition transaction (as described in detail under " Acquisition Transactions") was disclosed publicly and Ask Jeeves enters into an agreement for, or consummates, a transaction within 12 months of termination whereby the third party acquires more than 33% of Ask Jeeves'

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business, property or assets, or 33% of Ask Jeeves or its material subsidiaries' capital stock or voting power. The termination fee is payable immediately upon the earlier of the Company's entry into or consummation of the acquisition transaction.

If a termination fee becomes payable by Ask Jeeves to IAC pursuant to the merger agreement, Ask Jeeves will also pay all fees and expenses actually incurred by IAC in connection with the merger agreement, up to \$3 million.

Amendment; Extension; Waiver

Amendment

The merger agreement may be amended by the parties at any time before or after the Ask Jeeves stockholder approval by action taken by their respective boards of directors; however, after adoption of the merger agreement by Ask Jeeves' stockholders, no amendment may be made that changes the amount or the form of the consideration to be delivered to the holders of Ask Jeeves common stock other than as contemplated by the merger agreement, without the further approval of the Ask Jeeves stockholders.

Extension; Waiver

At any time prior to the effective time, IAC and Ask Jeeves may, in writing, (1) extend the time for the performance of any of the obligations or other acts of the other party, (2) waive any inaccuracies in the representations and warranties contained in the merger agreement or in any document delivered pursuant to the merger agreement and (3) waive compliance with any of the agreements or conditions contained in the merger agreement. However, after approval of the merger agreement by Ask Jeeves' stockholders, there may not be, without further approval of such stockholders, any extension or waiver of the merger agreement which reduces the amount or changes the form of the consideration to be delivered to the holders of Ask Jeeves common stock under the merger agreement, other than as contemplated by the merger agreement. Any agreement on the part of IAC or Ask Jeeves to any such extension or waiver will be valid only if set forth in a written instrument signed on behalf of such party; however, such extension or waiver or the failure to insist on strict compliance with an obligation, covenant, agreement or condition under the merger agreement will not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

Fees and Expenses

Except as set forth in " Termination of the Merger Agreement; Effects of Termination," all costs and expenses incurred in connection with the merger agreement and the related transactions will be paid by the party incurring the expenses. However, the costs and expenses of printing and mailing this proxy statement/prospectus and all filing and other fees paid to the SEC or in respect of HSR, in each case in connection with the merger, will be borne by IAC.

IAC/INTERACTIVECORP AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements give effect, in accordance with Article 11 of the Securities and Exchange Commission's Regulation S-X, to the following transactions:

the acquisition on April 1, 2005 of Cornerstone Brands, Inc. ("Cornerstone") by IAC;

the Ask Jeeves merger and IAC's proposed buy back, through its previously authorized share repurchase programs, of at least sixty percent of the number of fully diluted shares it will issue in the merger; and

the proposed Expedia spin-off.

Pro forma financial information, which gives effect to the proposed spin-off, is being included in order to provide you with information about IAC if the spin-off is consummated. Ask Jeeves stockholders are not being asked to vote on the proposed spin-off, and, if the merger is consummated, there can be no assurance that IAC stockholders will approve the spin-off or that the spin-off will be consummated. Accordingly, Ask Jeeves stockholders are urged to review the pro forma financial information set forth below which reflects the combination of IAC and Ask Jeeves, both before and after giving effect to the proposed spin-off.

The Cornerstone acquisition and the Ask Jeeves merger will be accounted for under the purchase method of accounting. As a result of the Expedia spin-off, the operations of Expedia will be accounted for as a discontinued operation as defined under Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

On April 1, 2005, IAC completed its acquisition of Cornerstone for approximately \$702 million in cash.

On March 21, 2005, IAC and Ask Jeeves entered into an agreement under which IAC will acquire Ask Jeeves through the merger of a wholly-owned subsidiary of IAC with and into Ask Jeeves. Under the terms of the agreement, IAC will issue 1.2668 shares (before giving effect to the IAC one-for-two reverse stock split that is contemplated in connection with the spin-off) of IAC common stock for each share of Ask Jeeves common stock in a tax free transaction. On March 28, 2005, IAC announced its intention to buy back, through its previously authorized share repurchase programs, at least sixty percent of the number of fully diluted shares it will issue in connection with the Ask Jeeves merger, thus effectively offsetting a substantial portion of the dilution from the transaction.

In December 2004, the Board of Directors of IAC approved a plan to separate IAC into two publicly traded companies:

Expedia, which will consist of the domestic and international operations associated with Expedia.com, Hotels.com, Hotwire, TravelNow.com, Activity World, HotelDiscount.com, Condosaver.com, AllLuxuryHotels.com, Anyway.com, eLong, Expedia Corporate Travel, Classic Custom Vacations, and TripAdvisor; and

IAC, which will consist of the rest of IAC's businesses, including its Ticketing business, including Ticketmaster, ReserveAmerica, TicketWeb and MuseumTix.com; Electronic Retailing business, including HSN, HSN.com, HSE 24, America's Store, and Improvements; Financial Services and Real Estate, including LendingTree, RealEstate.com, GetSmart, iNest, and Domania; Local and Media Services, including Citysearch, ServiceMagic, Entertainment Publications, and Evite; Personals, including Match.com and uDate; Teleservices, including Precision Response Corporation, Access Direct, and Hancock Information Group; Interval International; and TV Travel Shop. In addition, IAC will include Cornerstone and Ask Jeeves, subject (in the case of Ask Jeeves) to the closing of that transaction.

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For purposes of these unaudited pro forma condensed combined financial statements, the Cornerstone acquisition, the Ask Jeeves merger, the buy back of IAC shares and the Expedia spin-off are all assumed to have occurred as of January 1, 2004 with respect to the unaudited pro forma condensed combined statement of operations and as of December 31, 2004 with respect to the unaudited pro forma condensed combined balance sheet.

All per share data amounts reflect the retroactive effect of the IAC one-for-two reverse stock split that will be effected immediately prior to the Expedia spin-off.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2004 has been derived from:

the audited historical consolidated statement of operations of IAC for the year ended December 31, 2004;

the unaudited historical consolidated statement of operations of Cornerstone for the year ended January 29, 2005;

the audited historical consolidated statement of operations of Ask Jeeves for the year ended December 31, 2004; and

the audited historical combined statement of operations of Expedia for the year ended December 31, 2004.

The unaudited pro forma condensed combined balance sheet as of December 31, 2004 has been derived from:

the audited historical consolidated balance sheet of IAC as of December 31, 2004;

the unaudited historical consolidated balance sheet of Cornerstone as of January 29, 2005;

the audited historical consolidated balance sheet of Ask Jeeves as of December 31, 2004; and

the audited historical combined balance sheet of Expedia as of December 31, 2004.

Because these unaudited pro forma condensed combined financial statements have been prepared based upon preliminary estimates of fair values related to the Cornerstone acquisition and the Ask Jeeves merger, the actual amounts recorded as of the completion of the Cornerstone acquisition and the Ask Jeeves merger may differ materially from the information presented in these unaudited pro forma condensed combined financial statements. The total estimated purchase prices of the Cornerstone acquisition and the Ask Jeeves merger have been allocated on a preliminary basis to assets acquired and liabilities assumed based upon management's best estimates of fair value with the excess cost over net tangible and intangible assets acquired being allocated to goodwill. Management retained the services of a third party to assist in the preliminary valuation of the intangible assets acquired. These allocations are subject to change pending a final analysis of the total purchase cost and the fair value of the assets acquired and liabilities assumed. The timing of completion of the Ask Jeeves merger, as well as the impact of integration activities, changes in purchase accounting allocations for both the Cornerstone acquisition and the Ask Jeeves merger and the timing of the Expedia spin-off could all cause material differences from the information presented.

The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have been achieved if the Cornerstone acquisition and the Ask Jeeves merger, the buy back of IAC shares and the Expedia spin-off had occurred as of January 1, 2004, nor is it indicative of future operating results or financial position. The pro forma adjustments are based upon information and assumptions available at the time of the filing of this proxy statement/prospectus. The pro forma information should be read in conjunction with the accompanying notes thereto, with IAC's and Ask Jeeves' historical financial statements and related notes thereto, incorporated by reference in this proxy statement/prospectus, and Expedia's historical financial statements and related notes thereto, included in Appendix E.

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IAC/INTERACTIVECORP AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

| | IAC Condensed December 31, 2004 | Cornerstone Condensed January 29, 2005 | Cornerstone Acquisition Pro Forma Adjustments Notes | Subtotal | Ask Jeeves Condensed December 31, 2004 | Ask Jeeves Merger Pro Forma Adjustments Notes | Subtotal | Expedia Condensed December 31, 2004 | Spin-off Pro Forma Adjustments Notes | Subtotal | Total Pro Forma Condensed December 31, 2004 |
|--|--|---|--|----------|--|---|----------|--|---|----------|---|
|--|--|---|--|----------|--|---|----------|--|---|----------|---|

(Dollars in thousands)

| | | | | | | | | | | | | | |
|--|----------------------|-------------------|------------------|-----|----------------------|-------------------|--------------------|------|----------------------|---------------------|---------------------|------|----------------------|
| ASSETS | | | | | | | | | | | | | |
| CURRENT ASSETS | | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 1,157,462 | \$ 837 | \$(703,658) | (1) | \$ 416,093 | \$ 80,452 | \$(6,000) | (12) | \$ 490,545 | \$ 154,957 | \$(95,043) | (26) | \$ 240,545 |
| | | | (38,548) | (2) | | | | | | | | | |
| Marketable securities | 2,409,745 | | | | 2,409,745 | 29,250 | (1,174,800) | (11) | 1,264,195 | 1,000 | (657,541) | (25) | 605,654 |
| Receivables from IAC and subsidiaries | | | | | | | | | 1,874,745 | 1,874,745 | (26) | | |
| Other current assets | 1,317,545 | 129,197 | 43,838 | (1) | 1,490,580 | 53,446 | 34,320 | (12) | 1,578,346 | 215,155 | | | 1,363,191 |
| Total current assets | 4,884,752 | 130,034 | (698,368) | | 4,316,418 | 163,148 | (1,146,480) | | 3,333,086 | 2,245,857 | 1,122,161 | | 2,209,390 |
| Property, plant and equipment, net | 514,517 | 23,523 | | | 538,040 | 22,761 | | | 560,801 | 81,426 | | | 479,375 |
| Goodwill | 11,433,746 | 91,298 | 368,960 | (1) | 11,894,004 | 264,898 | 1,126,358 | (12) | 13,285,260 | 5,790,111 | (116,854) | (26) | 7,378,295 |
| Intangible assets, net | 2,333,663 | 5,150 | 320,950 | (1) | 2,659,763 | 87,887 | 483,013 | (12) | 3,230,663 | 1,279,361 | | | 1,951,302 |
| Long-term investments and other non-current assets | 1,803,657 | 290 | | | 1,803,947 | 5,715 | | | 1,809,662 | 140,432 | 95,164 | (26) | 1,764,394 |
| Preferred interest exchangeable for common stock | 1,428,530 | | | | 1,428,530 | | | | 1,428,530 | | 717,200 | (27) | 2,145,730 |
| TOTAL ASSETS | \$ 22,398,865 | \$ 250,295 | \$(8,458) | | \$ 22,640,702 | \$ 544,409 | \$ 462,891 | | \$ 23,648,002 | \$ 9,537,187 | \$ 1,817,671 | | \$ 15,928,486 |

IAC/INTERACTIVECORP AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET (Continued)

| | IAC Condensed December 31, 2004 | Cornerstone Condensed January 29, 2005 | Cornerstone Acquisition Pro Forma Adjustments | Notes | Subtotal | Ask Jeeves Condensed December 31, 2004 | Ask Jeeves Merger Pro Forma Adjustments | Notes | Subtotal | Expedia Condensed December 31, 2004 | Spin-off Pro Forma Adjustments | Notes | Total Pro Forma Condensed December 31, 2004 |
|--|--|---|---|-------|------------------|--|--|-------|------------------|--|--------------------------------------|-------|---|
| (Dollars in thousands) | | | | | | | | | | | | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | | | | | | |
| Current maturities of long-term obligations and short-term borrowings | \$ 565,273 | \$ 38,548 | \$ (38,548) | (2) | \$ 565,273 | \$ 710 | | | \$ 565,983 | \$ | | | \$ 565,983 |
| Other current liabilities | 2,080,442 | 98,012 | | | 2,178,454 | 49,777 | (783) | (12) | 2,227,448 | 982,179 | (1,632) | (25) | 1,243,637 |
| Total current liabilities | 2,645,715 | 136,560 | (38,548) | | 2,743,727 | 50,487 | (783) | | 2,793,431 | 982,179 | (1,632) | | 1,809,620 |
| Long-term obligations, net of current maturities | 796,715 | | | | 796,715 | 115,460 | 79,100 | (12) | 991,275 | | | | 991,275 |
| Other long-term liabilities | 151,580 | 7,725 | | | 159,305 | 326 | | | 159,631 | 50,248 | | | 109,383 |
| Derivative related to preferred interest exchangeable for common stock | | | | | | | | | | | 717,200 | (27) | 717,200 |
| Deferred income taxes | 2,479,099 | | 126,510 | (1) | 2,605,609 | | 188,680 | (12) | 2,794,289 | 333,696 | | | 2,460,593 |
| Common stock exchangeable for preferred interest | 1,428,530 | | | | 1,428,530 | | | | 1,428,530 | | (714,265) | (27) | 714,265 |
| Minority interest | 291,922 | | | | 291,922 | | | | 291,922 | 18,435 | | | 273,487 |
| SHAREHOLDERS' EQUITY | | | | | | | | | | | | | |
| Invested capital | | | | | | | | | | 8,118,961 | 6,456,113 | (26) | |
| | | | | | | | | | | | (95,043) | (26) | |
| | | | | | | | | | | | 1,874,745 | (26) | |
| | | | | | | | | | | | (116,854) | (26) | |
| Preferred stock | 131 | 39,335 | (39,335) | (1) | 131 | | | | 131 | | (131) | (25) | |
| Series 1 Mandatory Exchangeable Preferred Stock | | | | | | | | | | | 4 | (24) | |
| | | | | | | | | | | | (1) | (24) | |
| | | | | | | | | | | | (3) | (26) | |
| Series 2 Mandatory Exchangeable Preferred Stock | | | | | | | | | | | | (24) | |
| | | | | | | | | | | | | (26) | |
| Common stock \$.01 par value | 6,970 | 26 | (26) | (1) | 6,970 | 994,971 | (994,971) | (12) | 7,714 | | (3,857) | (23) | |
| | | | | | | | 744 | (12) | | | (3,857) | (24) | |
| Class B common stock \$.01 par value | 646 | | | | 646 | | | | 646 | | (323) | (23) | |
| | | | | | | | | | | | (323) | (24) | |
| Common stock \$.001 par value | | | | | | | | | | | 386 | (24) | 386 |
| | | | | | | | | | | | 32 | (24) | 32 |

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| | IAC Condensed December 31, 2004 | Cornerstone Condensed January 29, 2005 | Acquisition Pro Forma Adjustments | Notes | Subtotal | Ask Jeeves Condensed December 31, 2004 | Ask Jeeves Merger Pro Forma Adjustments | Notes | Subtotal | Expedia Condensed December 31, 2004 | Spin-off Pro Forma Adjustments | Notes | Total Pro Forma Condensed December 31, 2004 |
|---|--|---|--|-------|----------------------|--|--|-------|----------------------|--|--------------------------------------|-------|---|
| Class B common stock \$.001 par value | | | | | | | | | | | | | |
| Additional paid-in capital | 14,058,797 | 131,171 | (131,171) | (1) | 14,068,387 | (3,722) | 3,722 | (12) | 15,816,473 | | 3,758 | (24) | 11,950,712 |
| | | | 9,590 | (1) | | | 1,748,086 | (12) | | | (655,778) | (25) | |
| | | | | | | | | | | | (3,932,186) | (26) | |
| | | | | | | | | | | | 4,180 | (23) | |
| | | | | | | | | | | | 714,265 | (27) | |
| Retained earnings | 2,428,760 | (3,675) | 3,675 | (1) | 2,428,760 | (617,525) | 617,525 | (12) | 2,428,760 | | (2,428,760) | (26) | |
| Accumulated other comprehensive income | 81,051 | | | | 81,051 | 4,412 | (4,412) | (12) | 81,051 | 33,668 | | | 47,383 |
| Treasury stock | (1,966,053) | (60,847) | 60,847 | (1) | (1,966,053) | | (1,174,800) | (11) | (3,140,853) | | 1 | (24) | (3,140,852) |
| Note receivable from key executive for common stock issuance | (4,998) | | | | (4,998) | | | | (4,998) | | | | (4,998) |
| Total shareholders' equity | 14,605,304 | 106,010 | (96,420) | | 14,614,894 | 378,136 | 195,894 | | 15,188,924 | 8,152,629 | 1,816,368 | | 8,852,663 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 22,398,865 | \$ 250,295 | \$ (8,458) | | \$ 22,640,702 | \$ 544,409 | \$ 462,891 | | \$ 23,648,002 | \$ 9,537,187 | \$ 1,817,671 | | \$ 15,928,486 |

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

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IAC/INTERACTIVECORP AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

| | IAC Condensed Year Ended December 31, 2004 | Cornerstone Condensed Year Ended January 29, 2005 | Cornerstone Acquisition Pro Forma | Notes | Subtotal | Ask Jeeves Condensed Year Ended December 31, 2004 | Ask Jeeves Merger Pro Forma | Notes | Subtotal | Expedia Condensed Year Ended December 31, 2004 | Spin-off Pro Forma | Notes | Total ProForma Condensed Year Ended December 31, 2004 |
|---|--|---|--|-------|--------------|--|---|-------|--------------|--|--------------------------|-------|---|
| (In thousands, except per share amounts) | | | | | | | | | | | | | |
| Service revenue | \$ 3,595,898 | \$ | | | \$ 3,595,898 | \$ 261,327 | \$ (783) | (13) | \$ 3,856,442 | \$ 1,843,013 | \$ 18,840 | (28) | \$ 2,032,269 |
| Product sales | 2,596,782 | 725,506 | | | 3,322,288 | | | | 3,322,288 | | | | 3,322,288 |
| Net revenue | 6,192,680 | 725,506 | | | 6,918,186 | 261,327 | (783) | | 7,178,730 | 1,843,013 | 18,840 | | 5,354,557 |
| Cost of sales-service revenue | 1,331,173 | | | | 1,331,173 | 76,153 | (264) | (16) | 1,398,078 | 412,701 | 9,659 | (28) | 995,036 |
| | | | | | | | (8,984) | (18) | | | | | |
| Cost of sales-product sales | 1,492,779 | 384,684 | 3,434 | (6) | 1,880,897 | | | | 1,880,897 | | | | 1,880,897 |
| Gross profit | 3,368,728 | 340,822 | (3,434) | | 3,706,116 | 185,174 | 8,465 | | 3,899,755 | 1,430,312 | 9,181 | | 2,478,624 |
| Selling and marketing expense | 1,203,370 | 196,173 | | | 1,399,543 | 69,047 | (449) | (16) | 1,468,141 | 608,618 | 3,972 | (28) | 863,495 |
| General and administrative expense | 746,853 | 80,978 | | | 827,831 | 51,456 | (421) | (16) | 878,842 | 236,439 | 5,209 | (28) | 649,279 |
| | | | | | | | (24) | (18) | | | 1,667 | (32) | |
| Other operating expense | 143,902 | | | | 143,902 | | | | 143,902 | | | | 143,902 |
| Amortization of cable distribution fees | 70,590 | | | | 70,590 | | | | 70,590 | | | | 70,590 |
| Amortization of non-cash distribution and marketing expense | 18,030 | | | | 18,030 | | | | 18,030 | 16,728 | | | 1,302 |
| Amortization of non-cash compensation expense | 241,726 | | 8,371 | (5) | 250,097 | | 13,908 | (15) | 264,005 | 171,400 | 37,040 | (29) | 129,645 |
| Amortization of intangibles | 347,457 | 625 | 14,000 | (7) | 361,457 | 8,663 | 74,008 | (17) | 435,465 | 125,091 | | | 310,374 |
| | | | (625) | (8) | | | (8,663) | (18) | | | | | |
| Depreciation expense | 179,514 | 6,835 | | | 186,349 | | | | 186,349 | 31,563 | | | 154,786 |
| Goodwill impairment | 184,780 | | | | 184,780 | | | | 184,780 | | | | 184,780 |
| Operating income (loss) | 232,506 | 56,211 | (25,180) | | 263,537 | 56,008 | (69,894) | | 249,651 | 240,473 | (38,707) | | (29,529) |
| Other income (expense): | | | | | | | | | | | | | |
| Interest income | 191,679 | 20 | (14,844) | (3) | 176,855 | 1,098 | (23,496) | (14) | 154,457 | 38,775 | (13,151) | (30) | 111,845 |
| | | | | | | | | | | | 9,314 | (31) | |
| Interest expense | (87,388) | (4,365) | 4,365 | (4) | (87,388) | (173) | (4,676) | (19) | (92,237) | (453) | | | (91,784) |
| Equity in the income of unconsolidated affiliates and | 41,879 | 1,291 | | | 43,170 | 191 | | | 43,361 | (9,252) | | | 52,613 |

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| | IAC Condensed Year Ended December 31, 2004 | Cornerstone Condensed Year Ended January 29, 2005 | Cornerstone Acquisition Pro Forma Adjustments | Notes | Subtotal | Ask Jeeves Condensed Year Ended December 31, 2004 | Ask Jeeves Merger Pro Forma Adjustments | Notes | Subtotal | Expedia Condensed Year Ended December 31, 2004 | Spin-off Pro Forma Adjustments | Notes | Subtotal | Total ProForma Condensed Year Ended December 31, 2004 |
|---|--|---|---|-------|-------------------|--|--|-------|-------------------|--|---|-------|----------|---|
| other | | | | | | | | | | | | | | |
| Total other income (expense), net | 146,170 | (3,054) | (10,479) | | 132,637 | 1,116 | (28,172) | | 105,581 | 29,070 | (3,837) | | | 72,674 |
| Earnings from continuing operations before income taxes and minority interest | 378,676 | 53,157 | (35,659) | | 396,174 | 57,124 | (98,066) | | 355,232 | 269,543 | (42,544) | | | 43,145 |
| Income tax expense | (179,186) | (21,161) | (6,824) | (9) | (186,010) | (4,679) | 15,968 | (20) | (170,042) | (106,371) | 16,592 | (33) | (47,079) | |
| | | | 21,161 | (10) | | | 4,679 | (21) | | | | | | |
| Minority interest in income of consolidated subsidiaries | (13,729) | (1,062) | 1,062 | (10) | (13,729) | | | | (13,729) | 301 | | | | (14,030) |
| Earnings (loss) from continuing operations | \$ 185,761 | \$ 30,934 | \$ (20,260) | | \$ 196,435 | \$ 52,445 | \$ (77,419) | | \$ 171,461 | \$ 163,473 | \$ (25,952) | | | \$ (17,964) |
| Earnings (loss) per share: (22)(34) | | | | | | | | | | | | | | |
| Basic earnings (loss) per share from continuing operations | \$ 0.50 | | | | \$ 0.53 | | | | \$ 0.44 | | | | | \$ (0.05) |
| Diluted earnings (loss) per share from continuing operations | \$ 0.47 | | | | \$ 0.49 | | | | \$ 0.41 | | | | | \$ (0.05) |

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

IAC/INTERACTIVECORP AND SUBSIDIARIES
NOTES TO UNAUDITED PRO FORMA
CONDENSED COMBINED FINANCIAL STATEMENTS

(In thousands, except per share amounts)

Adjustments related to the Cornerstone acquisition:

- (1) To reflect the acquisition of Cornerstone by IAC. The transaction closed on April 1, 2005 and is being reflected in the unaudited pro forma condensed combined balance sheet as if it had occurred on December 31, 2004.

The total consideration paid for the acquisition of Cornerstone is as follows:

| | |
|--|------------|
| Purchase price | \$ 701,658 |
| Estimated transaction costs | 2,000 |
| | <hr/> |
| Subtotal cash paid | 703,658 |
| Estimated fair value of options issued in connection with the acquisition | 25,483 |
| Less: estimated fair value of unvested options recorded as unearned compensation | (15,893) |
| | <hr/> |
| Total estimated purchase price | 713,248 |
| Net assets acquired | 106,010 |
| | <hr/> |
| Excess purchase price over net tangible assets acquired to be allocated to fair value of assets acquired and liabilities assumed | \$ 607,238 |
| | <hr/> |

Allocation of purchase price in excess of net assets acquired:

| | |
|------------------------------|------------|
| Inventory | \$ 3,434 |
| Current deferred tax asset | 40,404 |
| Definite-lived intangibles | 42,650 |
| Indefinite-lived intangibles | 278,300 |
| Goodwill | 368,960 |
| Deferred income taxes | (126,510) |
| | <hr/> |
| Total | \$ 607,238 |
| | <hr/> |

- (2) To reflect the repayment of \$38,548 of outstanding borrowings under Cornerstone's lines of credit subsequent to the acquisition of Cornerstone by IAC.
- (3) To reflect the reduction in interest income earned by IAC during 2004 on the cash paid to acquire Cornerstone of \$701,658, related estimated transaction costs of \$2,000 and the repayment of Cornerstone outstanding borrowings of \$38,548.
- (4) To reflect the elimination of the interest expense incurred by Cornerstone during 2004 related to its indebtedness, which was repaid by IAC subsequent to its acquisition of Cornerstone.

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- (5) To reflect the non-cash compensation expense associated with unvested stock options assumed by IAC in the Cornerstone acquisition and other stock-based compensation issued by IAC in connection with the transaction. This expense is being amortized based upon the vesting schedules of the underlying awards.
- (6) To reflect the additional expense associated with the preliminary valuation of Cornerstone's inventory in connection with its acquisition by IAC.
- (7) To reflect the amortization expense associated with the preliminary valuation of the definite-lived intangible assets acquired by IAC in connection with its acquisition of Cornerstone. This expense is being amortized on a straight-line basis based upon the assets' estimated useful lives. The average useful lives range from 2.5 to 3.5 years.
- (8) To reflect the elimination of the historical amortization expense associated with the definite-lived intangible assets of Cornerstone for the year ended December 31, 2004.

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- (9) To reflect Cornerstone's income tax provision as if Cornerstone had been a member of IAC's consolidated group with effect from January 1, 2004, including the impact of the pro forma adjustments at an assumed effective rate of 39.0%.
- (10) To reflect the elimination of the historical income tax provision and minority interest of Cornerstone for the year ended December 31, 2004.

Adjustments related to Ask Jeeves merger:

- (11) To reflect IAC's proposed buy back, through its previously authorized share repurchase programs, of at least sixty percent of the number of fully diluted shares it will issue in the Ask Jeeves merger (all amounts presented before giving effect to the one-for-two reverse stock split that has been proposed in connection with the spin-off):

| | |
|--|-----------------------------|
| Estimated shares to be repurchased | 52,800 |
| Assumed per share purchase price (based upon the average price paid by IAC for the 31.9 million shares repurchased from March 29, 2005 to April 20, 2005). | \$ 22.25 |
| | <u> </u> |
| Total purchase price of shares | \$ 1,174,800 |
| | <u> </u> |

- (12) To reflect the proposed merger of Ask Jeeves with IAC as if the transaction occurred on December 31, 2004. As a result of the merger, Ask Jeeves shareholders will be entitled to receive 1.2668 shares (before giving effect to the one-for-two reverse stock split that has been proposed in connection with the spin-off) of IAC common stock in exchange for each share of Ask Jeeves common stock.

The value of the IAC common stock issued, \$21.988 (before giving effect to the one-for-two reverse stock split that has been proposed in connection with the spin-off) per share, was determined based on the average market price of IAC's shares over the five day period two days before, the day of and two days after March 21, 2005, the date the terms of the acquisition were agreed to and announced.

The total estimated purchase cost for Ask Jeeves consists of the following:

| | |
|--|-----------------------------|
| IAC common stock to be issued to shareholders | \$ 1,636,853 |
| Estimated fair value of vested and unvested options and restricted stock to be issued | 148,588 |
| Estimated transaction costs | 6,000 |
| Less: estimated fair value of unvested options and restricted stock recorded as unearned compensation | (36,611) |
| | <u> </u> |
| Total estimated purchase cost | 1,754,830 |
| Net assets acquired | 378,136 |
| | <u> </u> |
| Excess purchase cost over net tangible assets acquired to be allocated to fair value of assets acquired and liabilities assumed | \$ 1,376,694 |
| | <u> </u> |

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Allocation of purchase cost in excess of net assets acquired:

| | | |
|--------------------------------|----|-----------|
| Current deferred tax asset | \$ | 34,320 |
| Definite-lived intangibles | | 248,513 |
| Indefinite-lived intangibles | | 234,500 |
| Goodwill | | 1,126,358 |
| Deferred revenue | | 783 |
| Convertible subordinated notes | | (79,100) |
| Deferred income taxes | | (188,680) |
| | | <hr/> |
| Total | \$ | 1,376,694 |
| | | <hr/> |

The fair value of the convertible subordinated notes has been estimated as of April 1, 2005. The total estimated fair value of \$194.1 million consists of the estimated fair value of the debt component of \$99.5 million and the estimated fair value of the equity component of the convertibility option of the notes. The debt will be accreted to its face amount by recording interest expense at an annual interest rate of 4.7%. In the event that the proposed spin-off is completed, the holders of the convertible subordinated notes will be entitled to receive 4.3 million shares of IAC common stock and 4.3 million shares of Expedia common stock upon conversion. Expedia has agreed to contractually assume the liability to issue the shares pursuant to a possible conversion of these notes. The spin-off, including Expedia's contractual obligation to issue its shares upon conversion, will result in accounting treatment that treats the shares of Expedia common stock issuable upon conversion as a series of derivatives as more fully described in Note (26) below.

- (13) To reflect the impact of the adjustment to the preliminary valuation of deferred revenue.
- (14) To reflect the reduction in interest income earned by IAC during 2004 on the cash used in IAC's proposed buy back, through its previously authorized share repurchase programs, of at least sixty percent of the number of fully diluted shares it will issue in the merger. See Note (11) above.
- (15) To reflect the non-cash compensation expense associated with unvested stock options assumed by IAC in the merger. This expense is being amortized based upon the vesting schedules of the underlying awards.
- (16) To reflect the elimination of the historical stock-based compensation expense recorded during the year ended December 31, 2004 related to Ask Jeeves' stock-based compensation awards.
- (17) To reflect amortization expense associated with the preliminary valuation of the definite-lived intangible assets acquired by IAC in connection with the merger. This expense is amortized on a straight-line basis based upon the assets' estimated useful lives. The average estimated useful lives range from 1 to 6 years.
- (18) To reflect the elimination of the historical amortization expense associated with the definite-lived intangible assets of Ask Jeeves for the year ended December 31, 2004.
- (19) To reflect the interest expense on the zero coupon convertible subordinated notes assumed in the acquisition. Interest is calculated at an assumed annual rate of 4.7%.
- (20) To reflect the Ask Jeeves' income tax provision as if it had been a member of IAC's consolidated group with effect from January 1, 2004, including the impact of the pro forma adjustments described above at an assumed effective rate of 39.0%.

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- (21) To reflect the elimination of the historical income tax provision of Ask Jeeves for the year ended December 31, 2004.

One-time expenses incurred by Ask Jeeves related to the merger are expected to total \$15.1 million, pre-tax. Since these expenses are non-recurring, they have not been included as a pro forma adjustment.

- (22) Assuming the merger is completed prior to the spin-off, pro forma earnings per share would be:

| | <u>IAC Condensed</u> | <u>Combined IAC Pre-Ask Jeeves Pro Forma</u> | <u>Combined IAC Post-Ask Jeeves Pro Forma</u> |
|---|----------------------|--|---|
| Basic earnings per share from continuing operations | \$ 0.25 | \$ 0.26 | \$ 0.22 |
| Diluted earnings per share from continuing operations | \$ 0.23 | \$ 0.25 | \$ 0.20 |

Adjustments related to the spin-off:

- (23) To reflect the one-for-two reverse stock split effected as follows:

| | | |
|--|--|-----------------|
| Par value of shares of common stock outstanding before the split: | | |
| IAC common stock | | \$ 7,714 |
| IAC Class B common stock | | 646 |
| | | <u>8,360</u> |
| Total | | <u>\$ 8,360</u> |
| Reduction for one-for-two reverse stock split (50% of above values): | | |
| IAC common stock | | \$ 3,857 |
| IAC Class B common stock | | 323 |
| | | <u>4,180</u> |
| Total increase to additional paid-in capital | | <u>\$ 4,180</u> |

- (24) To reflect the changes in IAC's shareholders' equity to effect the spin-off. These changes include the reclassification of (i) each share of IAC \$0.01 par value common stock into one share of IAC \$0.001 par value common stock and 1/100 of a share of IAC Series 1 Mandatory Exchangeable Preferred Stock that will automatically exchange into one share of Expedia \$0.001 par value common stock immediately following the reclassification and (ii) each share of IAC \$0.01 par value Class B common stock into one share of IAC \$0.001 par value Class B common stock and 1/100 of a share of IAC Series 2 Mandatory Exchangeable Preferred Stock that will automatically exchange into one share of Expedia \$0.001 par value Class B common stock immediately following the reclassification. The approximately 58 million shares (after giving effect to the one-for-two reverse stock split) of IAC Series 1 Mandatory Exchangeable Preferred Stock that would be issued in respect of IAC common stock held as treasury stock are assumed to be retired prior to their

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exchange into Expedia shares. IAC will have no ownership interest in Expedia after the spin-off. These changes are effected as follows:

| | |
|--|----------|
| Reclassification of existing equity: | |
| IAC common stock \$.01 par value | \$ 3,857 |
| IAC Class B common stock \$.01 par value | 323 |
| | 4,180 |
| Subtotal | 4,180 |
| Establish new equity: | |
| Series 1 Mandatory Exchangeable Preferred Stock | 4 |
| Retirement of Series 1 Mandatory Exchangeable Preferred Stock representing shares held in treasury | (1) |
| Series 2 Mandatory Exchangeable Preferred Stock (rounds to less than \$1) | |
| IAC common stock \$.001 par value | 386 |
| IAC Class B common stock \$.001 par value | 32 |
| Reduction in treasury stock | 1 |
| | 3,758 |
| Total increase to additional paid-in capital | \$ 3,758 |

(25)

To reflect the assumed redemption of the IAC Series A preferred stock plus accrued and unpaid dividends at the time of the spin-off effected as follows:

| | |
|---|------------|
| Number of shares of IAC Series A preferred stock | 13,118 |
| Redemption value per share | \$ 50.00 |
| | 655,909 |
| Redemption value of IAC Series A preferred stock | \$ 655,909 |
| Accrued and unpaid dividends | 1,632 |
| | 657,541 |
| Assumed payment through liquidation of marketable securities | \$ 657,541 |
| | 1,632 |
| Reduction to current liabilities to reflect payment of accrued and unpaid dividends | \$ 1,632 |
| Par value of IAC Series A preferred stock | 131 |
| Additional paid-in capital related to IAC Series A preferred stock | 655,778 |
| | 657,541 |
| Total | \$ 657,541 |

In connection with the spin-off, each share of IAC Series A preferred stock will represent the right to receive, at the holder's election: (1) \$50.00 in cash per share, plus accrued and unpaid dividends, (2) the IAC common stock and Expedia common stock that a holder of IAC Series A preferred stock would have received had the holder converted its Series A preferred stock into IAC common stock immediately prior to the spin-off or (3) one share of IAC Series B preferred stock and one share of Expedia Series A preferred stock, each of which will mirror in all material respects the terms of the current IAC Series A preferred stock, as adjusted to reflect the spin-off and the one-for-two reverse stock split.

The treatment of holders who have not made an affirmative election by the established deadline will depend on the elections of other holders. If holders of more than 50% of the outstanding shares elect to have their shares redeemed for cash, then non-electing holders will be deemed to have elected to receive cash. If holders of more than 50% of the outstanding shares do not elect to have their shares redeemed for cash, then non-electing holders will be deemed to have elected to receive one share of IAC Series B preferred stock and one share of Expedia Series A preferred stock.

If holders of less than 85% of the outstanding shares of IAC Series A preferred stock elect to have their shares redeemed for cash, then IAC will reimburse Expedia an amount in cash equal to the redemption price per share of Expedia Series A preferred stock for each share of Expedia Series A preferred stock that Expedia redeems following the spin-off. In such case, IAC would establish a liability in its accounting for the spin-off for the fair value of the liability associated with its obligation to settle this amount. This liability would be maintained at fair value each reporting period with any changes in value being recorded in the IAC statement of operations. In the event the holders of the Expedia Series A preferred stock convert their shares into shares of Expedia common stock rather than causing Expedia to redeem their shares, IAC's obligation under the indemnification would cease with respect to such converted shares.

(26)

To reflect the transfer to Expedia by IAC of the net assets comprising the Expedia businesses after giving effect to the terms related to its spin-off and separation from IAC and the accounting treatment related thereto as follows:

| | | |
|---|-----------|------------------|
| Expedia invested equity | \$ | 8,118,961 |
| Increase to Expedia's cash and cash equivalents pursuant to the terms of the spin-off | | 95,043 |
| Reclassify the Expedia receivable from IAC and subsidiaries which will be extinguished in connection with the spin-off | | (1,874,745) |
| Adjustment to the IAC Travel reporting unit goodwill that will be required to effect the spin-off. The net adjustment reflects removal of the goodwill for Interval International and TV Travel Shop at fair value pursuant to SFAS 144 | | 116,854 |
| | | <u>116,854</u> |
| Total | \$ | 6,456,113 |
| | | <u>6,456,113</u> |

| | | |
|---|-----------|------------------|
| Establish the asset related to Expedia's obligation to issue 4.3 million shares of Expedia common stock after the spin-off pursuant to the conversion of the Ask Jeeves subordinated convertible debentures | \$ | 95,164 |
| Reclassification of Series 1 Mandatory Exchangeable Preferred Stock | | 3 |
| Reduction to additional paid-in capital to effect the distribution of Expedia's net assets | | 3,932,186 |
| Reduction to retained earnings to effect the distribution of Expedia's net assets | | 2,428,760 |
| | | <u>3,932,186</u> |
| Total | \$ | 6,456,113 |
| | | <u>6,456,113</u> |

The obligation of IAC to issue shares of both IAC and Expedia common stock upon conversion of the Ask Jeeves subordinated convertible notes represents a derivative in IAC's consolidated financial statements because it is not denominated solely in shares of IAC common stock. The contractual obligation of Expedia to issue shares of Expedia common stock to IAC to permit IAC to satisfy its obligation to deliver shares of Expedia common stock to the holders of the Ask Jeeves subordinated convertible notes also represents a derivative in IAC's consolidated financial statements. Both of these derivatives will be maintained at fair value each reporting period after the spin-off with any changes in value reflected in the statement of operations.

In connection with prior transactions, including, among others, the acquisition of Ticketmaster, Hotels.com, Expedia.com and Hotwire.com, IAC assumed a number of warrants that were adjusted to become exercisable for shares of IAC common stock. Following the spin-off, IAC will remain the contractually obligated party with respect to these warrants and each warrant will represent the right to receive upon exercise by the holders thereof that number of shares of IAC common stock and Expedia common stock that the warrant holder would have received had the holder exercised

the warrant immediately prior to the spin-off. Under the separation agreement, Expedia will contractually assume the obligation to deliver shares of Expedia common stock to these warrant holders upon exercise.

This obligation of IAC to issue shares of both IAC and Expedia common stock upon exercise of these warrants will create a liability in the form of a derivative in IAC's consolidated financial statements that will be maintained at fair value each reporting period after the spin-off with any changes in value reflected in the statement of operations. The contractual obligation of Expedia to issue shares of Expedia common stock in satisfaction of IAC's obligation to issue such shares will also create a derivative in IAC's consolidated financial statements. Neither the derivative liability nor the derivative asset has been reflected in these pro forma financial statements.

(27)

To reflect the impact of the spin-off on the treatment of the investment that IAC holds in the VUE Preferred B interests. In 2022, when the investment is callable and puttable, the face amount of this investment of approximately \$2.3 billion may be settled at the option of Universal in either a maximum number of the 56.6 million (before giving effect to the one-for-two reverse stock split) IAC common shares (43.2 million shares of IAC common stock and 13.4 million shares of IAC Class B common stock) that it holds or a combination of the shares it holds and cash equal to the fair market value of the shares it does not deliver. To the extent that Universal elects to settle in cash and stock, it must include the Class B common stock it holds in any such settlement.

To the extent that the value of IAC's common stock is less than \$40.82 per share (before giving effect to the one-for-two reverse stock split), Universal can settle its obligation for less than the face amount of \$2.3 billion.

The amount of shares required to settle the obligation is subject to reduction to the extent the value of IAC's common stock is greater than \$40.82 per share (before giving effect to the one-for-two reverse stock split). After the one-for-two reverse stock split and the spin-off, Universal can settle the \$2.3 billion obligation for the 28.3 million IAC common shares (21.6 million shares of IAC common stock and 6.7 million shares of IAC Class B common stock) and the 28.3 million Expedia common shares (21.6 million shares of Expedia common stock and 6.7 million shares of Expedia Class B common stock) it holds or by a combination of cash and shares.

In the event that Universal elects to settle in cash and shares, it must include the 6.7 million shares of IAC Class B common stock and the 6.7 million shares of Expedia Class B common stock in the settlement.

To the extent that the combined price of Expedia and IAC's common shares after the one-for-two reverse stock split and the spin-off is greater than \$81.64, the number of shares that Universal would need to settle its obligation would be reduced to less than the 28.3 million IAC common shares and 28.3 million Expedia common shares.

The right of Universal to fully settle the redemption obligation by putting the maximum number of IAC and Expedia common shares to IAC is a derivative. This derivative must now be bifurcated and accounted for separately after the spin-off because it is no longer denominated solely in IAC's own common shares. This treatment requires establishing the value of the embedded derivative as a separate liability and increasing the carrying amount of the investment by the amount of the derivative. In addition, the portion of the common stock exchangeable for preferred interests that is not attributable to IAC's common stock post spin-off has been reclassified to additional paid-in capital. Future changes in the value of the derivative and Expedia's common stock each reporting

period will result in additional reclassifications between common stock exchangeable for preferred interests and additional paid-in capital.

The derivative will be maintained at fair value each reporting period after the spin-off with any changes in value reflected in the statement of operations.

The investment will also be evaluated for impairment on a quarterly basis. As a held-to-maturity investment, if there is a decline in the combined value of IAC's and Expedia's common stock that is deemed to be other than temporary, an adjustment to the carrying amount of the investment would be required. The basis of the investment to be evaluated for impairment would be the net of the carrying value of the investment and the value of the derivative.

Prior to this change in accounting treatment for the VUE Preferred B interests, IAC did not record the income related to the accretion of its investment from the initial carrying amount to the \$2.3 billion value at maturity. This treatment was due, in part, to the fact that the realization of this income was tied solely to appreciation of IAC's own stock. With the change in the accounting treatment for this investment as described above, it is now considered appropriate to recognize this income. See Note (31) below for an estimate of this income recorded on a pro forma basis in 2004.

- (28) To reverse the previously recorded elimination of intercompany transactions between Expedia and IAC's other subsidiaries.
- (29) To reflect the additional non-cash compensation expense due to the modification of IAC unvested stock options due to the spin-off. These modifications are accounted for pursuant to SFAS 123 which requires (1) the inclusion as expense of amounts related to the fair value of stock options that were previously accounted for under APB Opinion No. 25 and were therefore excluded from the determination of non-cash compensation expense and (2) the additional expense that arises due to the increase in the estimated fair value of these options due to the modifications. This amount excludes the one-time impact of \$54.1 million, pre-tax, due to the modification of vested stock options that remain unexercised at the date of the spin-off. Since this expense of \$54.1 million is non-recurring, it has not been included as a pro forma adjustment.
- (30) To reflect the reduction in interest income earned on marketable securities due to the assumed redemption of the IAC Series A preferred stock as of January 1, 2004.
- (31) To reflect the income on the accretion related to the VUE Preferred B interests. The face amount of this investment in 2004, when the investment is callable and puttable, is approximately \$2.3 billion. The accretion is being recognized on the difference between the basis in the investment after giving effect to the adjustment to the carrying value for the value of the embedded derivative as described in Note (27) above. The income is being recognized at an annual interest rate of 0.47%.
- (32) To reflect the net effect of the reversal of the allocations made to Expedia by IAC in the preparation of Expedia's 2004 historical financial statements and the estimated amount of costs incurred by IAC that will be charged to or incurred by Expedia after the spin-off.
- (33) To reflect the tax effect of pro forma adjustments in Notes (28) to (32) above at an assumed effective rate of 39.0%.
- One-time expenses related to Expedia's spin-off from IAC are expected to total \$15.0 million, pre-tax, in 2005. This amount excludes the one-time impact of the modification of vested stock options referred to in Note (29) above. Since these expenses are non-recurring, they have not been included as a pro forma adjustment.
- (34) Historical earnings per share have been restated to give effect to the one-for-two reverse stock split.

CERTAIN LEGAL PROCEEDINGS

For a description of pending legal proceedings of IAC involving issues or claims that may be of particular interest to IAC's or Ask Jeeves' stockholders, please refer to IAC's annual report for the 2004 fiscal year on Form 10-K which is incorporated by reference to this proxy statement/prospectus. Please refer to "Information about Expedia After the Spin-Off Legal Proceedings" included in Appendix E for a description of pending legal proceedings involving issues or claims that may be of particular interest to Expedia's shareholders after the proposed spin-off.

Ask Jeeves Litigation

For a description of Ask Jeeves' material legal proceedings, please refer to Ask Jeeves' annual report for the 2004 fiscal year on Form 10-K which is incorporated by reference to this proxy statement/prospectus.

In addition, two class action lawsuits have been filed in Delaware relating to the merger agreement. *Benjamin Parris v. A. George Battle, Steven Berkowitz, Garrett Gruener, David S. Carlick, James Casella, Joshua C. Goldman, James D. Kirsner, Geoffrey Y. Yang and Ask Jeeves, Inc.* was filed in the Court of Chancery of the State of Delaware on March 21, 2005. The complaint is brought on behalf of a purported class of Ask Jeeves stockholders and alleges that the transaction fails to fully value Ask Jeeves and that the transaction was timed to place an artificial cap on the market price of Ask Jeeves stock. The complaint seeks to enjoin the merger, have the merger rescinded if completed, obtain an award of damages to the purported class and obtain an award of attorneys' fees, experts' fees and costs. Ask Jeeves believes that these claims are without merit and intends to defend vigorously against them.

Richard D. Wiltsie I v. A. George Battle, Steven Berkowitz, David Carlick, James Casella, Joshua Goldman, Garrett Gruener, James Kirsner, Geoffrey Y. Yang, IAC/Interactivecorp, and Ask Jeeves, Inc. was filed in the Court of Chancery of the State of Delaware on March 23, 2005. The complaint is brought on behalf of a purported class of Ask Jeeves stockholders, and alleges that the Board of Ask Jeeves breached its fiduciary duty by entering into the merger agreement without conducting an auction, and without obtaining the best price possible, without informing itself of and investigating available transactions, while IAC's stock was overvalued because of its repurchase programs, and while Ask Jeeves' stock was undervalued. The complaint also alleges that IAC knowingly participated in and benefited from the Ask Jeeves director defendants' breaches of their fiduciary duties. The complaint seeks to enjoin the merger, rescind it if completed, obtain an award of damages for the purported class, direct the Ask Jeeves Board to use "corporate management devices to ensure the best available transaction" and obtain an award of attorneys' fees, experts' fees and costs. Ask Jeeves believes that these claims are without merit and intends to defend vigorously against them.

On February 17, 2005, a lawsuit was filed in the Circuit Court of Miller County, Arkansas captioned *Lane's Gifts and Collectibles et al. vs. Yahoo! Inc. et al.*, in which Ask Jeeves, Inc., Google Inc., Yahoo! Inc., America Online and several other Internet media companies are named as defendants. The complaint alleges that the defendants overcharged advertisers by billing and collecting fees for price-per-click (PPC) advertising in response to clicks that defendants knew were not generated by bona fide consumers. It further alleges that defendants engaged in an industry-wide conspiracy to conceal the alleged overcharges from advertisers in order to increase the size of the PPC advertising market. The complaint purports to be a nationwide class action on behalf of all advertisers that have been overcharged for PPC advertising, and seeks to hold Ask Jeeves and the other defendants liable for the amount of the alleged overcharges, together with prejudgment interest, attorneys' fees and such other amounts as the court may determine. Ask Jeeves was served this complaint on February 28, 2005 and it is currently being evaluated by its attorneys. Ask Jeeves sent Google a letter requesting indemnification for any liability under this lawsuit arising from its sponsored links. On March 18, 2005,

Ask Jeeves received a letter from Google agreeing to such indemnification and control of the defense; however, even with Google's acceptance of indemnification responsibility, Ask Jeeves retains liability for ads it sold. Ask Jeeves believes it has meritorious defenses and intends to defend the case vigorously.

THE COMPANIES

IAC

IAC operates leading and diversified businesses in sectors being transformed by the Internet, online and offline. IAC's mission is to harness the power of interactivity to make daily life easier and more productive for people all over the world. IAC operates a diversified portfolio of specialized and global brands in the businesses described below. IAC enables billions of dollars of consumer-direct transactions for products and services via the Internet and telephone.

IAC currently consists of the following businesses:

IAC Travel, which currently includes Expedia.com, Hotels.com, Hotwire, TripAdvisor, Expedia Corporate Travel, Classic Custom Vacations and Interval International;

Electronic Retailing, which includes HSN U.S. and HSN International;

Ticketing, which includes Ticketmaster;

Personals, which includes Match.com;

IAC Local and Media Services, which includes Citysearch, Evite, Entertainment Publications and ServiceMagic (since September 2004);

Financial Services and Real Estate, which includes LendingTree and its affiliated brands and businesses; and

Teleservices, which includes PRC.

IAC has announced its intention to spin off its travel and travel-related businesses, subsidiaries and investments into an independent, separately traded public company. We refer to this transaction, which would occur after completion of the merger, as the "spin-off." Information relating to the spin-off and the related IAC proposals, and a description of IAC after the spin-off and of Expedia both before and after the spin-off, are attached to this proxy statement/prospectus as Appendix E. Ask Jeeves stockholders are not being asked to vote on the spin-off or on the related IAC proposals described in Appendix E, and you will not be entitled to vote on any such proposals if the record date for such vote occurs prior to the closing of the merger. Nevertheless, we encourage you to read Appendix E in its entirety before voting on the proposed merger.

For information regarding the results of IAC's historical operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in IAC's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, which is incorporated by reference into this proxy statement/prospectus, and the IAC/InterActiveCorp and Subsidiaries Unaudited Pro Forma Condensed Combined Financial Statements and the accompanying notes beginning on page 80.

Ask Jeeves

Ask Jeeves provides information search and retrieval services to computer users through a diverse portfolio of Web sites, downloadable applications and distribution networks. On the Ask Jeeves brand sites *Ask.com* in the U.S., *Ask.co.uk* in the U.K. and *Ask.jp* (a joint venture) in Japan users submit queries and Ask Jeeves' algorithmic search engine, Teoma, responds by generating a list of Web sites likely to offer the most

authoritative content. Ask Jeeves' proprietary Web brands also include three

content-rich portals (*Excite.com*, *iWon.com* and *MyWay.com*) and several other search sites. Ask Jeeves earns revenue primarily by displaying paid listings and other advertisements on its proprietary sites. Ask Jeeves also generates advertising revenue by distributing ads and search services across two networks of third-party Web sites: the MaxOnline advertising network and the Ask Jeeves syndication network. Ask Jeeves pays fees to these networked sites in order to reach their users with its ads and services. Ask Jeeves' proprietary technologies include Teoma, natural language processing software, portal technology and ad-serving processes.

For information regarding the results of Ask Jeeves' historical operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Ask Jeeves' Annual Report on Form 10-K for the fiscal year ended December 31, 2004, which is incorporated by reference into this proxy statement/prospectus.

AJI Acquisition Corp.

AJI Acquisition Corp., a Delaware corporation, is a wholly-owned subsidiary of IAC created solely for the purpose of effecting the merger and has conducted no business or activities to date. In the merger, AJI Acquisition Corp. will be merged with and into Ask Jeeves, with Ask Jeeves surviving the merger as a wholly-owned subsidiary of IAC.

Expedia, Inc.

Expedia is a wholly-owned subsidiary of IAC. If the spin-off is completed, Expedia will become an independent, separately traded public company that operates a diversified portfolio of domestic and international travel brands and businesses. Expedia will be among the world's leading travel services companies, making travel products and services available to leisure and corporate travelers in the United States and abroad through a diversified portfolio of brands, including Expedia.com, Hotels.com, Hotwire, Expedia Corporate Travel, Classic Custom Vacations and a range of other domestic and international brands and businesses.

A description of Expedia, both before and after the spin-off, and information regarding the results of Expedia's historical operations (including "Management's Discussion and Analysis of Financial Condition and Results of Operations" for Expedia and the Unaudited Pro Forma Condensed Combined Financial Statements for Expedia") are included in Appendix E to this proxy statement/prospectus.

COMPOSITION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT OF THE SURVIVING CORPORATION

Board of Directors

The merger agreement provides that the directors of AJI Acquisition Corp. immediately before the effective time will be the directors of the surviving corporation upon the merger. Messrs. Gregory R. Blatt and Gregg J. Winiarski are the current directors of AJI Acquisition Corp., and IAC expects that they will be the initial directors of the surviving corporation upon the merger.

Executive Officers

The merger agreement provides that the officers of Ask Jeeves immediately before the effective time will be the officers of the surviving corporation upon the merger. We expect that Ask Jeeves' current executive officers generally will continue to hold such offices in Ask Jeeves immediately before the effective time and will be the executive officers of the surviving corporation upon the merger. You can find information about Ask Jeeves' current executive officers in Ask Jeeves' Annual Report on

Form 10-K for the Year Ended December 31, 2004 and Ask Jeeves' proxy statement for its 2005 annual meeting of stockholders. See "Where You Can Find More Information" starting on page 109.

DESCRIPTION OF IAC CAPITAL STOCK PRIOR TO THE SPIN-OFF

Set forth below is a description of IAC's capital stock. The following statements are brief summaries of, and are subject to the provisions of, IAC's certificate of incorporation and bylaws and the relevant provisions of the Delaware General Corporation Law, or the DGCL.

The description provided below is for IAC's capital stock prior to the spin-off. For a description of IAC's capital stock after giving effect to the spin-off and the related IAC proposals, and for a description of Expedia's capital stock after the spin-off, see the sections entitled "The Spin-Off Proposal Description of IAC Capital Stock after the Spin-Off" and "The Spin-Off Proposal Description of Expedia Capital Stock after the Spin-Off" in Appendix E to this document.

As of the date of this proxy statement/prospectus, the authorized capital stock of IAC consists of 1,600,000,000 shares of IAC common stock, par value \$0.01 per share, 400,000,000 shares of IAC Class B common stock, par value \$0.01 per share, and 100,000,000 shares of Preferred Stock, par value \$0.01 per share, of which 13,125,000 shares have been designated Series A Cumulative Convertible Redeemable Preferred Stock (which we refer to in this document as the IAC Preferred Stock).

IAC Common Stock and IAC Class B Common Stock

As of March 31, 2005, there were 630,814,957 shares of IAC common stock outstanding and 64,629,996 shares of IAC Class B common stock outstanding. Upon consummation of the merger, based on the number of shares of IAC common stock outstanding as of March 31, 2005 and the number of shares of Ask Jeeves common stock outstanding as of April 20, 2005, there will be outstanding approximately 706,268,896 shares of IAC common stock and 64,629,996 shares of IAC Class B common stock.

With respect to matters that may be submitted to a vote or for the consent of IAC stockholders, including the election of directors, each holder of IAC Class B common stock is entitled to ten votes for each share of IAC Class B common stock held and will vote together with the holders of IAC common stock and IAC Preferred Stock as a single class, except as otherwise required by the DGCL. Each holder of IAC Preferred Stock is entitled to two votes for each share of IAC Preferred Stock held and each holder of IAC common stock is entitled to one vote for each share of IAC common stock held. Notwithstanding the foregoing, the holders of IAC common stock, acting as a single class, are entitled to elect 25% of the total number of directors on the IAC board of directors, and, in the event that 25% of the total number of directors results in a fraction of a director, then the holders of IAC common stock, acting as a single class, are entitled to elect the next higher whole number of directors on the IAC board of directors.

Shares of IAC Class B common stock are convertible into shares of IAC common stock at the option of the holder of the shares at any time on a share-for-share basis. Such conversion ratio will in all events be equitably preserved in the event of any recapitalization of IAC by means of a stock dividend on, or a stock split or combination of, outstanding IAC common stock or IAC Class B common stock, or in the event of any merger, consolidation or other reorganization of IAC with another corporation. Upon the conversion of IAC Class B common stock into shares of IAC common stock, those shares of IAC Class B common stock will be retired and will not be subject to reissue. Shares of IAC common stock are not convertible into shares of IAC Class B common stock.

In all other respects, the IAC common stock and the IAC Class B common stock are identical. The holders of IAC common stock and the holders of IAC Class B common stock are entitled to receive, share-for-share, such dividends as may be declared by the IAC board of directors out of funds

legally available therefor. In the event of a liquidation, dissolution, distribution of assets or winding-up of IAC, the holders of IAC common stock and the holders of IAC Class B common stock are entitled to share ratably in all the assets of IAC available for distribution to its stockholders, after the rights of the holders of the IAC Preferred Stock, if any, have been satisfied.

The IAC certificate of incorporation provides that there can be no stock dividends or stock splits or combinations of stock declared or made on IAC common stock or IAC Class B common stock unless the shares of IAC common stock and IAC Class B common stock then outstanding are treated equally and identically.

The shares of IAC common stock to be issued to Ask Jeeves stockholders in connection with the merger will be validly issued, fully paid and non-assessable.

IAC Dividend Policy

IAC has paid no cash dividends on its common stock to date and does not anticipate paying cash dividends on its common stock in the immediate future.

IAC Preferred Stock

IAC may issue shares of Preferred Stock from time to time in one or more series. The IAC board of directors has authority, by resolution, to designate the powers, preferences, rights and qualifications and restrictions of Preferred Stock of IAC.

Series A Cumulative Convertible Preferred Stock

General

In connection with the IAC acquisition of control of Expedia on February 4, 2002, IAC issued 13,118,369 shares of Series A Cumulative Convertible Preferred Stock, which we refer to as the "IAC Preferred Stock", each having a \$50.00 face value and a term of 20 years, of which 13,118,182 are currently outstanding.

Voting Rights

Holders of IAC Preferred Stock are entitled to two votes for each share of IAC Preferred Stock held on all matters presented to such stockholders. Except as otherwise required by Delaware law, or any special voting rights of IAC Preferred Stock as described in this document, the holders of IAC common stock, IAC Class B common stock and IAC Preferred Stock entitled to vote with the common stockholders will vote together as one class (subject to the rights of holders of IAC common stock, acting as a single class, to elect 25% of the total number of directors on the IAC board). No separate class vote of IAC Preferred Stock will be required for the approval of any matter except as required by Delaware law.

Dividends

Each share of IAC Preferred Stock is entitled to receive dividends equal to the sum of (1) 1.99% of the face value per year, payable quarterly in cash or IAC common stock, at IAC's option, plus (2) the excess, if any, of the aggregate value of any dividends paid on the IAC common stock underlying the IAC Preferred Stock over the amount described in (1). If IAC elects to pay the dividends in IAC common stock, the price will be based on the 10-day trailing average price of IAC common stock prior to the payment date. No other Preferred Stock of IAC will rank senior to the IAC Preferred Stock with respect to payment of dividends.

Conversion Rights

Each share of IAC Preferred Stock is convertible, at the option of the holder, into that number of shares of IAC common stock equal to the quotient obtained by dividing \$50.00 by the conversion price per share of IAC common stock. The initial conversion price is equal to \$33.75 per share of IAC common stock. The conversion price will be adjusted downward if the share price of IAC common stock exceeds \$35.10 at the time of conversion pursuant to the following formula:

$$\frac{\$50 * (IAC)}{(IAC * 1.4815) + (0.4792 * (IAC - 35.10))}$$

where IAC = 10-day average price of IAC common stock for the 10 days prior to the payment date.

The certificate of designations for shares of IAC Preferred Stock also includes an anti-dilution adjustment provision so that the number of shares of IAC common stock to be received upon conversion of a share of IAC Preferred Stock is adjusted from time to time in the event of any stock split, stock consolidation, combination or subdivision, stock dividend or other distribution and any repurchase, reclassification, recapitalization or reorganization of IAC.

Redemption by IAC

Commencing on February 4, 2012, the tenth anniversary of the effective time of the IAC acquisition of control of Expedia, IAC will have the right from time to time to redeem at least 25% of the original aggregate face value and up to 100% of the original aggregate face value of the outstanding IAC Preferred Stock at a redemption price per share of IAC Preferred Stock equal to face value plus any accrued and unpaid dividends. Any payment by IAC pursuant to a redemption by IAC may be made in cash or IAC common stock, at the option of IAC.

Redemption by the Holder of IAC Preferred Stock

During the 20 business day period preceding each of the fifth, seventh, tenth and fifteenth anniversaries of February 4, 2002, a holder of IAC Preferred Stock will have the right to require IAC to purchase all or a portion of the shares of IAC Preferred Stock held by such holder for face value plus any accrued and unpaid dividends. Any payment by IAC pursuant to a redemption by the holder of IAC Preferred Stock may be made in cash or IAC common stock, at the option of IAC.

Liquidation Rights

In the event of a voluntary or involuntary liquidation, dissolution or winding up of IAC, holders of IAC Preferred Stock will be entitled to receive in preference to any holder of IAC common shares an amount per share equal to all accrued and unpaid dividends plus the greater of (a) face value, or (b) the liquidating distribution that would be received had such holder converted the IAC Preferred Stock into IAC common stock immediately prior to the liquidation, dissolution or winding up of IAC. No other Preferred Stock of IAC will rank senior to IAC Preferred Stock with respect to payment upon liquidation.

Reservation of Shares of IAC Common Stock

IAC will keep in reserve at all times during the term of the IAC Preferred Stock sufficient authorized but unissued shares of IAC common stock for issuance in the event of exercises by the holders of the IAC Preferred Stock.

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Registration of Shares under the Securities Act

The shares of IAC Preferred Stock and any IAC common stock issued upon conversion of the IAC Preferred Stock have been registered under the Securities Act.

Public Market

Shares of the IAC Preferred Stock are traded in the over-the-counter market under the ticker symbol "IACIP.OB."

Preemptive Rights

Pursuant to the terms of an amended and restated governance agreement, dated as of December 16, 2001, among IAC, Vivendi, Universal Studios, Inc., Liberty Media Corporation and Barry Diller, if IAC issues or proposes to issue any shares of IAC common stock or IAC Class B common stock (including shares issued upon exercise, conversion or exchange of options, warrants and convertible securities), Liberty will have preemptive rights that entitle it to purchase a number of IAC common shares so that Liberty will maintain the identical ownership interest in IAC that Liberty had immediately prior to such issuance or proposed issuance. Any purchase by Liberty will be allocated between IAC common stock and IAC Class B common stock in the same proportion as the issuance or issuances giving rise to the preemptive right, except to the extent that Liberty opts to acquire shares of IAC common stock in lieu of shares of IAC Class B common stock. A summary of the governance agreement is set forth in, and a copy of the governance agreement has been filed with the SEC as an appendix to, IAC's Definitive Proxy Statement, dated March 25, 2002, and are available without charge from the SEC at www.sec.gov.

For a description of governance arrangements relating to IAC and, after the spin-off, Expedia, see "The Spin-Off Proposal Description of Expedia Capital Stock after the Spin-Off" in Appendix E to this proxy statement/prospectus.

Anti-Takeover Provisions in IAC's Bylaws

IAC's bylaws contain provisions that could delay or make more difficult the acquisition of IAC by means of a hostile tender offer, open market purchases, a proxy contest or otherwise. We also refer you to "Risk Factors Risk Factors Relating to IAC and Expedia Securities" included in Appendix E for information on other factors which could impact a change of control. In addition, IAC's bylaws provide that, subject to the rights of holders of the IAC Preferred Stock, only IAC's chairman of the board of directors or a majority of IAC's board of directors may call a special meeting of stockholders.

Effect of Delaware Anti-Takeover Statute

IAC is subject to Section 203 of the DGCL, which regulates corporate acquisitions. Section 203 generally prevents corporations from engaging in a business combination with any interested stockholder for three years following the date that the stockholder became an interested stockholder, unless that business combination has been approved in one of a number of specific ways. For purposes of Section 203, a "business combination" includes, among other things, a merger or consolidation involving IAC and the interested stockholder and a sale of more than 10% of IAC's assets. In general, the anti-takeover law defines an "interested stockholder" as any entity or person beneficially owning 15% or more of a company's outstanding voting stock and any entity or person affiliated with or controlling or controlled by that entity or person. A Delaware corporation may "opt out" of Section 203 with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from amendments approved by holders of at least a majority of a corporation's outstanding voting shares. The IAC board of directors has previously approved for purposes of Section 203 certain transactions among Barry Diller, Universal and Liberty

and their respective affiliates and associates and IAC, which transactions may have resulted in Mr. Diller, Universal and/or Liberty becoming an "interested shareholder" of IAC. Other than with respect to the foregoing, IAC has not "opted out" of the provisions of Section 203.

Action by Written Consent

Under the DGCL, unless a company's certificate of incorporation expressly prohibits action by the written consent of stockholders, any action required or permitted to be taken by its stockholders at a duly called annual or special meeting may be taken by a consent in writing executed by stockholders possessing the requisite votes for the action to be taken. IAC's certificate of incorporation does not expressly prohibit action by the written consent of stockholders. As a result, Mr. Diller (who, pursuant to the governance arrangement described above and an irrevocable proxy granted to Mr. Diller from Universal and Liberty, controls the vote of 21.0% of the IAC common stock and 100% of the IAC Class B common stock and, consequently, 59.8% of the combined voting power of the outstanding IAC capital stock) will be able to take any action required to be taken by stockholders (other than with respect to the election by the holders of shares of IAC common stock of 25% of the members of IAC's board of directors and certain matters as to which a separate class vote of the holders of shares of IAC common stock, IAC Class B common stock or IAC Preferred Stock is required) without the necessity of holding a stockholders meeting.

Transfer Agent

The transfer agent for the shares of IAC common stock is The Bank of New York.

COMPARISON OF STOCKHOLDER RIGHTS

Each of IAC, Ask Jeeves and Expedia is incorporated under the laws of the State of Delaware. If we complete the merger, Ask Jeeves stockholders, whose rights are currently governed by the DGCL, the amended and restated certificate of incorporation of Ask Jeeves, and the amended and restated bylaws of Ask Jeeves, will become stockholders of IAC, and their rights as such will be governed by the DGCL, the restated certificate of incorporation of IAC, and the amended and restated bylaws of IAC. If IAC completes the spin-off, holders of IAC common stock (including shares issued to Ask Jeeves stockholders in the merger) will receive a proportionate amount of Expedia capital stock. A more detailed description of the capital stock of IAC and Expedia upon completion of the spin-off is included as Appendix E to this document.

We summarize below the material differences between the rights of holders of Ask Jeeves capital stock, the rights of holders of IAC capital stock (before and after the spin-off) and the rights of holders of Expedia capital stock (after the spin-off). These differences primarily result from the differences in their respective governing documents.

The following summary does not purport to be a complete statement of the rights of holders of capital stock of IAC, Expedia, or Ask Jeeves under applicable Delaware law or under their respective certificates of incorporation or bylaws, nor does the summary purport to be a complete description of the specific provisions referred to in the summary. This summary contains a list of the material differences but is not meant to be relied upon as an exhaustive list or a detailed description of the provisions discussed and is qualified in its entirety by reference to the DGCL, the governing corporate instruments of IAC and Ask Jeeves and the forms of Expedia certificate of incorporation and bylaws that will be filed by Expedia with the SEC in its registration statement on Form S-4 relating to the spin off. We urge you to read those documents carefully in their entirety before voting on the proposed merger. For more information on how you can obtain copies of these documents, see "Where You Can Find More Information" on page 109.

Summary Comparison Among Rights of Holders of Ask Jeeves Securities, IAC Securities Before the Spin-Off, IAC Securities Following the Spin-Off and Expedia Securities Following the Spin-Off

The following table sets forth a summary comparison among (i) IAC common stock and IAC Class B common prior to the spin-off and related transactions described in Appendix E, (ii) IAC common stock and IAC Class B common after the spin-off, (iii) Expedia common stock and Expedia Class B common stock after the spin-off and (iv) Ask Jeeves common stock:

| | Ask Jeeves Common Stock Rights | IAC Common Stock and Class B Common Stock before Spin-Off | IAC Common Stock and Class B Common Stock after Spin-Off | Expedia Common Stock and Class B Common Stock after Spin-Off |
|---------------------------------------|---|---|--|---|
| Authorized Capital Stock: | 155,000,000 shares of capital stock, consisting of (i) 150,000,000 shares of Ask Jeeves common stock, par value \$0.001 per share, and (ii) 5,000,000 shares of Ask Jeeves Preferred Stock, par value \$0.001 per share. | 2,100,000,000 shares of capital stock, consisting of (i) 1,600,000,000 shares of IAC common stock, par value \$0.01 per share, (ii) 400,000,000 shares of IAC Class B common stock, par value \$0.01 per share, and (iii) 100,000,000 shares of IAC Preferred Stock, par value \$0.01 per share. | 2,100,000,000 shares of capital stock, consisting of (i) 1,600,000,000 shares of IAC common stock, par value \$0.001 per share, (ii) 400,000,000 shares of IAC Class B common stock, par value \$0.001 per share, and (iii) 100,000,000 shares of IAC preferred stock, par value \$0.001 per share. | 2,100,000,000 shares of capital stock, consisting of (i) 1,600,000,000 shares of Expedia common stock, par value \$0.001 per share, (ii) 400,000,000 shares of Expedia Class B common stock, par value \$0.001 per share, and (iii) 100,000,000 shares of Expedia preferred stock, par value \$0.001 per share. |
| Voting Power of Capital Stock: | Each share of Ask Jeeves common stock is entitled to one vote per share. Each share of Ask Jeeves Preferred Stock is entitled to one vote per share, voting as a single class with the holders of common stock, unless otherwise provided in the issuance of such Preferred Stock. There are no shares of Ask Jeeves Preferred Stock currently outstanding. | Each share of IAC common stock is entitled to one vote per share; each share of IAC Class B common stock is entitled to ten votes per share and each share of IAC Series A preferred stock is entitled to two votes per share, in each case, generally voting together on all matters submitted for the vote or consent of IAC stockholders, except in cases where the Delaware General Corporation Law, or the DGCL, provides for a separate class vote and except for the election of 25% of the IAC board of | Each share of IAC common stock will be entitled to one vote per share; each share of IAC Class B common stock will be entitled to ten votes per share and each share of IAC Series B preferred stock will be entitled to two votes per share, in each case, generally voting together on all matters submitted for the vote or consent of IAC stockholders, except in cases where the DGCL provides for a separate class vote and except for the election of 25% of the IAC board of directors, which is | Each share of Expedia common stock will be entitled to one vote per share; each share of Expedia Class B common stock will be entitled to ten votes per share and each share of Expedia Series A preferred stock will be entitled to two votes per share, in each case, generally voting together on all matters submitted for the vote or consent of Expedia stockholders, except in cases where the DGCL provides for a separate class vote and except for the election of 25% of the Expedia board |

Directors, which is elected by the holders of the IAC common stock. Based on the number of shares of IAC Class B common stock outstanding as of the date of this proxy statement/prospectus, the holders of IAC Class B common stock control the vote of any matter submitted to IAC stockholders voting together as a single class.

elected by the holders of the IAC common stock. Based on the number of shares of IAC Class B common stock expected to be outstanding following the spin-off, the holders of IAC Class B common stock will likely control the vote of any matter submitted to IAC stockholders voting together as a single class.

of Directors, which will be elected by the holders of the Expedia common stock. Based on the number of shares of Expedia Class B common stock expected to be outstanding following the spin-off, the holders of Expedia Class B common stock will likely control the vote of any matter submitted to Expedia stockholders voting together as a single class.

Board of Directors:

The Ask Jeeves bylaws provide that the Ask Jeeves board of directors will determine the number of directors by resolution. Currently, the number of directors is eight, divided into three classes. The Ask Jeeves charter and bylaws provide that, subject to the rights of any series of preferred shares to elect additional directors under specified circumstances, the directors are elected by majority vote of the holders of the Ask Jeeves common stock, voting together as a single class.

The IAC bylaws provide that the IAC Board of Directors will determine the number of directors by resolution. Currently, the number of directors is 10. The IAC charter provides that the holders of the IAC common stock, acting as a single class, elect 25% of the total number of directors, with the remaining directors elected by the holders of the IAC common stock, IAC Class B common stock and IAC Series A preferred stock voting together as a single class.

The IAC bylaws will provide that the IAC Board of Directors will determine the number of directors by resolution. The number of directors is expected to be 10. The IAC charter will provide that the holders of the IAC common stock, acting as a single class, may elect 25% of the total number of directors, with the remaining directors elected by the holders of the IAC common stock, IAC Class B common stock and IAC Series B preferred stock voting together as a single class.

The Expedia bylaws will provide that the Expedia Board of Directors will determine the number of directors by resolution. The number of directors is expected to be []. The Expedia charter will provide that the holders of the Expedia common stock, acting as a single class, may elect 25% of the total number of directors, with the remaining directors elected by the holders of the Expedia common stock, Expedia Class B common stock and Expedia Series A preferred stock voting together as a single class.

Removal of Directors:

Under the DGCL, where the board of directors of the

The IAC certificate of incorporation currently provides

If IAC stockholders approve the director removal proposal,

The Expedia bylaws will provide that a director may be

corporation is classified, stockholders may remove directors only for cause unless the certificate of incorporation provides otherwise. During any time when Ask Jeeves is subject to California Corporations Code § 2115(b) (generally, if more than half of the corporation's shareholders and "business" a defined formula based on property, payroll, and sales are located in California), the Ask Jeeves certificate of incorporation provides that a director may be removed with or without cause upon the affirmative vote of the holders of at least a majority of the voting power of Ask Jeeves' then outstanding capital stock entitled to vote generally in the election of directors; provided, however, that unless the entire board is removed, no individual director may be removed when the votes cast against such removal would be sufficient to elect that director if voted cumulatively at an election.

that a director may be removed either with or without cause, by the affirmative vote of the holders of a majority of each of the classes of shares then entitled to vote, except that directors elected exclusively by holders of IAC common stock may only be removed by the holders of IAC common stock.

the IAC bylaws will govern the procedures for removing directors. The IAC bylaws provide that a director may be removed either with or without cause, by the affirmative vote of a majority of the voting power of shares then entitled to vote of the class or classes that elected such director.

removed either with or without cause, by the affirmative vote of a majority of the voting power of shares then entitled to vote of the class or classes that elected such director.

Filling Vacancies of the Board of Directors:

The DGCL provides that, unless the charter or bylaws provide otherwise, whenever the holders of any class or classes are entitled to elect directors, vacancies and newly created directorships of such class or classes may be filled by a majority of the directors elected by such class or classes then in office or by a sole remaining director so elected.

During any time when Ask Jeeves is subject to California Corporations Code § 2115(b), Ask Jeeves' bylaws provide that, subject to the terms of any Ask Jeeves Preferred Stock then outstanding, any vacancy on the Ask Jeeves board of directors that results from an increase in the number of directors shall, unless the board of directors determines by resolution that such vacancies are to be filled by shareholder vote, shall be filled by a plurality of directors then in office, provided that a quorum is present, and any other vacancy occurring on the board of directors may be filled by a plurality

The DGCL provides that, unless the charter or bylaws provide otherwise, whenever the holders of any class or classes are entitled to elect directors, vacancies and newly created directorships of such class or classes may be filled by a majority of the directors elected by such class or classes then in office or by a sole remaining director so elected.

IAC's bylaws also permit holders of a majority of the voting power of outstanding shares entitled to vote on a particular directorship to fill vacancies with respect to that directorship.

The DGCL provides that, unless the charter or bylaws provide otherwise, whenever the holders of any class or classes are entitled to elect directors, vacancies and newly created directorships of such class or classes may be filled by a majority of the directors elected by such class or classes then in office or by a sole remaining director so elected.

IAC's bylaws will permit holders of a majority of the voting power of outstanding shares entitled to vote on a particular directorship to fill vacancies with respect to that directorship.

The DGCL provides that, unless the charter or bylaws provide otherwise, whenever the holders of any class or classes are entitled to elect directors, vacancies and newly created directorships of such class or classes may be filled by a majority of the directors elected by such class or classes then in office or by a sole remaining director so elected.

Expedia's bylaws will permit holders of a majority of the voting power of outstanding shares entitled to vote on a particular directorship to fill vacancies with respect to that directorship.

of the directors then in office, even if less than a quorum, or by a sole remaining director.

Stockholder Action by Written Consent:

Ask Jeeves' charter and bylaws prohibit stockholder action by written consent.

The DGCL provides that unless a corporation otherwise provides in its certificate of incorporation, any action required or permitted to be taken at an annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having at least the minimum number of votes necessary to authorize or take such action at a meeting at which all shares entitled to vote on the matter are present. IAC's charter does not provide otherwise.

The DGCL provides that unless a corporation otherwise provides in its certificate of incorporation, any action required or permitted to be taken at an annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having at least the minimum number of votes necessary to authorize or take such action at a meeting at which all shares entitled to vote on the matter are present. IAC's charter will not provide otherwise.

The DGCL provides that unless a corporation otherwise provides in its certificate of incorporation, any action required or permitted to be taken at an annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having at least the minimum number of votes necessary to authorize or take such action at a meeting at which all shares entitled to vote on the matter are present. Expedia's charter will not provide otherwise.

Calling of Annual Meetings of Stockholders:

The DGCL provides that a special meeting of stockholders may be called by the board of directors or by such person or persons as may be authorized by the certificate of incorporation or by the bylaws. Ask Jeeves' bylaws provide that a

The DGCL provides that a special meeting of stockholders may be called by the board of directors or by such person or persons as may be authorized by the certificate of incorporation or by the bylaws. IAC's bylaws provide that a special meeting of

The DGCL provides that a special meeting of stockholders may be called by the board of directors or by such person or persons as may be authorized by the certificate of incorporation or by the bylaws. IAC's bylaws will provide that a special

The DGCL provides that a special meeting of stockholders may be called by the board of directors or by such person or persons as may be authorized by the certificate of incorporation or by the bylaws. Expedia's bylaws will provide that a

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special meeting of stockholders may be called for any purpose or purposes by: (1) the Chairman of Ask Jeeves' board of directors, (2) Ask Jeeves' Chief Executive Officer, (3) Ask Jeeves' board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors, or (4) by the holders of shares entitled to cast not less than 50% of the votes at a special meeting.

stockholders may be called by IAC's Chairman of the board of directors or by a majority of IAC's Board of Directors.

meeting of stockholders may be called by IAC's Chairman of the board of directors or by a majority of IAC's Board of Directors.

special meeting of stockholders may be called by Expedia's Chairman of the board of directors or by a majority of Expedia's board of directors.

Supermajority Provisions and Amendment of the Certificate of Incorporation:

The Ask Jeeves charter provides that a supermajority (66²/₃%) vote of the voting power of the shares entitled to vote at an election of directors is required to amend those sections of the charter relating to the capital structure, management of the corporation, bylaw amendments and charter amendments and that the bylaws may be amended by the board of directors or by supermajority (66²/₃%) vote.

The IAC charter requires a supermajority (80%) vote of each of the board of directors and the voting power of the stockholders voting as a single class to amend or repeal the requirement that the Chief Executive Officer may only be removed without cause by the affirmative vote of at least 80% of the entire board of directors.

The IAC charter will require a supermajority (80%) vote of each of the board of directors and the voting power of the stockholders voting as a single class to amend or repeal the requirement that the Chief Executive Officer may only be removed without cause by the affirmative vote of at least 80% of the entire board of directors.

The Expedia charter will require a supermajority (80%) vote of each of the board of directors and the voting power of the stockholders voting as a single class to amend or repeal the requirement that the senior executive may only be removed without cause by the affirmative vote of at least 80% of the entire board of directors.

Corporate Opportunity:

None.

None.

The IAC charter will provide that no officer or director of IAC who is also an officer or director of Expedia will be liable to IAC or its

The Expedia charter will provide that no officer or director of Expedia who is also an officer or director of IAC will be liable to Expedia

Stockholder Rights Plan:

Ask Jeeves entered into a Rights Agreement, dated as of April 26, 2001, as amended, with Fleet National Bank, N.A., under which Ask Jeeves has issued rights, exercisable only upon the occurrence of certain events, to purchase its Preferred Stock.

Ask Jeeves amended its stockholder rights agreement before entering into the merger agreement to provide that the rights will have no effect upon the consummation of the merger and will no longer be exercisable at or after the effective time of the merger.

IAC has not adopted a stockholder rights plan.

stockholders for breach of any fiduciary duty by reason of the fact that any such individual directs a corporate opportunity to Expedia instead of IAC, or does not communicate information regarding a corporate opportunity to IAC because the officer or director has directed the corporate opportunity to Expedia.

IAC will not have a stockholder rights plan immediately after the spin-off.

or its stockholders for breach of any fiduciary duty by reason of the fact that any such individual directs a corporate opportunity to IAC instead of Expedia, or does not communicate information regarding a corporate opportunity to Expedia because the officer or director has directed the corporate opportunity to IAC.

Expedia will not have a stockholder rights plan immediately after the spin-off.

WHERE YOU CAN FIND MORE INFORMATION

General

IAC and Ask Jeeves file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information that IAC and Ask Jeeves file at the SEC's public reference room at 450 Fifth Street, N.W., Washington, District of Columbia 20549. Please call the SEC at 1-800-SEC-0330 for more information on the public reference room.

IAC's and Ask Jeeves' SEC filings are also available to the public from commercial retrieval services and at the website maintained by the SEC at www.sec.gov. Information contained on IAC's and Ask Jeeves' websites is not part of this proxy statement/prospectus.

Incorporation of Documents by Reference

IAC has filed a registration statement on Form S-4 to register with the SEC the IAC common stock that IAC will issue in the merger. This proxy statement/prospectus is a part of that registration statement. This proxy statement/prospectus also constitutes a proxy statement of Ask Jeeves to Ask Jeeves stockholders and a prospectus of IAC for the shares of IAC common stock that IAC will issue to Ask Jeeves stockholders in the merger. The SEC allows us to "incorporate by reference" information into this proxy statement/prospectus, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this proxy statement/prospectus, except for any information superseded by information contained directly in this proxy statement/prospectus or in a later-filed document incorporated by reference in this proxy statement/prospectus. This proxy statement/prospectus incorporates by reference the documents set forth below that IAC and Ask Jeeves have previously filed with the SEC. These documents contain important information about IAC and Ask Jeeves, as well as other information required to be disclosed or incorporated by reference into this proxy statement/prospectus. You may obtain copies of the Form S-4 (and any amendments to the Form S-4), as well as the documents incorporated by reference into this proxy statement/prospectus, in the manner described above.

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| IAC SEC Filings (File No. 000-20570) | Period |
|---|---|
| Annual Report on Form 10-K and 10-K/A | Year ended December 31, 2004, filed on March 16, 2005; Form 10-K/A filed on March 31, 2005. |
| Definitive Proxy Statement | Filed on April 29, 2004. |
| Current Reports on Form 8-K | Filed on April 4, 2005, March 30, 2005, March 28, 2005 and March 24, 2005. |

| Ask Jeeves SEC Filings (File No. 000-26521) | Period |
|--|--|
| Annual Report on Form 10-K | Year ended December 31, 2004, filed on March 15, 2005. |
| Definitive Proxy Statement | Filed on April 17, 2005 |
| Current Reports on Form 8-K | Filed on March 23, 2005 |
| Description of amendments to the Rights Agreement in its Registration Statement on Form 8-A/A | March 24, 2005 |
| Description of the preferred stock purchase rights set forth in its Registration Statement on Form 8-A | May 10, 2001 |

IAC and Ask Jeeves also incorporate by reference into this proxy statement/prospectus additional documents that either may file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act between the filing of this proxy statement/prospectus and (a) in the case of filings by IAC, the earlier of the completion of the merger or the termination of the merger agreement, and (b) in the case of filings by Ask Jeeves, the earlier of the date of the special meeting of Ask Jeeves stockholders or the termination of the merger agreement. These documents deemed incorporated by reference include periodic reports, such as Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K as well as proxy and information statements.

IAC has supplied all information contained or incorporated by reference into this proxy statement/prospectus relating to IAC and AJI Acquisition Corp., and Ask Jeeves has supplied all information contained in or incorporated by reference into this proxy statement/prospectus relating to Ask Jeeves.

Documents incorporated by reference into this proxy statement/prospectus are available from IAC and Ask Jeeves without charge upon written or oral request at the addresses provided below. Exhibits to documents incorporated by reference into this proxy statement/prospectus will only be furnished if they are specifically incorporated by reference into this document. If you request any incorporated documents from IAC or Ask Jeeves, such documents will be mailed to you by first class mail, or another equally prompt means, within one business day after the date your request is received. You may obtain documents incorporated by reference into this proxy statement/prospectus without charge by requesting them in writing or by telephone from MacKenzie Partners, Inc., the proxy solicitor for the merger, or from the appropriate company at the following addresses and phone numbers:

IAC/InterActiveCorp
152 West 57th Street
New York, New York 10019
(212) 314-7300
Attention: Investor Relations

Ask Jeeves, Inc.
555 12th Street, Suite 500
Oakland, California 94607
(510) 985-7400
Attention: Investor Relations

or

105 Madison Avenue
New York, NY 10016
proxy@mackenziepartners.com
1-800-322-2885

LEGAL MATTERS

The validity of the shares of IAC common stock being offered by this proxy statement/prospectus will be passed upon for IAC by Wachtell, Lipton, Rosen & Katz of New York, New York. It is a condition to the consummation of the merger that IAC receive an opinion from Wachtell, Lipton, Rosen & Katz and that Ask Jeeves receive an opinion from Gibson, Dunn & Crutcher LLP, each to the effect that the merger will constitute a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code. See "The Merger Agreement Conditions to the Merger" beginning on page 74 and "The Merger Material United States Federal Income Tax Consequences" beginning on page 56.

EXPERTS

Ernst & Young LLP, independent registered public accounting firm, has audited the consolidated financial statements and schedule of IAC/InterActiveCorp included in its annual report on Form 10-K for the year ended December 31, 2004, and management's assessment of the effectiveness of the internal controls over financial reporting of IAC/InterActiveCorp as of December 31, 2004, as set forth in its reports, which are incorporated by reference in this proxy statement/prospectus and related registration statement. The IAC/InterActiveCorp financial statements and schedule and IAC/InterActiveCorp management's assessment are incorporated by reference in reliance on Ernst & Young LLP's reports, given on the authority of Ernst & Young LLP as experts in accounting and auditing.

Ernst & Young LLP, independent registered public accounting firm, has audited the combined financial statements and schedule of Expedia, Inc. as of December 31, 2004 and 2003 and for each of the three years in the period ended December 31, 2004 as set forth in their report, which is included in this proxy statement/prospectus and related registration statement. The Expedia, Inc. financial statements are included in reliance on Ernst & Young LLP's report, given on Ernst & Young LLP's authority as experts in accounting and auditing.

Ernst & Young LLP, independent registered public accounting firm, has audited the consolidated financial statements of Vivendi Universal Entertainment LLLP included in the amended Annual Report (Form 10-K/A) of IAC/InterActiveCorp for the year ended December 31, 2004, as set forth in their report, which is incorporated by reference in this proxy statement/prospectus and related registration statement. The Vivendi Universal Entertainment LLLP consolidated financial statements are incorporated by reference in reliance on Ernst & Young LLP's reports, given on their authority as experts in accounting and auditing.

Ernst & Young LLP, independent registered public accounting firm, has audited the consolidated financial statements of TripAdvisor, Incorporated for the period from January 1, 2004 through April 27, 2004, as set forth in their report, which is included in this proxy statement/prospectus and related registration statement. The TripAdvisor, Incorporated consolidated financial statements are included in reliance on Ernst & Young LLP's reports, given on their authority as experts in accounting and auditing.

Ernst & Young LLP, independent registered public accounting firm, has audited the consolidated financial statements and schedule of Ask Jeeves, Inc. included in its annual report on Form 10-K for the year ended December 31, 2004, and management's assessment of the effectiveness of the internal controls over financial reporting of Ask Jeeves, Inc. as of December 31, 2004, as set forth in its reports, which are incorporated by reference in this proxy statement/prospectus and related registration statement. The Ask Jeeves, Inc. financial statements and schedule and Ask Jeeves, Inc. management's assessment are incorporated by reference in reliance on Ernst & Young LLP's reports, given on Ernst & Young LLP's authority as experts in accounting and auditing.

MISCELLANEOUS

No person has been authorized to give any information or make any representation on behalf of IAC or Ask Jeeves not contained in this proxy statement/prospectus, and if given or made, such information or representation must not be relied upon as having been authorized. The information contained in this proxy statement/prospectus is accurate only as of the date of this proxy statement/prospectus and, with respect to material incorporated into this document by reference, the dates of such referenced material, except in each case for information expressly presented as of a specific time, in which case such information should be viewed as accurate as of that referenced time.

Neither IAC nor Ask Jeeves undertakes to update any of the information contained herein, except to the extent expressly required by law.

If you live in a jurisdiction where it is unlawful to offer to exchange or sell, or to ask for offers to exchange or buy, the securities offered by this document, or if you are a person to whom it is unlawful to direct these activities, then the offer presented by this document does not extend to you.

AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

By and Among

IAC/INTERACTIVECORP,

AJI ACQUISITION CORP.

and

ASK JEEVES, INC.

Dated as of March 21, 2005

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AGREEMENT AND PLAN OF MERGER AND REORGANIZATION, dated as of March 21, 2005 (this "*Agreement*"), by and among IAC/InterActiveCorp, a Delaware corporation ("*Parent*"), AJI Acquisition Corp., a Delaware corporation and wholly owned Subsidiary (as defined herein) of Parent ("*Merger Sub*"), and Ask Jeeves, Inc., a Delaware corporation (the "*Company*") (collectively, the "*Parties*").

WHEREAS, the respective Boards of Directors of each of the Parties have approved and declared advisable this Agreement, pursuant to which Merger Sub shall merge with and into the Company (the "*Merger*"), with the Company being the surviving corporation in the Merger, upon the terms and subject to the conditions, and with the effects, set forth in this Agreement;

WHEREAS, the Parties intend that the Merger shall constitute a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "*Code*"), and that this Agreement shall constitute a plan of reorganization for purposes of Sections 354 and 361 of the Code; and

WHEREAS, the Parties desire to make certain representations, warranties and agreements in connection with the Merger and other transactions contemplated hereby and also to prescribe certain conditions to the Merger and other transactions contemplated hereby.

NOW THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements contained herein, the Parties, intending to be legally bound hereby, agree as follows:

ARTICLE I

THE MERGER

Section 1.1 *The Merger.* Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time (as defined herein), Merger Sub shall be merged with and into the Company in accordance with Section 251 of the Delaware General Corporation Law (the "*DGCL*"). Following the Effective Time, the Company shall continue as the surviving corporation in the Merger (the "*Surviving Corporation*"), shall be a direct, wholly owned Subsidiary of Parent and shall succeed to all of the rights and obligations of Merger Sub in accordance with the DGCL, and the separate corporate existence of Merger Sub shall cease. The Merger shall have the effects and consequences specified in Section 259 of the DGCL.

Section 1.2 *Closing; Effective Time.* The closing of the Merger (the "*Closing*") shall take place at the offices of Wachtell, Lipton, Rosen & Katz, at 10:00 a.m., Eastern time, on the third Business Day (as defined herein) immediately following the date on which the last of the conditions set forth in Article VIII hereof is satisfied or waived (other than conditions that by their nature cannot be satisfied until the Closing Date, but subject to satisfaction or waiver of such conditions), or at such other time and date and place as Parent and the Company shall mutually agree (the "*Closing Date*"). The term "*Effective Time*" shall mean the time and date of the filing of a properly executed certificate of merger (the "*Certificate of Merger*") with the Secretary of State of the State of Delaware in accordance with the DGCL, or at such later time as agreed to by the Parties and set forth in the Certificate of Merger. The term "*Business Day*" shall mean any day, other than a Saturday, Sunday or a day on which the commercial banks in the state of New York are authorized or required by law to remain closed.

Section 1.3 *Tax Consequences.* It is intended that the Merger constitute a "reorganization" within the meaning of Section 368(a) of the Code, and the Parties agree to treat the Merger consistently with this intention for all purposes.

ARTICLE II

DIRECTORS, OFFICERS AND CHARTER DOCUMENTS

Section 2.1 *Directors.* The directors of Merger Sub immediately prior to the Effective Time shall become the directors of the Surviving Corporation, which individuals shall serve as directors of the Surviving Corporation until the earlier of their resignation or removal or their otherwise ceasing to be directors or until their respective successors are duly appointed or elected in accordance with the Amended and Restated Certificate of Incorporation and Bylaws of the Surviving Corporation and applicable law.

Section 2.2 *Officers.* The officers of the Company immediately prior to the Effective Time shall be the officers of the Surviving Corporation as of the Effective Time and shall serve until their resignation or removal or their otherwise ceasing to be officers or until their respective successors are duly appointed or elected in accordance with the Amended and Restated Certificate of Incorporation and Bylaws of the Surviving Corporation and applicable law.

Section 2.3 *Certificate of Incorporation and Bylaws of the Surviving Corporation.* At the Effective Time, (i) the Certificate of Incorporation of the Surviving Corporation shall be amended and restated to read the same as the Certificate of Incorporation of Merger Sub in effect immediately before the Effective Time and as set forth on Exhibit A, except that the name shall be changed to Ask Jeeves, Inc., until altered, amended or repealed as provided therein and under the DGCL, and (ii) the Bylaws of the Surviving Corporation shall be amended and restated to read the same as the Bylaws of Merger Sub in effect immediately before the Effective Time until altered, amended or repealed as provided under the DGCL or in the Amended and Restated Certificate of Incorporation or Bylaws of the Surviving Corporation.

ARTICLE III

TREATMENT OF SECURITIES

Section 3.1 *Effect of the Merger on Capital Stock.* At the Effective Time, by virtue of the Merger and without any action on the part of any holder of any capital stock of the Company or Merger Sub:

(a) *Cancellation of Certain Company Securities.* Each share, if any, of Company Common Stock (as defined herein) that is held in the treasury of the Company and all shares of Company Common Stock, if any, that are owned by Parent and any of its wholly owned subsidiaries immediately prior to the Effective Time shall be cancelled and shall cease to exist, and no stock of Parent or other consideration shall be delivered in exchange therefor.

(b) *Conversion of Company Securities.* By virtue of the Merger and without any action on the part of any holder thereof:

(i)

Other than shares cancelled pursuant to Section 3.1(a), each share of common stock, par value \$0.001 per share, of the Company (together with the related right (a "*Right*") to purchase Series A Junior Participating Preferred Stock, par value \$0.001 per share, of the Company (the "*Company Series A Junior Participating Preferred Stock*") issued pursuant to the Rights Agreement (the "*Rights Agreement*") entered into between the Company and Fleet National Bank, N.A., dated as of April 26, 2001, the "*Company Common Stock*") issued and outstanding immediately prior to the Effective Time shall cease to be outstanding and shall be retired and cease to exist and shall be converted automatically, subject to Sections 3.1(d) and 3.2(d), into the right to receive 1.2668 (the "*Exchange Ratio*") fully paid and nonassessable shares of common stock, \$0.01 par value per share, of Parent ("*Parent Common Stock*") (such shares of Parent Common Stock together with any cash in lieu of fractional shares of Parent Common Stock to be paid pursuant to Section 3.2(d), collectively are referred to as the "*Merger Consideration*").

(ii)

At the Effective Time, each Certificate (as defined herein) theretofore representing shares of Company Common Stock, as the case may be, shall, without any action on the part of the Company, Parent or the holder thereof, represent, and shall be deemed to represent from and after the Effective Time, the number of shares of Parent Common Stock (and cash in lieu of fractional securities) as determined in accordance with Section 3.1(b)(i) above and shall cease to represent any rights in any shares of capital stock of the Company or the Surviving Corporation.

(c) *Conversion of Merger Sub Stock.* Each share of common stock of Merger Sub, par value \$0.01 per share, issued and outstanding immediately prior to the Effective Time shall be converted into and become one fully paid and nonassessable share of common stock of the Surviving Corporation.

(d) *Certain Adjustments.* The Exchange Ratio shall be appropriately and proportionately adjusted to fully reflect the effect of any reclassification, stock split, reverse split, stock dividend (whether such securities are stock of Parent or a subsidiary, including as a result of any spin-off), reorganization, recapitalization or other like change, with respect to Parent Common Stock or Company Common Stock occurring (or for which a record date is established) after the date of this Agreement and prior to the Effective Time.

Section 3.2 *Exchange of Certificates.*

(a) *Deposit with Exchange Agent.* Immediately after the Effective Time, Parent shall deposit or cause to be deposited with a bank or trust company selected by Parent that is reasonably acceptable to the Company (the "*Exchange Agent*"), pursuant to an agreement in form and substance reasonably acceptable to Parent and the Company, certificates representing the shares of Parent Common Stock issuable at the Effective Time in the Merger pursuant to Section 3.1(b).

(b) *Exchange and Payment Procedures.* As soon as practicable after the Effective Time but in no event later than two (2) Business Days after the Effective Time, Parent shall cause the Exchange Agent to mail to each holder of record of a certificate or certificates (each, a "*Certificate*" and collectively, the "*Certificates*") that immediately prior to the Effective Time represented issued and outstanding shares of Company Common Stock whose shares were converted into the right to receive the Merger Consideration pursuant to Section 3.1(b): (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates to the Exchange Agent) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for Parent Common Stock (which shall be in uncertificated book-entry form unless a physical certificate is requested) and any cash payable in lieu of fractional shares of Parent Common Stock. Upon surrender of the Certificates to the Exchange Agent, together with a duly executed letter of transmittal and such other documents as may reasonably be required by the Exchange Agent, the holder of such Certificates shall be entitled to receive in exchange therefor (i) a book-entry account statement reflecting ownership of (or, if requested, a stock certificate representing) that number of whole shares of Parent Common Stock into which the shares of Company Common Stock previously represented by such Certificates are converted in accordance with Section 3.1(b), and (ii) cash in lieu of fractional shares of Parent Common Stock which such holder has the right to receive pursuant to Section 3.2(d). In the event that the Merger Consideration is to be delivered to any person who is not the person in whose name the Certificate surrendered in exchange therefor is registered in the transfer records of the Company, the Merger Consideration may be delivered to a transferee if the Certificate is presented to the Exchange Agent, accompanied by all documents required to evidence and effect such transfer and by evidence reasonably satisfactory to the Exchange Agent that any applicable stock transfer taxes have been paid. Until surrendered as contemplated by this Section 3.2, each Certificate (other than a Certificate representing shares of Company Common Stock to be cancelled in accordance with Section 3.1(a)) shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the applicable Merger Consideration

contemplated by Sections 3.1 and 3.2. The Merger Consideration will be delivered to each former stockholder of the Company by the Exchange Agent as promptly as practicable following surrender of a Certificate and a duly executed letter of transmittal. No interest will be paid or will accrue on any cash payable to holders of Certificates pursuant to provisions of this Article III.

(c) *Distributions with Respect to Unexchanged Shares.* No dividends or other distributions declared or made after the Effective Time with respect to Parent Common Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to Parent Common Stock represented thereby and no cash payment in lieu of fractional shares of Parent Common Stock shall be paid to any such holder pursuant to Section 3.2(d) until the holder of record of such Certificate shall surrender such Certificate. Subject to the effect, if any, of unclaimed property, escheat and other applicable laws, following surrender of any such Certificate, there shall be paid to the record holder of the certificates representing whole shares of Parent Common Stock issued in exchange for Company Common Stock pursuant to the Merger, without interest, (i) at the time of such surrender, the amount of any cash payable in lieu of a fractional share of Parent Common Stock to which such holder is entitled pursuant to Section 3.2(d) and the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole shares of Parent Common Stock and (ii) at the applicable payment date, any dividends or other distributions with a record date after the Effective Time but with a payment date subsequent to the date of such surrender.

(d) *No Fractional Securities.* In lieu of any fractional securities, each holder of Company Common Stock who would otherwise have been entitled to receive a fraction of a share of Parent Common Stock upon surrender of Certificates for exchange pursuant to this Article III will be paid an amount in cash (without interest) equal to such holder's respective proportionate interest in the net proceeds from the sale or sales in the open market by the Exchange Agent, on behalf of all such holders, of the aggregate fractional shares of Parent Common Stock issued pursuant to this Article III. As soon as practicable following the Effective Time, the Exchange Agent shall determine the excess of (i) the number of shares of Parent Common Stock issuable upon surrender of Certificates by the holders of Company Common Stock (without excluding fractional shares), delivered to the Exchange Agent by Parent in accordance with Section 3.2(a), over (ii) the aggregate number of whole shares of Parent Common Stock to be distributed to holders of Company Common Stock (excluding fractional shares) (such excess being collectively called the "*Excess Parent Common Stock*"). The Exchange Agent, as agent and trustee for the former holders of Company Common Stock, shall as promptly as reasonably practicable sell the Excess Parent Common Stock at the prevailing prices on NASDAQ (or on the principal exchange on which the Parent Common Stock is then traded or quoted). The sales of the Excess Parent Common Stock by the Exchange Agent shall be executed on NASDAQ (or such other exchange) through one or more member firms of NASDAQ (or such other exchange) and shall be executed in round lots to the extent practicable. Parent shall pay all commissions, transfer taxes and other out-of-pocket transaction costs, including the expenses and compensation of the Exchange Agent and costs associated with calculating and distributing the respective cash amounts payable to the applicable former Company stockholders, incurred in connection with such sales of Excess Parent Common Stock. Until the net proceeds of such sales have been distributed to the former holders of Company Common Stock to whom fractional shares of Parent Common Stock otherwise would have been issued, the Exchange Agent will hold such proceeds in trust for such former holders. As soon as practicable after the determination of the amount of cash to be paid to former holders of Company Common Stock in lieu of any fractional shares of Parent Common Stock, the Exchange Agent shall distribute such amounts to such former holders.

(e) *Closing of Transfer Books.* If, after the Effective Time, Certificates are presented to the Surviving Corporation, they shall be cancelled and exchanged for certificates (or a book-entry position)

representing the appropriate number of shares of Parent Common Stock as provided in Section 3.1 and this Section 3.2 and any cash payable in lieu of fractional shares.

(f) *Termination of Exchange Agent.* Any certificates representing Parent Common Stock deposited with the Exchange Agent pursuant to Section 3.2(a) and not exchanged within six months after the Effective Time pursuant to this Section 3.2 shall be returned by the Exchange Agent to Parent, which shall thereafter act as Exchange Agent. All funds or securities held by the Exchange Agent for payment to the holders of unsurrendered Certificates and unclaimed at the end of one year from the Effective Time shall be returned to Parent, after which time any holder of unsurrendered Certificates shall look as a general creditor only to Parent for payment of such funds or securities to which such holder is entitled, subject to applicable law.

(g) *Escheat.* To the fullest extent permitted by applicable law, neither Parent nor the Company shall be liable to any person for any funds or securities delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(h) *Lost, Stolen or Destroyed Certificates.* In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed and, if reasonably required by Parent, the posting by such person of a bond in such amount as Parent may determine is reasonably necessary as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Certificate the Merger Consideration deliverable in respect thereof pursuant to this Agreement.

(i) *Withholding Rights.* Each of the Exchange Agent, the Surviving Corporation and Parent shall be entitled to deduct and withhold from the Merger Consideration otherwise payable pursuant to this Agreement to any holder of Certificates which, prior to the Effective Time, represented shares of Company Common Stock such amounts as it is required to deduct and withhold with respect to the making of such payment under the Code and the rules and regulations promulgated thereunder, or any provision of state, local or foreign tax law. To the extent that amounts are so withheld by the Exchange Agent, the Surviving Corporation or Parent, as the case may be, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the shares of Company Common Stock in respect of which such deduction and withholding was made by the Exchange Agent, the Surviving Corporation or Parent, as the case may be.

(j) *No Further Ownership Rights in Company Common Stock.* All shares of Parent Common Stock and cash paid upon the conversion of shares of Company Common Stock in accordance with the terms of Articles I, II and III (including any cash paid pursuant to Section 3.2(d)) shall be deemed to have been issued and paid in full satisfaction of all rights pertaining to the shares of Company Common Stock.

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

per share exercise price of such Company Option immediately prior to the Effective Time divided by the Exchange Ratio.

(b) The Company shall take any actions with respect to the Company's Employee Stock Purchase Plan (the "ESPP") as are necessary to (i) provide that the ESPP shall terminate immediately prior to the Effective Time and all balances in ESPP participant accounts shall be applied to the purchase of shares in accordance with the terms of the ESPP immediately prior to the Effective Time, and (ii) limit the total number of shares purchased between the date hereof and the Effective Time to 260,000 in the aggregate.

(c) At the Effective Time all other equity based awards of the Company outstanding immediately prior to the Effective Time will be converted into equity based awards of Parent and the number of shares of Parent Common Stock subject to such awards shall be equal to the number of shares of Company Common Stock subject to each such equity-based award of the Company immediately prior to the effective time multiplied by the Exchange Ratio, rounded, if necessary, down to the nearest whole share of Parent Common Stock.

(d) Prior to the Effective Time, the Company shall take all necessary action for the adjustment of the Company Options under this Section 3.3 and the adjustment of other equity based awards of the Company under this Section 3.3, and will take all necessary action to ensure that no holders of Company Options or other equity-based awards of the Company will be able to receive shares of Company Common Stock after the Effective Time. Parent shall reserve for issuance a number of shares of Parent Common Stock at least equal to the number of shares of Parent Common Stock, that will be subject to Parent Options as a result of the actions contemplated by this Section 3.3. As soon as practicable following the Effective Time (and in any event not later than two Business Days following the Effective Time), Parent shall file a registration statement on Form S-8 (or any successor form, or if Form S-8 is not available, other appropriate form) with respect to the shares of Parent Common Stock subject to such Parent Options and shall use reasonable efforts to maintain the effectiveness of such registration statement or registration statements (and maintain the current status of the prospectus or prospectuses contained therein) for so long as such Parent Options remain outstanding and are required to be registered.

Section 3.4 *Convertible Notes.* The Company shall give all such notices as may be required by the terms of the Zero Coupon Convertible Subordinated Notes, due June 1, 2008 (the "*Convertible Notes*") in respect of the matters contemplated by this Article III, at the times and in the manner required by such Convertible Notes.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as disclosed in the corresponding number and subsection of the Company disclosure schedule delivered to Parent concurrently herewith (the "*Company Disclosure Schedule*"), or in such other number and subsection of the Company Disclosure Schedule where the applicability of such exception is reasonably apparent, as an inducement to Parent and Merger Sub entering into this Agreement and completing the transactions contemplated hereby, the Company hereby represents and warrants to Parent and Merger Sub as follows:

Section 4.1 *Corporate Organization.* (a) The Company is duly organized and validly existing as a corporation in good standing under the laws of the State of Delaware. The Company has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified would not, either individually or in the aggregate, have a Material Adverse Effect

on the Company. As used in this Agreement, the term "*Material Adverse Effect*" means, with respect to Parent or the Company, as the case may be, any condition, state of facts, change or effect that is or would reasonably be expected to be materially adverse to (i) the business, assets, liabilities, operations, results of operations or financial condition, of such entity and its Subsidiaries taken as a whole or (ii) the ability of such entity to timely consummate the transactions contemplated hereby *provided, however*, that Material Adverse Effect shall not be deemed to include the impact of any condition, fact, change or effect relating to or arising from (A) the execution, announcement, or consummation of this Agreement and the transactions contemplated hereby, including any impact thereof on relationships, contractual or otherwise, with partners (including, without limitation, joint venture partners, syndication partners and strategic partners), customers, suppliers or employees, (B) (x) changes in economic or regulatory conditions in the industries in which the Company or Parent carries on business as of the date hereof, and (y) changes in general economic, regulatory or political conditions, including, without limitation, acts of war or terrorism, except, in the case of clauses (B)(x) and (B)(y), to the extent such changes have a materially disproportionate effect on the Company or Parent and their respective Subsidiaries taken as a whole, as the case may be, relative to other participants in the industries in which the Company or Parent carries on business as of such date or (C) any changes or effects resulting from any matter, which matter is expressly contemplated or permitted by the terms of this Agreement, including any matter which is approved by Parent following the date hereof pursuant to Article VI. As used in this Agreement, the word "*Subsidiary*" shall mean (i) a "significant subsidiary" as defined in Rule 1-02(w) of Regulation S-X of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*") and, (ii) with respect to the Company, the companies listed in Section 4.1(a) of the Company Disclosure Schedule and with respect to Parent, the companies listed on Exhibit 21.1 to Parent's Annual Report on Form 10-K. The Company has previously made available true and complete copies of (i) the Certificate of Incorporation of the Company (the "*Company Charter*") and the Bylaws of the Company, each as in effect as of the date of this Agreement, and (ii) the minutes of the meetings of the Board of Directors and any Committee thereof in respect of meetings of the Board of Directors and such Committees held since January 31, 2002 through the date hereof for which minutes have been prepared and approved.

(b) Each Company Subsidiary and, to the Knowledge of the Company, Ask Jeeves Kabushiki Kaisha (the "*Japanese JV*") (i) is duly organized and validly existing under the laws of its jurisdiction of organization, (ii) is duly qualified to do business and, where such status is recognized, in good standing in all jurisdictions (whether federal, state, local or foreign) where its ownership or leasing of property or the conduct of its business requires it to be so qualified and in which the failure to be so qualified would, individually or in the aggregate, have a Material Adverse Effect on the Company, and (iii) has all requisite corporate power and authority to own or lease its properties and assets and to carry on its business as now conducted.

Section 4.2 *Capitalization.* (a) The authorized capital stock of the Company consists of (i) 150,000,000 shares of Company Common Stock, of which, as of the close of business on March 18, 2005, 59,455,548 shares were issued (or issuable as described in this sentence) and outstanding, including, without limitation, 473,856 shares held in the Company's treasury and 191,997 shares issuable (but not yet issued) under the Company's merger agreement with Interactive Search Holdings upon tender of shares of Interactive Search Holdings, Inc. by their holders (the "*Pending ISH Merger Shares*"), 4,393 shares issuable (but not yet issued) in connection with stock option exercises that occurred prior to the close of business on March 18, 2005 (the "*Pending Option Exercise Shares*"), and 10 shares issuable (but not yet issued) to participants in the January 31, 2005 purchase under the Employee Stock Purchase Plan (the "*Pending ESPP Shares*"); (ii) 5,000,000 shares of preferred stock, par value \$.001 per share, of which no shares are issued and outstanding, and no such shares are held in the Company's treasury, and of which 150,000 shares have been designated as Company Series A Junior Participating Preferred Stock, of which no shares are issued and outstanding, and no such shares are held in the Company's treasury. As of the close of business on March 18, 2005, no shares of

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Company Common Stock or Company Series A Junior Participating Preferred Stock were reserved for issuance, except for (A) 74,277 shares of Company Series A Junior Participating Preferred Stock, such number of shares being sufficient to permit the exercise in full of all Rights either outstanding or issuable together with the Company Common Stock described in the remainder of this sentence; (B) 7,832,388 shares of Company Common Stock reserved for issuance pursuant to the exercise of outstanding Company Options under the 1996 Equity Incentive Plan, the 1999 Equity Incentive Plan, the 1999 Non-Qualified Equity Incentive Plan, the 1998 Direct Hit Stock Plan, the ISH 2001 Equity Incentive Plan, and the ISH 2003 Equity Incentive Plan (collectively, together with the 1999 Employee Stock Purchase Plan, the "Company Stock Plans"); (C) a total of 445,635 shares available for issuance under the Employee Stock Purchase Plan; (D) 135,000 shares of Company Common Stock potentially issuable under the Conditional Stock Award Agreements listed in Section 4.12(a) of the Company Disclosure Schedule; (E) 50,000 shares of Company Common Stock potentially issuable under a Restricted Stock Award Agreement listed in Section 4.12(d) of the Company Disclosure Schedule (the "50,000 share Restricted Award Agreement"); and (F) 6,804,733 shares of Company Common Stock reserved for issuance upon conversion of the outstanding Convertible Notes. All of the issued and outstanding shares of Company Common Stock have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership thereof. As of the date of this Agreement, except for the Rights, the Company Options, Conditional Stock Award Agreements, the 50,000 Share Restricted Award Agreement, the Employee Stock Purchase Plan (and, other purchase rights arising under the Company Stock Plans), the Convertible Notes (including the Indenture related thereto and the forms of Convertible Note), and the obligations to issue the Pending ISH Merger Shares, the Pending Option Exercise Shares and the Pending ESPP Shares, the Company does not have and is not bound by any outstanding subscriptions, options, warrants, calls, preemptive rights, commitments or agreements of any character calling for the purchase or issuance of any shares of Company Common Stock or any other equity securities of the Company or any securities representing the right to purchase or otherwise receive any shares of Company Common Stock. Since the close of business on March 18, 2005 through the date hereof, the Company has not issued any shares of its capital stock or any securities convertible into or exercisable for any shares of its capital stock, other than (x) awards of stock options in the ordinary course under the Company Stock Plans and (y) pursuant to the exercise of stock options granted under the Company Stock Plans prior to such date. Section 4.2(a) of the Company Disclosure Schedule sets forth a list of the Company Option holders as of the close of business on March 18, 2005, including the date as of which each Company Option was granted, the number of shares subject to each such Company Option at March 18, 2005 (i.e., the original amount less exercises and any cancellations), the expiration date of each such Company Option and the price at which each such Company Option may be exercised under an applicable Company Stock Plan.

(b) Section 4.2(b) of the Company Disclosure Schedule sets forth, for each Subsidiary of the Company and the Japanese JV, the name and state of incorporation of such entity, and the number of its outstanding shares of capital stock or other equity interests and type(s) of such outstanding shares of capital stock or other equity interests (or a statement that the Company owns all of the outstanding shares of capital stock or other equity interests of such Subsidiary). The Company owns, directly or indirectly, all of the issued and outstanding shares of capital stock or other equity ownership interests of each of the Company's Subsidiaries and 47.17% of the issued and outstanding equity ownership interests of the Japanese JV, free and clear of any liens, pledges, charges, encumbrances and security interests whatsoever ("*Liens*"), and all of such shares or equity ownership interests are duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership thereof. None of the Company's Subsidiaries and, to the Company's Knowledge the Japanese JV, has or is bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the purchase or issuance of any shares of capital stock or any other equity security of such Subsidiary or the Japanese JV, as the case may be, or

any securities representing the right to purchase or otherwise receive any shares of capital stock or any other equity security of such Subsidiary or the Japanese JV, as the case may be. Except for interests in its Subsidiaries and the Japanese JV, neither the Company nor any of its Subsidiaries own directly or indirectly any equity interest in any firm, corporation, partnership or other entity, whether incorporated or unincorporated, that is material to the business of the Company or otherwise to the Company or to any of its Subsidiaries or has any obligation or has made any commitment to acquire any such interest or to make any investment. No Company Subsidiary nor, to the Company's Knowledge the Japanese JV, owns any capital stock of the Company.

Section 4.3 *Authority; No Violation.* (a) The Company has full corporate power and authority to execute and deliver this Agreement and (subject to obtaining the Company Stockholder Approval) to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized (including such authorization and corporate actions as may be required so that no state interested director or anti-takeover statutes or similar statute or regulation, including, without limitation, Sections 144 and 203 of the DGCL, respectively, is or becomes operative with Parent, its affiliates or transferees, this Agreement or the transactions contemplated hereby). Except for the filing of the Certificate of Merger with the Secretary of State of the State of Delaware pursuant to the DGCL and the approval of this Agreement by the affirmative vote of the holders of shares representing a majority of the voting power of the outstanding shares of the Company Common Stock (the "*Company Stockholder Approval*"), no other corporate proceedings on the part of the Company are necessary to approve this Agreement or to consummate the transactions contemplated hereby. The Company's Board of Directors, by unanimous vote (i) has duly and validly adopted this Agreement and the transactions contemplated hereby and declared this Agreement advisable, (ii) has directed that this Agreement and the Merger be submitted to the stockholders of the Company for approval at the Stockholder Meeting; and (iii) subject to Section 7.4, recommends that stockholders of the Company approve this Agreement and the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by the Company and (assuming due authorization, execution and delivery by the other Parties) constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms (except as may be limited by bankruptcy, insolvency, moratorium, reorganization or similar laws affecting the rights of creditors generally and the availability of equitable remedies).

(b) Neither the execution and delivery of this Agreement by the Company, nor the consummation by the Company of the transactions contemplated hereby, including the Merger, nor compliance by the Company with any of the terms or provisions hereof, will (i) violate any provision of the Company Charter or the Bylaws of the Company, or violate or conflict with any agreement or instrument pursuant to which any shares of capital stock of the Company, or securities exercisable for or convertible into shares of capital stock of the Company, have been issued, or (ii) subject to the making of the filings and obtaining the approvals referred to in Section 4.5 and the effectiveness of such filings and/or receipt of the consents and approvals in connection therewith, (A) violate any statute, code, ordinance, rule, regulation, judgment, order, writ, decree or injunction applicable to the Company, any of its Subsidiaries or any of their respective properties or assets or (B) violate, conflict with, result in a breach of any provision of or the loss of any material benefit under, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, result in the creation of any Lien upon any of the respective properties or assets of the Company or any of its Subsidiaries under, or require any increased payment under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which the Company or any of its Subsidiaries is a party, or by which they or any of their respective properties or assets may be bound or affected, except (in the case of clause (ii) above) for such violations, conflicts, breaches, losses of benefits, defaults, terminations, cancellations, accelerations, Liens or payments which, individually or in the aggregate, would not have a Material Adverse Effect on the Company.

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Section 4.4 *Amendment to Rights Agreement.* (a) The Board of Directors of the Company has taken all necessary action to amend the Rights Agreement so that, for so long as this Agreement is in full force and effect: (i) the execution or delivery of this Agreement and the consummation of the transactions contemplated hereby will not cause (A) the Rights to become exercisable under the Rights Agreement, (B) Parent or Merger Sub or any of their affiliates to be deemed an Acquiring Person (as that term is used in the Rights Agreement), or (C) the Distribution Date or the Share Acquisition Date (as these terms are used in the Rights Agreement) to occur; and (ii) immediately prior to the Effective Time, the Rights shall expire and no longer be outstanding.

(b) The Distribution Date (as that term is used in the Rights Agreement) has not occurred.

Section 4.5 *Consents and Approvals.* Except for (a) the filing of the pre-merger notification report under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "*HSR Act*"), (b) filings with the Securities and Exchange Commission (the "*SEC*") as may be required by the Company in connection with this Agreement and the transactions contemplated by this Agreement, (c) the filing of the Certificate of Merger and the Amended and Restated Certificate of Incorporation of the Surviving Corporation with the Secretary of State of the State of Delaware pursuant to the DGCL, (d) the filings with any court, administrative agency or commission or other governmental, regulatory or self-regulatory authority or instrumentality (each a "*Governmental Entity*") as required under applicable law in each case as set forth in Section 4.5 of the Company Disclosure Schedule, (e) the Company Stockholder Approval, (f) such filings as may be required under the rules and regulations of NASDAQ and (g) such other consents, approvals or filings the failure of which to obtain or make would not, individually or in the aggregate, have a Material Adverse Effect on the Company, no consents or approvals of or filings or registrations with any Governmental Entity or third party are necessary in connection with (A) the execution and delivery by the Company of this Agreement and (B) the consummation by the Company of the transactions contemplated hereby. As of the date hereof, to the Company's Knowledge, there is no reason why the receipt of any such consents or approvals will not be obtained in a customary time frame once complete and appropriate filings have been made by the Company and Parent. For purposes of this Agreement, the "*Knowledge*" of any person that is not an individual means, with respect to any matter in question, the actual knowledge of such person's executive officers and other officers having primary responsibility for such matter, in each case based upon reasonable inquiry consistent with such person's title and responsibilities.

Section 4.6 *SEC Reports; Financial Statements.* (a) The Company has made available to Parent an accurate and complete copy of each (i) report, schedule, final registration statement, prospectus and definitive proxy statement filed by the Company with the SEC on or after January 1, 2002 and prior to the date hereof pursuant to the Securities Act of 1933, as amended (the "*Securities Act*"), or the Exchange Act (all such filings, the "*Company Reports*"), which are all the forms, reports and documents required to be filed by the Company with the SEC since such date; and (ii) communication mailed by the Company to its stockholders since January 1, 2004 and prior to the date hereof. As of their respective dates, the Company Reports and communications (A) complied in all material respects with requirements of the Securities Act or the Exchange Act, as the case may be, and the published rules and regulations of the SEC thereunder applicable thereto, and (B) did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading, except that information as of a later date (but before the date hereof) shall be deemed to modify information as of an earlier date.

(b) The Company has previously made available to Parent copies of the consolidated balance sheets (the "*Company 10-K Balance Sheets*") of the Company and its Subsidiaries as of December 31, 2003 and December 31, 2004, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the fiscal years ended December 31, 2003 and December 31, 2004, as reported in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004

filed with the SEC under the Exchange Act (such financial statements included in such Annual Report on Form 10-K, together with the Company 10-K Balance Sheets, the "*Company Financial Statements*"), in each case, accompanied by the audit report of Ernst & Young LLP, independent public accountants with respect to the Company. The Company Financial Statements (including the related notes) (i) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries at the respective dates thereof and the consolidated results of operations, cash flows and changes in stockholders' equity (deficit) of the Company and its Subsidiaries for the years indicated, (ii) have been prepared consistent with the books and records of the Company and its Subsidiaries and consistent with the Company's accounting policies and procedures, each in a manner consistent with prior financial statements of the Company (except for adoption of accounting pronouncements and other changes in accounting policy, each as disclosed in the Company Reports), (iii) comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto and (iv) have been prepared in all material respects in accordance with United States generally accepted accounting principles ("*GAAP*") consistently applied during the periods involved, except, in each case, as indicated in such statements or in the notes thereto. The books and records of the Company and its Subsidiaries have been, and are being, maintained in all material respects in accordance with GAAP (to the extent applicable) and any other applicable legal and accounting requirements and reflect only actual transactions.

Section 4.7 *Broker's Fees.* Other than Allen & Company LLC and Citigroup Global Markets Inc., none of the Company or any Company Subsidiary or any of their respective officers or directors has employed any broker or finder or incurred any liability for any broker's fees, commissions or finder's fees payable on behalf of the Company in connection with the Merger or the other transactions contemplated by this Agreement. A true and complete copy of each engagement letter pursuant to which any such fee or commission is payable has been previously delivered to Parent.

Section 4.8 *Absence of Certain Changes or Events.* (a) Since December 31, 2004, no event or events have occurred which have had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(b) Except as publicly disclosed in the Company Reports filed prior to the date hereof, since December 31, 2004, the Company and its Subsidiaries have carried on their respective businesses in all material respects in the ordinary course consistent with past practice.

(c) Except as publicly disclosed in the Company Reports filed prior to the date hereof, neither the Company nor any of its Subsidiaries has, since December 31, 2004, (i) except for such actions as are in the ordinary course of business or except as required by applicable law, (A) materially increased the wages, salaries, compensation, pension, or other fringe benefits or perquisites payable to any executive officer, employee, or director from the amount thereof in effect as of December 31, 2004, or (B) granted any material severance or termination pay, entered into any contract to make or grant any material severance or termination pay, or paid any material bonuses (other than customary bonuses for the fiscal year 2004) or (ii) suffered any material strike, work stoppage, slowdown, or other labor disturbance.

(d) From the period beginning on December 31, 2004 through the date hereof, the Company has not granted any stock options with respect to Company Common Stock to any director, officer, employee, or independent contractor of the Company or any of its Subsidiaries at an exercise price per share below the fair market value per share of the Company Common Stock on the date of such grant.

(e) Since December 31, 2004 through the date hereof, neither the Company nor any of its Subsidiaries has taken any action described in Section 6.2 (j), (m), (n) or (u) that if taken after the date hereof and prior to the Effective Time would violate such provision.

Section 4.9 *Legal Proceedings.* Except as publicly disclosed in the Company Reports filed prior to the date hereof,

(a) Neither the Company nor any of its Subsidiaries is a party to any, and there are no pending or, to the Company's Knowledge, threatened, legal, administrative, arbitral or other proceedings, claims, actions or governmental or regulatory investigations in which the Company is a plaintiff, defendant or otherwise might be deemed liable (including by virtue of indemnification or otherwise), (i) against (x) the Company or any of its Subsidiaries, (y) any present or former officer, director or employee of the Company or any of its Subsidiaries, in such person's capacity as a present or former officer, director or employee or (z) otherwise such that the Company or any of its Subsidiaries would reasonably be expected to be liable (whether by virtue of indemnification or otherwise), in each case other than such proceedings, claims, actions or investigations which would not, individually or in the aggregate, (A) result in any material fines, judgments or amounts paid in settlement, (B) if adversely determined against the Company or any of its Subsidiaries, restrict in any material respect the conduct of the business of the Company and its Subsidiaries or (C) as of the date hereof, challenge the validity or propriety of the transactions contemplated by this Agreement.

(b) Neither the Company nor any of its Subsidiaries (i) is subject to any outstanding order, injunction or decree or is a party to any written agreement, consent agreement or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or is subject to any order or directive applicable to the Company or any of its Subsidiaries by, or is a recipient of any supervisory letter from or has adopted any resolutions at the request of, any Governmental Entity that restricts in any respect the conduct of its business (each, a "*Company Regulatory Agreement*"), or (ii) has, since December 31, 2002, been advised by any Governmental Entity that it is considering issuing or requesting any such Company Regulatory Agreement.

Section 4.10 *Taxes and Tax Returns.* (a) Each of the Company and its Subsidiaries has duly and timely filed all material Tax Returns (as defined herein) required to be filed by it, each of the Company and its Subsidiaries has duly paid or made adequate provision in accordance with GAAP in the Company's 10-K Balance Sheet for the payment of all material Taxes (as defined herein) which have become due as of the date thereof, and have withheld from their employees all material Taxes required to have been withheld and have paid over all such material Taxes to the proper governmental authority, and all such filed Tax Returns are accurate and complete in all material respects. Federal, state and local Tax Returns have been filed by the Company and its Subsidiaries for all periods for which Tax Returns were due with respect to income tax withholding, Social Security and unemployment Taxes, except for such failures to file such Tax Returns that, in the aggregate would not have a Material Adverse Effect on the Company. There are no disputes pending or, to the knowledge of the Company, threatened, related to, or claims asserted for, material Taxes or assessments upon the Company or any of its Subsidiaries for which the Company does not have specific and adequate contingency reserves to the extent required by GAAP. There are no material liens for Taxes upon any property or assets of the Company or its Subsidiaries, other than liens for Taxes that are not delinquent. There are no outstanding agreements or waivers extending the statutory period of limitation applicable to any material Taxes of the Company or any of its Subsidiaries for any period. No claim has ever been made by any taxing authority in any jurisdiction where the Company or any of its Subsidiaries currently does not file Tax Returns that the Company or any of its Subsidiaries is or may be subject to material Tax in such jurisdiction. Neither the Company nor any of its Subsidiaries has been a "distributing corporation" or a "controlled corporation" in a material distribution intended to qualify under Section 355(a) of the Code. Neither the Company nor any of its Subsidiaries is a party to any Tax sharing, allocation or indemnification agreement or arrangement, other than any such customary agreements with customers, vendors, lessors or the like entered into in the ordinary course of business. Neither the Company nor any of its Subsidiaries has been a member of an affiliated group filing a consolidated, combined or unitary Tax Return (other than the affiliated group of which the Company is the common parent or of

which such Subsidiary was the common parent) or has any material liability for the Taxes of any person (other than the Company or its Subsidiaries) under Treasury Regulation § 1.1502-6 (or any similar provision of state, local or foreign law). The Company will have continuously and directly conducted, by performing active and substantial management and operational functions, an active trade or business having both revenues and expenses (the "*Company Active Business*"), for the entire five year period ending at the Effective Time and will have directly employed and compensated at least 50 individuals in the Company Active Business in each of the five years during the five year period ending at the Effective Time. The fair market value of the gross assets of the Company Active Business on the date hereof equals, and immediately prior to the Effective Time, will equal, at least five percent of the total fair market value of the gross assets of the Company. Neither the Company nor any of its Subsidiaries has engaged in, or is a party to, any "reportable transaction" within the meaning of Treasury Regulation Section 1.6011-4 that has not been reported in accordance with Treasury Regulation Section 1.6011-4.

(b) As of December 31, 2004, the Company and its Subsidiaries had net operating loss carryforwards for U.S. federal income tax purposes purposes ("*NOLs*"), other than those NOLs attributable to Interactive Search Holdings ("*ISH*"), Net Effect Systems, Inc. ("*NES*") and Direct Hit Technologies, Inc. ("*DHT*"), totaling approximately \$270 million (such NOLs excluding the ISH, NES and DHT NOLs, the "*NOL Carryforwards*"). The NOL Carryforwards are subject to the limitations under Section 382 of the Code described in Section 4.10(b) of the Company Disclosure Schedule.

(c) Neither the Company nor any of its Subsidiaries is a party to any agreement, contract, arrangement or plan that has resulted or would result, separately or in the aggregate, in the payment of any material amount that will not be fully deductible as a result of Section 162(m) of the Code (or any similar provision of state, local or foreign law).

(d) INTENTIONALLY LEFT BLANK

(e) INTENTIONALLY LEFT BLANK

(f) As used in this Agreement, the term "*Tax*" or "*Taxes*" means all federal, state, local and foreign income, excise, gross receipts, gross income, *ad valorem*, profits, gains, property, capital, sales, transfer, use, payroll, employment, severance, withholding, duties, intangibles, franchise, backup withholding and other taxes, or like assessments together with all penalties and additions to tax and interest thereon, and the term "*Tax Return*" means any return, declaration, report, claim for refund, information return or statement filed or required to be filed with a Governmental Entity relating to Taxes.

Section 4.11 *Certain Other Tax Matters.* Neither the Company nor any of its Subsidiaries has taken or agreed to take any action, has failed to take any action or knows of any fact, agreement, plan or other circumstance, in each case that would or could reasonably be expected to prevent the Merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code. The parties agree that none of the transactions contemplated by this Agreement could reasonably be expected to prevent the Merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code.

Section 4.12 *Employees.* (a) Set forth on Section 4.12(a) of the Company Disclosure Schedule is a true and complete list of each Company Benefit Plan. For purposes of this Agreement, "*Company Benefit Plan*" means any employee benefit plan, program, policy, practices, agreement or other arrangement providing benefits to any current or former employee, officer, director or consultant of the Company or any of its Subsidiaries or any beneficiary or dependent thereof that is sponsored or maintained by the Company or any of its Subsidiaries or to which the Company or any of its Subsidiaries contributes or is obligated to contribute, whether or not written, including without limitation any employee welfare benefit plan within the meaning of Section 3(1) of ERISA (as defined

herein), any employee pension benefit plan within the meaning of Section 3(2) of ERISA (whether or not such plan is subject to ERISA) and any bonus, incentive, deferred compensation, vacation, stock purchase, stock option, severance, employment, change of control or fringe benefit plan, program, policy, practices, agreement or other arrangement.

(b) The Company has heretofore made available to Parent true and complete copies of each of the Company Benefit Plans and (i) the actuarial report for such Company Benefit Plan (if applicable) for each of the last two years, (ii) the most recent determination letter from the Internal Revenue Service (if applicable) for such Company Benefit Plan, (iii) the summary plan description for such Company Benefit Plan (if any), and (iv) the Form 5500 for such Company Benefit Plan (if applicable) for each of the last two years. Except as specifically provided in the foregoing documents delivered to Parent, there are no amendments to any Company Benefit Plan that have been adopted or approved nor has the Company or any of its Subsidiaries undertaken to make any such amendments or to adopt or approve any new Company Benefit Plan.

(c) (i) Each of the Company Benefit Plans has been operated and administered in all material respects in compliance with applicable laws, including, but not limited to, ERISA and the Code, (ii) each Company Benefit Plan has been administered in all material respects in accordance with its terms, (iii) each of the Company Benefit Plans intended to be "qualified" within the meaning of Section 401(a) of the Code has received a favorable determination or opinion letter from the Internal Revenue Service, and there are no existing circumstances nor any events that have occurred that would be reasonably expected to affect adversely the qualified status of any such Company Benefit Plan, (iv) no Company Benefit Plan is subject to Title IV of the Employee Income Security Act of 1974, as amended ("*ERISA*") or Section 302 of ERISA or Section 412 or 4971 of the Code, (v) no Company Benefit Plan provides welfare benefits, including, without limitation, death or medical benefits (whether or not insured), with respect to current or former employees or directors of the Company or its Subsidiaries beyond their retirement or other termination of service, other than coverage mandated by applicable law, or under any employment or severance agreement disclosed to Parent (vi) no material liability under Title IV of ERISA has been incurred by the Company, its Subsidiaries or any trade or business, whether or not incorporated (a "*Company ERISA Affiliate*"), which together with the Company would be deemed a "single employer" within the meaning of Section 4001 of ERISA that has not been satisfied in full, and no condition exists that presents a material risk to the Company, its Subsidiaries or any Company ERISA Affiliate of incurring a material liability thereunder, (vii) no Company Benefit Plan is a "multiemployer pension plan" (as such term is defined in Section 3(37) of ERISA) or a plan that has two or more contributing sponsors at least two of whom are not under common control (a "*Multiple Employer Plan*"), within the meaning of Section 4063 of ERISA and none of the Company and its Subsidiaries nor any of their respective ERISA Affiliates has, at any time during the last six years, contributed to or been obligated to contribute to any Multiemployer Plan or Multiple Employer Plan, (viii) all contributions or other amounts payable by the Company or its Subsidiaries with respect to each Company Benefit Plan and all premiums due or payable with respect to insurance policies funding any Company Benefit Plan for any period through the date hereof have been timely made or paid in full or, to the extent not required to be made or paid on or before the date hereof, have been fully reflected on the Company's financial statements, (ix) none of the Company, its Subsidiaries or, to the Company's Knowledge, any other person, including any fiduciary, has engaged in a transaction in connection with which the Company, its Subsidiaries or any Company Benefit Plan will be subject to either a material civil penalty assessed pursuant to Section 409 or 502(i) of ERISA or a material Tax imposed pursuant to Section 4975 or 4976 of the Code, (x) there are no pending, or to the knowledge of the Company, threatened or anticipated claims (other than routine claims for benefits) by, on behalf of or against any of the Company Benefit Plans or any trusts related thereto or any fiduciaries thereof that could reasonably be expected to result in a material liability for the Company or its Subsidiaries or any Company Benefit Plan; (xi) each individual who renders services to the Company or any of its Subsidiaries who is classified by the Company or such Subsidiary,

as applicable, as having the status of an independent contractor or other non-employee status for any purpose (including for purposes of taxation and tax reporting and under Company Benefit Plans) is properly so characterized, except to the extent that, in the aggregate, any such misclassifications would not reasonably be expected to result in a material liability for the Company or its Subsidiaries or any Company Benefit Plan and (xii) there does not now exist, nor do any circumstances exist that could reasonably be expected to result in, any Controlled Group Liability (as defined below) that would be a liability of the Company or any of its subsidiaries following the Effective Time. "Controlled Group Liability" means any and all liabilities (i) under Title IV of ERISA, (ii) under Section 302 of ERISA, (iii) under Sections 412 and 4971 of the Code, (iv) as a result of a failure to comply with the continuation coverage requirements of Section 601 et seq. of ERISA and Section 4980B of the Code, and (v) under corresponding or similar provisions of foreign laws or regulations.

(d) Section 4.12(d)(i) of the Company Disclosure Schedule sets forth (i) an accurate and complete description of each provision of any Company Benefit Plan and any employment-related agreement under which the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby could (either alone or in conjunction with any other event) result in, cause the accelerated vesting, funding or delivery of, or increase the amount or value of, any payment or benefit to any employee, officer or director of the Company or any of its Subsidiaries, or could limit the right of the Company or any of its Subsidiaries to amend, merge, terminate or receive a reversion of assets from any Company Benefit Plan or related trust and (ii) the maximum amount of the "excess parachute payments" within the meaning of Section 280G of the Code that could become payable by the Company and its Subsidiaries in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, using stock price assumptions set forth in Section 4.12(d)(i) of the Company Disclosure Schedule.

(e) Except to the extent required by any Company Benefit Plan, as of the date hereof, none of the Company, the Company's Board of Directors or the Compensation Committee of the Company's Board of Directors has taken any action to accelerate the vesting of any stock options or other equity-based compensation awards in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

Section 4.13 *Securities Law Matters.*

(a) With respect to each Annual Report on Form 10-K and each Quarterly Report on Form 10-Q included in the Company Reports, the financial statements and other financial information included in such reports fairly present in all material respects the financial condition as of the dates thereof and the results of operations for the periods then ended of the Company and its consolidated Subsidiaries.

(b) There are no significant deficiencies or material weaknesses in either the design or operation of internal controls of the Company or any of its Subsidiaries that are reasonably likely to adversely affect the ability of the Company or any of its Subsidiaries to record, process, summarize and report financial information. With respect to periods after January 1, 2002, the Company has no knowledge of any fraud or suspected fraud involving (x) management of the Company (including its consolidated Subsidiaries) who have a significant role in the internal controls related to financial reporting, (y) any employees of the Company (including its consolidated Subsidiaries) where such fraud could have a material effect on the consolidated financial statements of the Company or (z) any officer or employee of the Company whose role, actions or activities would be required to be considered in certifying internal controls of the Company pursuant to Section 404 of the Sarbanes Oxley Act of 2002.

(c) The Company has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-14 under the Exchange Act); such disclosure controls and procedures are designed to ensure that material information relating to the Company, including its consolidated Subsidiaries, is made known to the Company's principal executive officer and its principal financial officer by others within those entities, particularly during the periods in which the periodic reports

required under the Exchange Act are being prepared; and such disclosure controls and procedures are effective in timely alerting the Company's principal executive officer and its principal financial officer to material information required to be included in the Company's periodic reports required under the Exchange Act.

Section 4.14 *Compliance with Applicable Law, Permits and Licenses.* (a) Neither the Company nor any of its Subsidiaries is in conflict with, is in default or violation of, or has since December 31, 2001 been investigated for, or charged by any Governmental Entity with, a violation of any material law, rule, regulation, order, judgment or decree applicable to the Company or any of its Subsidiaries or by which its or any of their respective properties is bound or affected. In furtherance and not in limitation of the foregoing, neither the Company nor any of its Subsidiaries has, directly or indirectly, paid or delivered any fee, commission or other sum of money or item of property, however characterized, to any government official or other governmental party, in the United States or any other country, which is in any manner related to the business or operations of such entities and which is or was illegal under any applicable law (including, without limitation, the U.S. Foreign Corrupt Practices Act and the rules and regulations promulgated thereunder).

(b) The Company, its Subsidiaries and their respective employees hold all material permits, licenses, variances, exemptions, orders, registrations and approvals of all Governmental Entities that are required for the operation of the businesses of the Company and its Subsidiaries (the "*Company Permits*"). Section 4.14(b) of the Company Disclosure Schedule contains a list of the Company Permits. Each of the Company and its Subsidiaries is, and for the past five years has been, in compliance in all material respects with the terms of the Company Permits, all of the Company Permits are in full force and effect and no suspension, modification or revocation of any of them is pending or, to the knowledge of the Company, threatened, nor, to the knowledge of the Company, do reasonable grounds exist for any such action.

Section 4.15 *Intellectual Property; Proprietary Rights; Employee Restrictions; Assets.* (a) To the Knowledge of the Company, all U.S. and foreign (i) copyrights, (ii) trademarks, service marks, trade dress and logos, (iii) trade names, (iv) Internet domain names, (v) patents and patent applications, and (vi) trade secrets rights, including any of the foregoing rights in any inventions, know how, practices, methods, processes, designs, or other information used by the Company and its Subsidiaries to compete with third parties, computer hardware and software, including programming processes, source code, object code, algorithms, structure, display screens, user interfaces, layouts, development tools, instructions, and templates, technology, processes and formulae, and including all registrations and applications for the foregoing intellectual property rights (collectively, "*Intellectual Property*") used by the Company or its Subsidiaries in their respective businesses (collectively, "*Company Intellectual Property*") are owned by the Company or such Subsidiaries by operation of law, or have been assigned to the Company or such Subsidiaries ("*Company Owned Intellectual Property*"), or the Company and such Subsidiaries otherwise have the right to use such Company Intellectual Property in their businesses as currently conducted, such as by license ("*Company Licensed Intellectual Property*"). To the Knowledge of the Company, the Company Intellectual Property is sufficient to carry on the business of the Company and its Subsidiaries as presently conducted. Except as set forth in Section 4.15 of the Company Disclosure Schedule, to the Knowledge of the Company, the Company or its Subsidiaries have exclusive ownership of all Company Owned Intellectual Property used by the Company and its Subsidiaries, or are entitled to use all Company Licensed Intellectual Property in the Company's and its Subsidiaries' businesses as presently conducted, subject, in the case of Company Licensed Intellectual Property, to the terms of the license agreements or other agreements covering such Company Licensed Intellectual Property. The Company and its Subsidiaries and, to the Knowledge of the Company, having made reasonable inquiry of appropriate Company personnel, the other parties thereto are not in material breach of any of the license agreements or other agreements covering the Company Licensed Intellectual Property, except for any breaches that would not, individually or in the aggregate, have a

Material Adverse Effect on the Company. To the Knowledge of the Company, the present business activities or products of the Company and its Subsidiaries do not infringe in any material respect any Intellectual Property of others ("*Third Party Intellectual Property*"). To the Knowledge of the Company, the Company and its Subsidiaries have not, within the past two (2) years, received any notice or other claim from any third party asserting that any of the Company's or its Subsidiaries' activities infringe or may infringe any Third Party Intellectual Property of such third party, nor do any active material infringement claims made prior to such period remain unresolved, or the Company or its Subsidiaries have not received any further communications from such third parties regarding any infringement claim prior to such two year period.

(b) Except as would not, individually or in the aggregate, have a Material Adverse Effect on the Company, (i) to the Knowledge of the Company, the Company and its Subsidiaries have the right to use all Intellectual Property and other information material to their businesses as presently conducted, (ii) the Company and its Subsidiaries have taken reasonable measures in accordance with customary industry practices to protect and preserve the security and confidentiality of their trade secrets and other confidential information, (iii) to the Knowledge of the Company, all trade secrets and other confidential information of the Company and its Subsidiaries that are material to their businesses are not part of the public domain or knowledge, nor, to the knowledge of the Company, have they been misappropriated by any person having an obligation to not use such trade secrets or to maintain such trade secrets or other confidential information in confidence for the Company or its Subsidiaries or disclosed by such a person in violation of such obligations, and (iv) to the Knowledge of the Company, no employee or consultant of the Company or any of its Subsidiaries has made unauthorized use of any trade secrets or other confidential information of any other person or entity in the course of the employee's or consultant's work for the Company or such Subsidiary. Schedule 4.15(b) sets forth all material patents, patent applications, domain name registrations, registered copyrights, applications for registration of copyright, registered trademarks, and applications for registration of trademarks that are part of the Company Owned Intellectual Property; provided that Company Intellectual Property shall not be deemed to be Company Owned Intellectual Property unless it is owned outright by the Company. By way of example and not limitation, ownership or possession by the Company or its Subsidiary of a security interest or exclusive license with respect to Company Intellectual Property shall not cause such Company Intellectual Property to be deemed to be Company Owned Intellectual Property for purposes of this Section 4.15(b).

(c) To the Knowledge of the Company, no university or government agency (whether federal, state or foreign) has any claim of ownership in the Company Owned Intellectual Property, except as identified in Section 4.15(c)(1) of the Company Disclosure Schedule. The Company has no Knowledge of any active material infringement, dilution or misappropriation by others of the Company Owned Intellectual Property, or any material violation of the confidentiality of any of its trade secrets or other confidential information, except as identified in Section 4.15(c)(2) of the Company Disclosure Schedule. To the Company's Knowledge, the Company is not making unlawful use of any third party confidential information or trade secrets of any past or present employees of the Company or any of its Subsidiaries.

(d) The Company or its Subsidiaries have good and valid title to or the current right to possess all material real property and material personal property owned or leased by them, and, to the Knowledge of the Company, the assets, properties and rights owned or leased by or licensed to the Company and its Subsidiaries constitute all such assets, properties and rights as are necessary in the conduct of the business of the Company and its Subsidiaries as currently conducted and as identified in Section 4.15(b) of the Company Disclosure Schedule.

(e) To the Knowledge of the Company, neither the Company nor any of its Subsidiaries distributes Spyware or Adware in connection with the businesses they conduct. "*Spyware*" means any software that covertly gathers information regarding user online activity through the user's Internet

connection (*i.e.*, without notice that such information may be gathered), whether or not such software is bundled as a hidden component of the Company's toolbar or like applications, other than information (i) reasonably gathered in connection with services or information provided by Company or its Subsidiaries to such users, or (ii) that is not associated with personally identifiable information. "Adware" means any software that causes advertising to pop-up as a new window (over or under) on the user's computer based on the user's online activity (other than advertisements that Company serves to visitors to the Company's web site domains while those customers are visiting or exiting such domains) or which is used to distribute Spyware. Each of the Company's applications can be readily uninstalled by users using commercially available uninstall utilities, and no such application, if uninstalled, can reinstall itself without the consent of such users; provided that Company makes no representation or warranty that such uninstall process will always operate without error.

Section 4.16 *Certain Contracts; Leases.* Section 4.16 of the Company Disclosure Schedule sets forth each contract, arrangement, commitment or understanding (whether written or oral) to which it or its Subsidiaries is a party:

(a) that is a "material contract" (as such term is defined in Item 601(b)(10) of Regulation S-K of the SEC) to be performed after the date of this Agreement;

(b) that materially restricts the conduct of any line of business by the Company or upon consummation of the transactions contemplated by this Agreement will restrict the conduct of any line of business by Parent, or Parent's Subsidiaries or the ability of Parent or any of Parent's Subsidiaries to engage in any line of business;

(c) that upon consummation of the transactions contemplated by this Agreement will subject any of the Company or any of its Subsidiaries to any exclusivity arrangements with or to a labor union or guild (including any collective bargaining agreement);

(d) (other than any plan or agreement covered by Section 4.12 hereof) any of the benefits of which will be increased, or the vesting of the benefits of which will be accelerated, by the occurrence of any stockholder approval or the consummation of the transactions contemplated by this Agreement, or the value of any of the benefits of which will be calculated on the basis of any of the transactions contemplated by this Agreement;

(e) that is with Google, Inc. or any of its Subsidiaries ("*Google*");

(f) that is a material license or contract relating to Company Intellectual Property; or

(g) the absence, breach, non-performance, amendment or termination of which would have a Material Adverse Effect on the Company.

Each contract, arrangement, commitment or understanding of the type described in this Section 4.16 is referred to herein as a "*Company Contract*," and neither the Company nor any of its Subsidiaries knows of, or has received notice of, any material violation of the above by any of the other parties thereto which would have, individually or in the aggregate, a Material Adverse Effect on the Company, or with respect to a Company Contract described in Section 4.16(b), a Material Adverse Effect on Parent following the Merger. The Company has heretofore made available to Parent, or publicly filed with the SEC, a true and complete copy of each Company Contract. Except for those Company Contracts marked with an asterisk (*) as set forth in Section 4.16 of the Company Disclosure Schedule, no Company Contract requires the consent of any other contracting party to prevent a breach of, or a default under, or a termination, change in the terms or conditions or modification of, such Company Contract as a result of the consummation of the transactions contemplated hereby.

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(h) (i) Each Company Contract is valid and binding on the Company or any of its Subsidiaries, as applicable, and in full force and effect, (ii) the Company and each of its Subsidiaries has in all material respects performed all material obligations required to be performed by it to date under each Company Contract, and (iii) no event or condition exists which constitutes or, after notice or lapse of time or both, will constitute, a material default on the part of the Company or any of its Subsidiaries under any such Company Contract.

(i) Section 4.16(i) of the Company Disclosure Schedule sets forth a complete and accurate list and description of all real property leased, subleased or otherwise occupied by the Company or its Subsidiaries (the "*Leased Real Property*"). The Company and its Subsidiaries do not own any real property. All of the leases or subleases of the Leased Real Property (the "*Leases*") are valid, binding and in full force and effect. No Lease is subject to any mortgage, pledge, lien, encumbrance, sublease, assignment, license or other agreement granting to any third party any interest in such Lease or any right to the use or occupancy of any Leased Real Property. The Company, a Subsidiary or valid sublessee, as lessee under each Lease, is now in possession of all of the applicable Leased Real Property. To the Knowledge of the Company, there is no pending or threatened proceeding that might interfere in any material respect with the quiet enjoyment of each lessee. To the Company's Knowledge, the Company or a Subsidiary has performed all material obligations required to be performed by it to date under each Lease, and no event or condition exists which constitutes or, after notice or lapse of time or both, will constitute, a material default on the part of the Company or such Subsidiary under any such Lease. The Company or a Subsidiary has exercised within the time prescribed in each Lease any option provided therein to extend or renew the term thereof. As used herein, the term "Lease" shall also include subleases, the term "lessor" shall also include any sublessor, and the term "lessee" shall also include any sublessee.

Section 4.17 *Undisclosed Liabilities.* Except for those liabilities that are disclosed in the footnotes to or reserved against on the Company Financial Statements (and only to the extent of such disclosure or reserve) and for liabilities incurred in the ordinary course of business consistent with past practice which have not had or would not have, individually or in the aggregate, a Material Adverse Effect on the Company, since December 31, 2004, neither the Company nor any of its Subsidiaries have incurred any liability of any nature whatsoever (whether absolute, accrued, determined, determinable, contingent or otherwise and whether due or to become due).

Section 4.18 *Insurance.* The Company and its Subsidiaries have in effect insurance coverage with reputable insurers or are self-insured, which, in respect of amounts, premiums, types and risks insured, constitutes reasonably adequate coverage against all risks customarily insured against by companies and their subsidiaries in the same or similar lines of business as the Company and its Subsidiaries and comparable in size and operations to the Company and its Subsidiaries. The Company has made available to Parent a copy of all material insurance policies and all material self insurance programs and arrangements relating to the business, assets and operations of the Company and its Subsidiaries (the "*Insurance Policies*"). Each of such Insurance Policies is in full force and effect as of the date of this Agreement. From December 31, 2002 through the date hereof, none of the Company or any of its Subsidiaries has received any notice or other communication regarding any actual or possible (a) cancellation of any Insurance Policy that has not been renewed in the ordinary course without any lapse in coverage, (b) invalidation of any Insurance Policy, (c) refusal of any coverage or rejection of any material claim under any Insurance Policy, or (d) material adjustment in the amount of the premiums payable with respect to any Insurance Policy.

Section 4.19 *Environmental Liability.* Except for matters which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company, there are no legal, administrative, arbitral or other proceedings, claims, actions, causes of action, private environmental investigations or remediation activities or governmental investigations of any nature

seeking to impose, or that reasonably could result in the imposition, on the Company of any liability or obligation arising under common law or under any local, state or federal environmental statute, regulation or ordinance relating to human health or the environment, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, pending or, to the Company's Knowledge, threatened against the Company, which liability or obligation would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on the Company. To the knowledge of the Company, there is no reasonable basis for any such proceeding, claim, action or governmental investigation that would impose any liability or obligation that would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on the Company, and the Company is not subject to any agreement, order, judgment, decree, letter or memorandum by or with any court, governmental authority, regulatory agency or third party imposing any such liability or obligation.

Section 4.20 *State Takeover Laws.* No "fair price," "moratorium," "control share acquisition" or other anti-takeover statute (including Section 203 of the DGCL) is applicable to the Merger or to any of the transactions contemplated by this Agreement.

Section 4.21 *Registration Statement.* None of the information supplied or to be supplied by the Company in writing specifically for inclusion or incorporation by reference in the Registration Statement (as defined herein) will, at the time such Registration Statement becomes effective, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading. Notwithstanding the foregoing, the Company makes no representation or warranty with respect to any information provided by Parent, Merger Sub and/or by their auditors, legal counsel, financial advisors or other consultants or advisors specifically for use in the Registration Statement.

Section 4.22 *Transactions with Affiliates.* Except as set forth in the Company Reports or compensation or other employment arrangements in the ordinary course, there are no transactions, agreements, arrangements or understandings between the Company or any of its Subsidiaries, on the one hand, and any affiliate (including any officer or director) thereof, but not including any wholly owned Subsidiary of the Company, on the other hand ("*Company Affiliate Transactions*").

Section 4.23 *Opinions of Financial Advisors.* The Company's Board of Directors has received the opinions, dated as of the date hereof, of Allen & Company and Citigroup Global Markets to the effect that the Exchange Ratio in the Merger is fair to holders of Company Common Stock from a financial point of view as of such date. Such opinion has not been withdrawn or modified in any material respect.

Section 4.24 *Relationship with Google.* Since December 31, 2004 there has not been any adverse change in the business relationship of the Company or any of its Subsidiaries with Google. Neither the Company nor any of its Subsidiaries have received, prior to the date hereof, notice of (i) Google's intention to breach, terminate, or alter any contract between Google and the Company or any of its Subsidiaries, or (ii) early termination of, or a request for a concession by, the Company or any of its Subsidiaries of any such contract, or (iii) Google's belief that the Company or any of its Subsidiaries are not in compliance with any such contract.

Section 4.25 *Traffic Metrics.* Section 4.25 of the Company Disclosure Schedule sets forth certain web site "traffic metrics," and the data contained therein fairly presents the specified internet traffic of the Company and its Subsidiaries for the periods indicated therein.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

Except as disclosed in the corresponding number and subsection of the Parent disclosure schedule delivered to the Company concurrently herewith (the "*Parent Disclosure Schedule*"), or in such other number and subsection of the Parent Disclosure Schedule where the applicability of such exception is reasonably apparent, as an inducement to the Company entering into this Agreement and completing the transactions contemplated hereby, Parent and Merger Sub hereby represent and warrant to the Company as follows:

Section 5.1 *Corporate Organization.* Each of Parent, the Merger Sub and the Subsidiaries of Parent is duly organized and validly existing as an entity in good standing under the laws of the jurisdiction of its incorporation, except, with respect to the Subsidiaries of Parent, as would not, either individually or in the aggregate, have a Material Adverse Effect on Parent. Each of Parent, Merger Sub and the Subsidiaries of Parent has the power and authority to own, lease and operate all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned, leased or operated by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified and in good standing would not, either individually or in the aggregate, have a Material Adverse Effect on Parent. Each of Parent, Merger Sub and the Subsidiaries of Parent is in possession of all franchises, grants, authorizations, licenses, permits, easements, consents, certificates, approvals and orders necessary to own, lease and operate the properties it purports to own, operate or lease and to carry on its business as it is now being conducted, except where the failure to have such franchises, grants, authorizations, licenses, permits, easements, consents, certificates, approvals and orders would not, individually or in the aggregate, have a Material Adverse Effect on Parent. Parent has previously made available true and complete copies of (i) the Certificate of Incorporation of Parent and the Bylaws of Parent, each as in effect as of the date of this Agreement, and (ii) the minutes of the meetings of the Board of Directors and any Committee thereof in respect of meetings of the Board of Directors and such Committees held since January 31, 2003 through the date hereof for which minutes have been prepared and approved.

Section 5.2 *Capitalization.* As of the date hereof, the authorized capital stock of Parent consists of 1,600,000,000 shares of Parent Common Stock, 400,000,000 shares of Class B common stock, par value \$.01 per share ("*Parent Class B Common Stock*") and 100,000,000 shares of preferred stock, par value \$.01 per share ("*Parent Preferred Stock*"), of which 13,125,000 shares have been designated as "Series A Cumulative Convertible Preferred Stock" (the "*Series A Preferred Stock*"). At the close of business on February 28, 2005, (a) 699,118,128 shares of Parent Common Stock were issued, 634,907,937 shares of Parent Common Stock were outstanding, 64,629,996 shares of Parent Class B Common Stock were issued and outstanding and 13,118,182 shares of Series A Preferred Stock were issued and outstanding, in each case, except as disclosed in the Parent's proxy statement dated May 10, 2004 (the "*Parent Proxy Statement*"), not subject to any preemptive rights, and (b) 64,210,191 shares of Parent Common Stock, no shares of Parent Class B Common Stock and no shares of Parent Preferred Stock were held in treasury by Parent or by Subsidiaries of Parent. All of the outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and nonassessable. As of the close of business on February 28, 2005, other than (a) options to purchase 75,609,969 shares of Parent Common Stock issued pursuant to employee benefit plans and agreements of Parent, (b) 71,152,538 shares of Parent Common Stock issuable upon exercise of outstanding warrants, (c) up to a maximum of 25,720,819 and 64,629,996 shares of Parent Common Stock issuable upon conversion of Series A Preferred Stock and Parent Class B Common Stock, respectively, (d) 263,318 restricted shares of Parent Common Stock, (e) 12,220,846 shares of Parent Common Stock issuable in respect of restricted stock units and (f) 36,276 deferred share units of Parent Common

Stock issued pursuant to Parent's Non-Employee Directors Deferred Compensation Plan, each unit representing one share of Parent Common Stock, (x) there are no options, warrants, rights, puts, calls, commitments or other contracts, arrangements or understandings issued by or binding upon Parent or any Subsidiary of Parent requiring or providing for, and (y) there are no outstanding debt or equity securities of Parent or any Subsidiary of Parent which upon the conversion, exchange or exercise thereof would require or provide for the issuance by Parent or any Subsidiary of Parent of any new or additional shares of Parent Common Stock (or any other securities of Parent or any Subsidiary of Parent) which, with or without notice, lapse of time and/or payment of monies, are or would be convertible into or exercisable or exchangeable for Parent Common Stock (or any other securities of Parent or any Subsidiary of Parent). Since December 31, 2004 through the date hereof, neither Parent has nor any Subsidiary of Parent thereof has issued any shares of its capital stock or any securities convertible into or exercisable for any shares of its capital stock, other than as disclosed in Section 5.2 of the Parent Disclosure Schedule or pursuant to the exercise of employee stock options granted prior to such date and the vesting of restricted stock units. The authorized capital stock of Merger Sub consists of 1,000 shares of Merger Sub Common Stock, of which, as of the date hereof, 100 shares are issued and outstanding and held solely by Parent. There are no options, warrants, rights, agreements or understandings that could give rise to the acquisition of equity in Merger Sub by any person other than Parent. The shares of Parent Common Stock to be issued in the Merger will, upon issuance, be validly issued, fully paid, nonassessable, not subject to any preemptive rights and free and clear of all security interests, liens, claims, pledges or other encumbrances of any nature whatsoever (in each case to which Parent is a party).

Section 5.3 *Authority; No Violation.* (a) Each of Parent and Merger Sub has all necessary corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder and consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation by Parent and Merger Sub of the transactions contemplated hereby, including the Merger, have been unanimously, duly and validly authorized by all necessary corporate action on the part of Parent and Merger Sub. This Agreement has been duly and validly approved and declared advisable by the Board of Directors of each of Parent and Merger Sub. No vote of Parent's stockholders is required in connection with the Merger. No other corporate proceedings on the part of Parent and Merger Sub are necessary to approve this Agreement and to consummate the transactions contemplated hereby, other than the approval by Parent as the sole stockholder of Merger Sub of this Agreement (which shall be obtained prior to the Effective Time). This Agreement has been duly and validly executed and delivered by Parent and Merger Sub and (assuming due authorization, execution and delivery by the Company) constitutes a legal, valid and binding obligation of each of Parent and Merger Sub, enforceable against each in accordance with its terms (except as may be limited by bankruptcy, insolvency, moratorium, reorganization or similar laws affecting the rights of creditors generally and the availability of equitable remedies).

(b) Neither the execution and delivery of this Agreement by each of Parent and Merger Sub, nor the consummation by Parent and Merger Sub of the transactions contemplated hereby, including the Merger, nor compliance by Parent or Merger Sub with any of the terms or provisions of this Agreement, will (i) violate any provision of the Restated Certificate of Incorporation or Bylaws of Parent, or the Certificate of Incorporation or Bylaws of Merger Sub, or violate or conflict with any agreement or instrument pursuant to which any shares of capital stock of Parent or Merger Sub, or securities exercisable for or convertible into shares of capital stock of Parent or Merger Sub, have been issued, or (ii) subject to the making of the filings referred to in Section 5.5 and the effectiveness of such filings and/or receipt of the consents and approvals in connection therewith, (A) violate any statute, code, ordinance, rule, regulation, judgment, order, writ, decree or injunction applicable to Parent or Merger Sub or any of their respective properties or assets or (B) violate, conflict with, result in a breach of any provision of or the loss of any material benefit under, constitute a default (or an event which, with notice or lapse of time or both, would

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constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, result in the creation of any Lien upon any of the respective properties or assets of Parent, Merger Sub or any Subsidiary of Parent under, or require any increased payment under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which Parent, Merger Sub or any Subsidiary of Parent is a party, or by which they or any of their respective properties or assets may be bound or affected, except (in the case of clause (ii) above) for such violations, conflicts, breaches, defaults, terminations, losses of benefits, cancellations, accelerations, Liens or payments which, individually or in the aggregate, would not have a Material Adverse Effect on Parent.

Section 5.4 *SEC Reports; Financial Statements.* (a) Parent has made available to the Company an accurate and complete copy of each (i) report, schedule, final registration statement, prospectus, and definitive proxy statement filed by Parent with the SEC on or after January 1, 2002 and prior to the date hereof (the "*Parent Reports*"), which are all the forms, reports and documents required to be filed by Parent with the SEC since such date; and (ii) communication mailed by Parent to its stockholder since January 1, 2004 and prior to the date hereof. As of their respective dates, the Parent Reports and communications (A) complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the published rules and regulations of the SEC thereunder applicable thereto, and (B) did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading, except that information as of a later date (but before the date hereof) shall be deemed to modify information as of an earlier date.

(b) Parent has previously made available to the Company copies of the consolidated balance sheets (the "*Parent 10-K Balance Sheets*") of Parent and its Subsidiaries as of December 31, 2003 and December 31, 2004, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the fiscal years ended December 31, 2003 and December 31, 2004, as reported in Parent's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 filed with the SEC under the Exchange Act (as defined herein) (such financial statements included in such Annual Report on Form 10-K, together with the Parent 10-K Balance Sheets, the "*Parent Financial Statements*"), in each case, accompanied by the audit report of Ernst & Young LLP, independent public accountants with respect to Parent. The Parent Financial Statements (including the related notes) (i) fairly present in all material respects the consolidated financial position of Parent and its Subsidiaries at the respective dates thereof and the consolidated results of operations, cash flows and, changes in stockholders' equity (deficit), of Parent and its Subsidiaries for the years indicated, (ii) have been prepared consistent with the books and records of Parent and its Subsidiaries and consistent with Parent's accounting policies and procedures, each in a manner consistent with prior financial statements of Parent (except for adoption of accounting pronouncements and other changes in accounting policy, each as disclosed in the Parent Reports), (iii) comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto and (iv) have been prepared in all material respects in accordance with GAAP consistently applied during the periods involved, except, in each case, as indicated in such statements or in the notes thereto. The books and records of Parent and its Subsidiaries have been, and are being, maintained in all material respects in accordance with GAAP (to the extent applicable) and any other applicable legal and accounting requirements and reflect only actual transactions.

Section 5.5 *Consents and Approvals.* Except for (a) the filing of the pre-merger notification report under the HSR Act, (b) the filing with the SEC of (i) the Proxy Statement/Prospectus, (ii) a Registration Statement of Parent on Form S-4 with respect to shares of Parent Common Stock which may be issued to stockholders of the Company in the Merger or pursuant to converted Company

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Options (together with any amendments or supplements thereto, the "*Registration Statement*") and (iii) such reports under the Exchange Act as may be required in connection with this Agreement and the transactions contemplated hereby, (c) such filings and approvals as are required to be made or obtained under the securities or "Blue Sky" laws of various states in connection with the issuance of the shares of Parent Common Stock pursuant to this Agreement, (d) the filing of applications for the authorization of quotation on NASDAQ or such other national exchange on which the Parent Common Stock is quoted or listed at the Effective Time of the Parent Common Stock issuable under this Agreement, (e) the Company Stockholder Approval, (f) the filings with any Governmental Entity as required under applicable law in each case as expressly set forth in Section 5.5 of the Parent Disclosure Schedule, (g) the filing of the Certificate of Merger and the Amended and Restated Certificate of Incorporation of the Surviving Corporation with the Secretary of State of the State of Delaware pursuant to the DGCL, and (h) consents and approvals previously obtained, (i) such filings, consents and approvals in respect of the Company Permits (without giving effect to the materiality qualifier contained in the definition thereof) as are required by applicable law and (j) such other consents, approvals or filings the failure of which to obtain or make would not, individually or in the aggregate, have a Material Adverse Effect on Parent, no consents or approvals of or filings or registrations with any Governmental Entity or third party are necessary in connection with (A) the execution and delivery by Parent or Merger Sub of this Agreement and (B) the consummation by Parent or Merger Sub of the transactions contemplated hereby. As of the date hereof, to Parent's Knowledge, there is no reason why the receipt of any such consents or approvals will not be obtained in a customary time frame once complete and appropriate filings have been made by the Company and Parent.

Section 5.6 *Securities Law Matters.*

(a) With respect to each Annual Report on Form 10-K and each Quarterly Report on Form 10-Q included in the Parent Reports, the financial statements and other financial information included in such reports fairly present in all material respects the financial condition as of the dates thereof and the results of operations for the periods then ended of Parent and its consolidated Subsidiaries.

(b) There are no significant deficiencies or material weaknesses in either the design or operation of internal controls of Parent that are reasonably likely to adversely affect the ability of Parent to record, process, summarize and report financial information. With respect to periods after January 1, 2002, Parent has no knowledge of any fraud or suspected fraud involving (x) management of Parent (including its consolidated Subsidiaries) who have a significant role in the internal controls related to financial reporting, (y) any employees of Parent (including its consolidated Subsidiaries) where such fraud could have a material effect on the consolidated financial statements of Parent or (z) any officer or employee of Parent whose role, actions or activities would be required to be considered in certifying internal controls of Parent pursuant to Section 404 of the Sarbanes Oxley Act of 2002.

(c) Parent has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-14 under the Exchange Act); such disclosure controls and procedures are designed to ensure that material information relating to Parent, including its consolidated Subsidiaries, is made known to Parent's principal executive officer and its principal financial officer by others within those entities, particularly during the periods in which the periodic reports required under the Exchange Act are being prepared; and such disclosure controls and procedures are effective in timely alerting Parent's principal executive officer and its principal financial officer to material information required to be included in Parent's periodic reports required under the Exchange Act.

Section 5.7 *Compliance with Applicable Law.* Except as set forth in Section 5.7 of the Parent Disclosure Schedule, neither Parent nor any of the Subsidiaries of Parent is in conflict with, is in default or violation of, or has since December 31, 2001 been investigated for, or charged by any

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Governmental Entity with, a violation of any material law, rule, regulation, order, judgment or decree applicable to Parent or any of the Subsidiaries of Parent or by which they or any of their respective properties is bound or affected which would reasonably be likely to have a Material Adverse Effect on Parent. In furtherance and not in limitation of the foregoing, neither Parent nor any of its Subsidiaries has, directly or indirectly, paid or delivered any fee, commission or other sum of money or item of property, however characterized, to any government official or other governmental party, in the United States or any other country, which is in any manner related to the business or operations of such entities and which is or was illegal under any applicable law (including, without limitation, the U.S. Foreign Corrupt Practices Act and the rules and regulations promulgated thereunder).

Section 5.8 *Intellectual Property.* To the Knowledge of Parent, (a) except as would not, individually or in the aggregate have a Material Adverse Effect on Parent, Parent or its Subsidiaries own or otherwise have the right to use the Intellectual Property rights that are material to the operation of their current business activities, (b) Parent and its Subsidiaries are not in material breach of any of the license agreements or other agreements covering the Intellectual Property licensed by Parent or its Subsidiaries, except for any breaches that would not, individually or in the aggregate, have a Material Adverse Effect on Parent, (c) the present business activities or products of Parent and its Subsidiaries do not infringe in any material respect any Intellectual Property of others, except for any infringing activity that would not, individually or in the aggregate, have a Material Adverse Effect on Parent.

Section 5.9 *Undisclosed Liabilities.* Except for those liabilities that are disclosed in the footnotes to or reserved against on the Parent Financial Statements (and only to the extent of such disclosure or reserve) and for liabilities incurred in the ordinary course of business consistent with past practice which have not had or would not have, individually or in the aggregate, a Material Adverse Effect on Parent, since December 31, 2004, neither Parent nor any of its Subsidiaries have incurred any liability of any nature whatsoever (whether absolute, accrued, determined, determinable, contingent or otherwise and whether due or to become due).

Section 5.10 *Conduct of Business.* Merger Sub is a corporation formed solely for the purpose of consummating the Merger and the other transactions contemplated hereby and has not engaged in any business activity except as contemplated by this Agreement.

Section 5.11 *Broker's Fees.* None of Parent, the Subsidiaries of Parent, Merger Sub or any of their respective officers or directors has employed any broker or finder or incurred any liability for any broker's fees, commissions or finder's fees payable on behalf of Parent in connection with the Merger or the other transactions contemplated by this Agreement.

Section 5.12 *Taxes and Tax Returns.* Each of Parent and the Parent Subsidiaries has duly and timely filed all material Tax Returns required to be filed by it, each of Parent and the Parent Subsidiaries has duly paid or made adequate provision in accordance with GAAP in the Parent 10-K Balance Sheet for the payment of all material Taxes (as defined herein) which have become due as of the date thereof, and have withheld from their employees all material Taxes required to have been withheld and have paid over all such material Taxes to the proper governmental authority, and all such filed Tax Returns are accurate and complete in all material respects. There are no disputes pending or, to the knowledge of Parent, threatened, related to, or claims asserted for, material Taxes or assessments upon the Parent or any of the Parent Subsidiaries for which Parent does not have specific and adequate contingency reserves to the extent required by GAAP. To the knowledge of Parent, there are no material liens for Taxes upon any property or assets of Parent or Parent Subsidiaries, other than liens for Taxes that are not delinquent. There are no outstanding agreements or waivers extending the statutory period of limitation applicable to any material federal income Taxes of Parent or any of the Parent Subsidiaries for any period. To the knowledge of Parent, there are no current claims by any taxing authority in any jurisdiction where Parent or any of the Parent Subsidiaries currently does not

file income Tax Returns that Parent or any of the Parent Subsidiaries is or may be subject to material income Tax in such jurisdiction. Neither Parent nor any of the Parent Subsidiaries is a party to any material Tax sharing, allocation or indemnification agreement or arrangement, other than such agreements with customers, vendors, lessors or the like entered into in the ordinary course of business. Neither Parent nor any of the Parent Subsidiaries has been a member of an affiliated group filing a consolidated, combined or unitary Tax Return (other than the affiliated group of which Parent is the common parent or of which such Parent Subsidiary was the common parent) or has any material liability for the Taxes of any person (other than Parent or any of the Parent Subsidiaries) under Treasury Regulation § 1.1502-6 (or any similar provision of state, local or foreign law.

Section 5.13 *Certain Other Tax Matters.* Parent and its affiliates have not taken or agreed to take any action, have not failed to take any action and do not know of any fact, agreement, plan or other circumstance, in each case that would or could reasonably be expected to prevent the Merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code. The parties agree that none of the transactions contemplated by this Agreement could reasonably be expected to prevent the Merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code.

Section 5.14 *Registration Statement.* None of the information supplied or to be supplied by Parent in writing for inclusion or incorporation by reference in the Registration Statement will, at the time any Registration Statement becomes effective, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading. Notwithstanding the foregoing, Parent and Merger Sub make no representation or warranty with respect to any information supplied by the Company and/or its auditors, legal counsel, financial advisors or other consultants or advisors specifically for inclusion or incorporation by reference in the Registration Statement. The Registration Statement, including the prospectus contained therein (as supplemented or amended prior to the Effective Time), will comply as to form in all material respects with the provisions of the Securities Act and the rules and regulations promulgated by the SEC thereunder.

Section 5.15 *Absence of Certain Changes or Events.* Since December 31, 2004, no event or events have occurred which have had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Parent.

Section 5.16 *Legal Proceedings.* Except as disclosed in the Parent Reports filed prior to the date hereof, neither Parent nor any of its Subsidiaries is a party to any, and there are no pending or, to the best of Parent's Knowledge, threatened, legal, administrative, arbitral or other proceedings, claims, actions or governmental or regulatory investigations of any nature against Parent or any of its Subsidiaries, in each case other than such proceedings, claims actions or investigations which would not, individually or in the aggregate, (a) result in any material fines, judgments or amounts paid in settlement, (b) if adversely determined against Parent or any of the Subsidiaries of Parent, restrict in any material respect the conduct of the business of Parent and the Subsidiaries of Parent or (c) as of the date hereof, challenge the validity or propriety of the transactions contemplated by this Agreement.

Section 5.17 *Ownership of Company Common Stock.* As of the date hereof, Parent owns no shares of Company Common Stock. No subsidiary of Parent, including Merger Sub, owns any shares of Company Common Stock. Parent has not taken any action in its capacity as a stockholder of the Company that would cause Section 203 of the Delaware Statute to be applicable to this Agreement or the Merger.

ARTICLE VI

CONDUCT OF BUSINESS PENDING THE MERGER

Section 6.1 *Conduct of Businesses Prior to the Merger Closing.* Commencing upon execution of this Agreement and continuing through to the earlier of the Closing or the termination of this Agreement pursuant to Section 9.1, except as expressly contemplated or permitted by this Agreement or as disclosed in Section 6.1 of the Company Disclosure Schedule, the Company shall, and shall cause its Subsidiaries to (a) conduct its business in the ordinary course consistent with past practices, (b) use reasonable efforts to maintain and preserve intact its business organization and advantageous business relationships and to retain the services of its key officers and key employees, and (c) take no action which would reasonably be likely to adversely affect or delay the ability of any of the parties from obtaining any necessary approvals of any regulatory agency or other governmental authority required for the transactions contemplated hereby, performing its covenants and agreements under this Agreement or consummating the transactions contemplated hereby or otherwise delay or prohibit consummation of the Merger or other transactions contemplated by this Agreement.

Section 6.2 *Forbearances.* Commencing upon execution of this Agreement and continuing through to the earlier of the Closing or the termination of this Agreement pursuant to Section 9.1, except as set forth in Section 6.2 of the Company Disclosure Schedule or expressly contemplated by this Agreement, the Company shall not, and the Company shall not permit any of its Subsidiaries to, without the prior written consent of Parent (which consent shall not be unreasonably withheld or delayed):

(a) incur any indebtedness for borrowed money, assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other individual, corporation or other entity, or make any loan or advance, in excess of \$5,000,000 in the aggregate;

(b) adjust, split, combine or reclassify any capital stock, except for any such transaction by a wholly owned Subsidiary of the Company which remains a wholly owned Subsidiary after consummation of such transaction;

(c) make, declare or pay any dividend other than dividends or distributions by a direct or indirect wholly owned Subsidiary of the Company to its parent or to another direct or indirect wholly owned Subsidiary of the Company, or make any other distribution on, or directly or indirectly redeem, purchase or otherwise acquire or encumber, any shares of its capital stock or any securities or obligations convertible (whether currently convertible or convertible only after the passage of time or the occurrence of certain events) into or exchangeable for any shares of its capital stock, except in connection with cashless exercises or similar transactions pursuant to the exercise of stock options issued and outstanding as of the date hereof under the Company Stock Plans;

(d) subject to Section 6.2(l), grant to any individual, corporation or other entity any right to acquire shares of its capital stock;

(e) issue any shares of capital stock of the Company, except pursuant to the exercise of stock options outstanding as of the date hereof under the Company Stock Plans, or any other securities convertible into shares of Company Common Stock issued and outstanding as of the date hereof and in accordance with its terms;

(f) INTENTIONALLY LEFT BLANK

(g) amend or terminate the Rights Agreement, other than in connection with a transaction entered into pursuant to Section 9.1(e);

(h) sell, transfer, mortgage, encumber or otherwise dispose of any of its lines of business or any of its material properties or assets to any individual, corporation or other entity, other than to a wholly

owned Subsidiary, or cancel, release or assign any material indebtedness to any such person or any claims held by any such person, except pursuant to contracts or agreements in force at the date thereof or, in the case of cancellation or release of material indebtedness, as a result of debt collections;

(i) pay, or agree to pay, cash consideration of more than \$25,000,000 in the aggregate, whether by purchase of stock or securities, contributions to capital, property transfers, or purchase of any property or assets of any other individual, corporation or other entity other than to a wholly owned Subsidiary of the Company or any wholly owned Subsidiary thereof;

(j) terminate, or amend or waive any material provision of, any Company Contract, as the case may be, or make any material change in any instrument or agreement governing the terms of any lease or contract;

(k) establish, adopt, amend or terminate any Company Benefit Plan, or amend the terms of any outstanding equity based award;

(l) (i) establish, or increase compensation or benefits provided under, or make any payment not required by, any stay, bonus, incentive, insurance, severance, termination, change of control, deferred compensation, pension, retirement, profit sharing, stock option (including, without limitation, the granting of stock options, stock appreciation rights, performance awards, restricted stock awards or similar instruments), stock purchase or other employee benefit plan, program, policy, or agreement or arrangement or (ii) otherwise increase or accelerate the vesting or payment of the compensation payable or the benefits provided or to become payable or provided to any of its current or former directors, officers, employees, consultants or service providers or those of any Subsidiary, or otherwise pay any amounts not due such individual, (iii) enter into any new or amend any existing employment or consulting agreement with any director, officer, employees, consultants or service provider or retain the services of any such person if the compensation (base and bonus) shall exceed \$250,000 or (iv) establish, adopt or enter into any collective bargaining agreement, except in each of clauses (i) and (ii), as may be required to comply with applicable law or existing contractual arrangements;

(m) settle any material claim, action or proceeding;

(n) amend its certificate of incorporation or its bylaws or, in the case of the Company, enter into any agreement with its stockholders in their capacity as such;

(o) take any action that is intended or would reasonably be expected to result in any of its representations and warranties set forth in this Agreement being or becoming untrue such that the condition set forth in Section 8.3(a) shall be incapable of satisfaction;

(p) other than in the ordinary course of business consistent with past practice, (i) sell, assign, otherwise transfer, sublicense or enter into any material license agreement with respect to any Company Intellectual Property used by it in its business or buy or enter into any material license agreement with respect to Third Party Intellectual Property; (ii) sell, license or transfer to any person or entity any material rights to any Company Intellectual Property Rights used by it in its business; or (iii) enter into or materially amend any Company Contract, as the case may be, pursuant to which any other party is granted marketing or distribution rights of any type or scope with respect to any material products or services of its or any of its Subsidiaries;

(q) enter into any "non-compete" or similar agreement that would materially restrict the businesses of the Surviving Corporation or its Subsidiaries following the Effective Time or that reasonably would be expected to restrict the businesses of Parent and its Subsidiaries (excluding the Surviving Corporation and its Subsidiaries);

(r) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of such entity, other than in relation to a wholly owned Subsidiary of the Company or any wholly owned Subsidiary thereof, and other than a merger of

a wholly owned Subsidiary of the Company or any wholly owned Subsidiary thereof with or into a third party in which the sole consideration to be issued in such transaction to such third party is cash solely to the extent such transaction is permitted by, and is in accordance with, clause (i) of this Section 6.2;

(s) implement or adopt any change in its accounting principles, practices or methods, other than as consistent with or as may be required by law, GAAP or regulatory guidelines;

(t) settle or compromise any material liability for Taxes, file any material amended Tax Return, file any material Tax Return in a materially inconsistent manner with past practice (except as otherwise required by law), make any material Tax election (other than in the ordinary course of business) or change any material method of accounting for Tax purposes;

(u) enter into any new, or amend or otherwise alter any current, Company Affiliate Transaction; or

(v) agree to take, make any commitment to take, or adopt any resolutions of its board of directors in support of, any of the actions prohibited by this Section 6.2.

Section 6.3 *Certain Tax Matters.* Commencing upon execution of this Agreement and continuing through to the Closing, each Party hereto shall use commercially reasonable efforts to cause the Merger to qualify, and will not take any action, cause any action to be taken, fail to take any commercially reasonable action or cause any commercially reasonable action to fail to be taken, which action or failure to act would or could reasonably be expected to prevent the Merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code.

ARTICLE VII

ADDITIONAL AGREEMENTS

Section 7.1 *Regulatory Matters.* (a) As promptly as practicable after the date hereof, Parent shall prepare and file with the SEC the Registration Statement, which will contain (i) the prospectus of Parent relating to the shares of Parent Common Stock (including shares of Parent Common Stock issuable pursuant to Company Options converted into Parent Options in accordance with Section 3.3, and the conversion of Company Notes; and (ii) the proxy statement of the Company relating to the Stockholder Meeting (collectively, the "*Proxy Statement/Prospectus*"). Each of Parent and the Company shall use their respective reasonable efforts to have the Registration Statement declared effective under the Securities Act as promptly as practicable after such filing, and the Company shall thereafter promptly mail or deliver the Proxy Statement/Prospectus to its stockholders. Each of Parent and the Company shall use its reasonable efforts to obtain all necessary state securities law or "Blue Sky" permits and approvals required to carry out the transactions contemplated by this Agreement, and the Company shall furnish all information concerning the Company and the holders of the Company Common Stock as may be reasonably requested in connection with any such action.

(b) The Parties shall cooperate with each other and use reasonable efforts to promptly prepare and file all necessary documentation, to effect all applications, notices, petitions and filings, to obtain as promptly as practicable all permits, consents, approvals and authorizations of all third parties and Governmental Entities which are necessary or advisable to consummate the transactions contemplated by this Agreement, and to comply with the terms and conditions of all such permits, consents, approvals and authorizations of all such Governmental Entities. Parent and the Company shall have the right to review in advance, and, to the extent practicable, each will consult the other on, in each case subject to applicable laws relating to the exchange of material non-public information, any filing made with, or written materials submitted to, any third party or any Governmental Entity in connection with the transactions contemplated by this Agreement, *provided*, that Parent or the Company may restrict access to such documents that discuss the pricing or valuation of the other Party or its businesses. In

exercising the foregoing right, each of the Parties shall act reasonably, in good faith and as promptly as reasonably practicable. The Parties agree that they will consult with each other with respect to the obtaining of all permits, consents, approvals and authorizations of all third parties and Governmental Entities necessary or advisable to consummate the transactions contemplated by this Agreement and each party will keep the other reasonably apprised of the status of matters relating to completion of the transactions contemplated herein.

(c) Parent and the Company shall, upon request, furnish the other Parties with all information concerning themselves, their Subsidiaries and their Subsidiaries' affiliates, directors, officers and stockholders and such other matters as may be reasonably necessary for the preparation and filing in compliance with applicable legal requirements of the Proxy Statement/Prospectus, the Registration Statement or any other legally required statement, filing, notice or application made by or on behalf of Parent or the Company or any of their respective Subsidiaries to any Governmental Entity in connection with the transactions contemplated by this Agreement.

(d) The Company and Parent shall, and Parent shall cause Merger Sub to, promptly advise the other Parties upon receiving any communication from any Governmental Entity whose consent or approval is required for consummation of the transactions contemplated by this Agreement that causes such party to believe that there is a reasonable likelihood that any Requisite Regulatory Approval (as defined herein) will not be obtained or that the receipt of any such approval may be materially delayed. Subject to applicable laws relating to the exchange of material non-public information, such Party shall provide a copy of such communication to the other Party promptly upon request.

(e) The separation of Parent into two separate companies which is expected to occur in the second quarter of 2005 (the "*Parent Spin-Off*") will not be effected in a manner that will jeopardize the status of the Merger as a reorganization within the meaning of Section 368(a) of the Code. Parent shall not take any action that, for federal income tax purposes, will cause the Parent Spin-Off to result in the recognition of material gain or loss by any Company stockholder as a result of any distribution with respect to shares of Parent Common Stock acquired by such Company shareholder in the Merger. Parent shall not effect or consummate the Parent Spin-Off until after the transactions contemplated by this Agreement shall have been consummated.

Section 7.2 *Access to Information.* (a) Upon reasonable notice and subject to applicable laws relating to the exchange of material non-public information, each of the Parties shall, and shall cause each of their respective Subsidiaries to, afford to the officers, employees, accountants, counsel and other representatives of the other Parties, access, during normal business hours during the period prior to the Effective Time, to all its properties, books, contracts, commitments and records, in order to reasonably verify the representations and warranties of the other Party herein and to the extent otherwise reasonably required for the transactions contemplated by this Agreement. During such period, each of the Parties shall, and shall cause their respective Subsidiaries to, make available to the other Parties: (i) a copy of each report, schedule, registration statement, SEC comment letter and other document filed or received by it during such period pursuant to the requirements of federal securities laws (other than reports or documents which such party is not permitted to disclose under applicable law) and (ii) all other information concerning its business, properties and personnel as such other Parties may reasonably request. No Party shall be required to provide access to or to disclose information where such access or disclosure would violate the rights of its customers, jeopardize the attorney-client or work product or other legally recognized privilege of the institution in possession or control of such information or contravene any law, rule, regulation, order, judgment, decree, fiduciary duty or binding written agreement entered into prior to the date of this Agreement. The Parties will in good faith consider and seek to implement reasonable and appropriate substitute disclosure arrangements under circumstances in which the restrictions of the preceding sentence apply.

(b) Each of the Parties shall hold all information furnished by or on behalf of any other Party or any of such Party's Subsidiaries or representatives pursuant to Section 7.2(a) in confidence to the extent required by, and in accordance with, the provisions of the Mutual Non-Disclosure Agreement between Parent and the Company, dated as of January 10, 2005 (the "*Confidentiality Agreement*"). The Parties acknowledge and agree that the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby and thereby shall not be deemed a breach or violation of the Confidentiality Agreement.

(c) No investigation by any of the Parties or their respective representatives shall affect the representations and warranties of the other set forth herein.

Section 7.3 *Acquisition Transactions*. (a) After the date hereof and prior to the Effective Time, the Company agrees that neither it, nor any of its Subsidiaries, nor any of the officers and directors of it or its Subsidiaries shall, and that it shall use its commercially reasonable efforts to cause its and its Subsidiaries' employees, attorneys, accountants, investment bankers, financial advisors or other agents acting on the Company's behalf, not to initiate, solicit, negotiate, encourage or provide non-public or confidential information or in any way facilitate any proposal or offer to acquire more than twenty-five percent (25%) of the business, properties or assets of the Company, or fifteen percent (15%) of the capital stock or voting power of the Company or its Subsidiaries, in each case, whether by merger, purchase of assets, tender offer or otherwise, whether for cash, securities or any other consideration or combination thereof (any such transactions being referred to herein as an "*Acquisition Transaction*").

(b) Notwithstanding the provisions of paragraph (a) above but subject to compliance with Section 7.3(c), (i) the Company or the Board of Directors of the Company may, directly or indirectly through advisors, agents or other intermediaries, prior to receipt of the Company Stockholders Approval, in response to a bona fide written offer or proposal not solicited in violation of Section 7.3(a) with respect to a potential or proposed Acquisition Transaction ("*Acquisition Proposal*") from a corporation, partnership, person or other entity or group (a "*Potential Acquirer*") (a) which the Company's Board of Directors determines, in good faith and after consultation with an independent financial advisor of nationally recognized reputation, would reasonably be expected to result (if consummated pursuant to its terms) in an Acquisition Transaction more favorable to the Company's stockholders than the Merger (a "*Qualifying Proposal*"), (b) which the Company's Board of Directors determines, in good faith, is reasonably possible to consummate, and (c) where the Company's Board of Directors after consultation with its independent outside legal counsel determines in good faith that the failure to engage in such action reasonably would be likely to cause the members of the Board of Directors of the Company to breach their fiduciary duties under applicable law, furnish confidential or non-public information to (provided that the Company and the Potential Acquirer shall have fully executed and delivered a confidentiality agreement containing terms at least as stringent as the terms of the Confidentiality Agreement, but explicitly permitting the Company to disclose to Parent the terms of the Acquisition Proposal), and negotiate with, such Potential Acquirer, and may resolve to accept, or recommend, and, upon termination of this Agreement in accordance with Section 9.1(e) and after payment to Parent of the fee pursuant to Section 9.2(b), enter into agreements relating to, a Qualifying Proposal as to which the Company's Board of Directors (x) has determined in good faith after consultation with an independent financial advisor of nationally recognized reputation would result in an Acquisition Transaction more favorable to the Company's stockholders than the Merger and is reasonably capable of being financed and consummated (such Qualifying Proposal being a "*Superior Proposal*") and (y) after consultation with its independent outside legal counsel determines in good faith that failure to engage in such action would cause the members of the Board of Directors of the Company to breach their fiduciary duties under applicable law and (ii) the Company's Board of Directors may take and disclose to the Company's stockholders a position contemplated by Rule 14d-9 or Rule 14e-2 under the Exchange Act or otherwise make disclosure required by the federal securities

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laws. It is understood and agreed that negotiations and other activities conducted in accordance with this paragraph (b) shall not constitute a violation of paragraph (a) of this Section 7.3.

(c) The Company shall notify Parent orally and in writing promptly, but in no event later than two Business Days, after receipt of any Acquisition Proposal, indication of interest or request for non-public information relating to the Company or its Subsidiaries in connection with an Acquisition Proposal or for access to the properties, books or records of the Company or any Subsidiary by any person or entity that after the date hereof informs the Board of Directors of the Company or such Subsidiary that it is considering making, or has made, an Acquisition Proposal. Such notice to Parent shall indicate the identity of the offeror.

(d) The Company shall immediately cease and cause to be terminated any activities, discussions or negotiations conducted prior to the date of this Agreement with any parties other than the Parties with respect to any of the foregoing; *provided, however*, that neither the Company nor any of its affiliates shall waive any standstill or confidentiality provisions.

(e) The Company shall promptly provide to Parent any information regarding the Company or its Subsidiaries provided to any corporation, partnership, person or other entity or group making an Acquisition Proposal, unless such information has been previously provided to Parent.

Section 7.4 *Stockholders' Approval.* The Company shall use reasonable efforts to cause a special meeting of stockholders of the Company (the "*Stockholder Meeting*") to be held as soon as practicable after the Registration Statement is declared effective by the SEC and the Proxy Statement/Prospectus is available to be mailed to the Company Stockholders for the purpose of obtaining the requisite stockholder approval of this Agreement (the "*Stockholder Proposal*"). The Company's Board of Directors shall use its reasonable efforts to obtain from the stockholders of the Company the vote required by the DGCL in favor of the approval of this Agreement and shall recommend to the stockholders of the Company that they so vote at the Stockholder Meeting or any adjournment or postponement thereof; *provided* that the Company's Board of Directors shall not be required to use such reasonable efforts to obtain the vote in favor of the approval of this Agreement or to make or continue to make such recommendation if such Board of Directors, after having consulted with and considered the advice of independent outside legal counsel, determines that the making of such reasonable best efforts to obtain the vote in favor of the approval of this Agreement or making or continuing to make such recommendation would cause the members of the Company's Board of Directors to breach their fiduciary duties under applicable laws. Notwithstanding anything to the contrary in this Agreement, unless this Agreement is earlier terminated in accordance with its terms, the Company shall be required to submit the Stockholder Proposal for approval by its stockholders at the Stockholder Meeting, whether with or without the recommendation of the Company's Board of Directors.

Section 7.5 *Legal Conditions to the Merger.* Each of Parent and the Company shall, and shall cause their respective Subsidiaries to, use their reasonable efforts (a) to take, or cause to be taken, all actions necessary, proper or advisable to comply promptly with all legal requirements that may be imposed on such party or its Subsidiaries with respect to the Merger and, subject to the conditions set forth in Article VIII, to consummate the transactions contemplated by this Agreement, and (b) to obtain (and to cooperate with the other party to obtain) any material consent, authorization, order or approval of, or any exemption by, any Governmental Entity and any other third party that is required to be obtained by Parent or the Company or any of their respective Subsidiaries in connection with the Merger and the other transactions contemplated by this Agreement. Notwithstanding anything to the contrary in this Agreement (including Section 7.1(b)), (i) the Company shall not, without the prior written consent of Parent, agree to divest any assets or businesses of the Company or any of its affiliates or to in any way limit the ownership or operation of any business of the Company or its affiliates and (ii) neither Parent nor the Company shall be required to (x) divest or encumber any

assets or corporations of Parent or the Company, respectively, or any of their respective affiliates that could reasonably be expected to have a Material Adverse Effect on Parent (assuming the Merger has been consummated) or to substantially impair the benefits to Parent and the Company expected, as of the date hereof, to be realized from consummation of the Merger, and neither Parent nor the Company shall be required to agree to or effect any divestiture, hold separate any business or take any other action that is not conditioned upon consummation of the Merger, or (y) enter into any agreements that in any way limit the ownership or operation of any business of Parent or the Company, respectively, or any of their respective affiliates.

Section 7.6 *Affiliates.* The Company shall use its reasonable efforts to cause each person, listed on *Exhibit B* hereto to deliver to Parent, as soon as practicable after the date of this Agreement, and in any event prior to the Effective Time, a written agreement, in the form of *Exhibit C* hereto, providing that such persons will not sell, pledge, transfer or otherwise dispose of any shares of Parent Common Stock to be received by such "affiliate" in the Merger, other than in compliance with Rule 145 under the Securities Act. Other than those persons listed on *Exhibit B*, there are no "affiliates" (for purposes of Rule 145 under the Securities Act) of the Company.

Section 7.7 *Stock Exchange Quotation or Listing.* Parent shall use reasonable efforts to cause the shares of Parent Common Stock to be issued in the Merger and upon exercise of Parent Options into which Company Options are converted pursuant to the Merger to be listed and authorized for quotation on NASDAQ or such other national exchange on which the Parent Common Stock may then be quoted or listed (subject only to official notice of issuance) prior to the Effective Time.

Section 7.8 *Additional Agreements.* In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement or to vest, perfect or confirm of record or otherwise establish in the Surviving Corporation full right, title and interest in, to or under any of the assets, property, rights, privileges, powers and franchises of the Company and Merger Sub, (a) the proper officers and directors of each Party and their respective Subsidiaries shall take all such necessary action as may be reasonably requested by Parent, and (b) the officers and directors of the Surviving Corporation are fully authorized in the name and on behalf of the Surviving Corporation to take all such lawful and reasonably necessary or desirable action.

Section 7.9 *Advice of Changes.* Parent and the Company shall each promptly advise the other Party of any change or event having a Material Adverse Effect on it, and Parent and the Company shall each promptly advise the other of any change or event that it believes would or would be reasonably likely to cause or constitute a material breach of any of its representations, warranties or covenants contained herein such that the conditions contained in Sections 8.3(a) or 8.3(b) shall no longer be capable of satisfaction.

Section 7.10 *Section 16.* Prior to the Effective Time, each of the Company and Parent shall take all such steps as may be prudent or required to cause the transactions contemplated by this Agreement, including any dispositions of Company Common Stock (including derivative securities with respect to the Company Common Stock) and acquisitions of Parent Common Stock (including derivative securities with respect to such Parent Securities) by each person who is or will be subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to the Company or Parent, as the case may be, to be exempt under Rule 16b-3 promulgated under the Exchange Act.

Section 7.11 *Directors' and Officers' Indemnification and Insurance.* (a) Parent shall, or shall cause the Surviving Corporation to maintain in effect for six years from the Effective Time the current policies of the directors' and officers' liability insurance maintained by the Company (provided that the Surviving Corporation may substitute therefor policies of at least the same coverage containing terms and conditions which are not materially less advantageous) with respect to matters or events occurring prior to the Effective Time to the extent available; *provided, however*, that in no event shall the Surviving Corporation or its affiliates be required to expend more than an amount per year equal to

250% of current annual premiums paid by the Company (which amounts under current policies are set forth in Section 7.11 of the Company Disclosure Schedule) (the "*Maximum Premium*") to maintain or procure insurance coverage pursuant hereto; and, *provided, further* that if the annual premiums of such insurance coverage exceed the Maximum Premium, the Surviving Corporation shall be obligated to obtain or to cause to be obtained a policy with the greatest coverage available for a cost not exceeding the Maximum Premium and *provided, further*, that if such insurance policies cannot be obtained at all, Parent or the Surviving Corporation shall be required to purchase all available extended reporting periods with respect to pre-existing insurance in an amount that, together with all other policies purchased pursuant to this Section 7.11(a), does not exceed the amount equal to the Maximum Premium multiplied by six.

(b) From and after the Effective Time, Parent shall, or shall cause the Surviving Corporation to, indemnify and hold harmless each present and former director and officer of the Company, determined as of the Effective Time (the "*Indemnified Parties*"), 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, whether civil, criminal, administrative or investigative, arising out of or pertaining to matters relating to their duties or actions in their capacity as such (or in such capacity in another corporation, partnership, joint venture, trust or other enterprise at the request of the Company) and existing or occurring at or prior to the Effective Time (including those matters relating to the transactions contemplated by this Agreement), whether asserted or claimed prior to, at or after the Effective Time, to the fullest extent permitted to be so indemnified by the Surviving Corporation or such Subsidiary, as the case may be, under applicable law (including, without limitation, the advancement of reasonable attorney's fees and disbursements, which shall be paid, reimbursed or advanced by Parent or the Surviving Corporation prior to the final disposition thereof without the requirement of any bond or other security). Parent agrees that all rights to indemnification, expense advancement and exculpation existing in favor of the present and former directors and officers of the Company and its Subsidiaries as provided in the Company's or any such Subsidiary's certificate of incorporation and bylaws or existing indemnification agreements, as in effect as of the date hereof, with respect to matters occurring through the Effective Time, shall survive the Merger and shall continue in full force and effect, without any amendment that would adversely affect the rights thereunder of the individuals who on or at any time prior to the Effective Time were entitled to rights thereunder.

(c) Nothing in this Agreement is intended to, shall be construed to or shall release, waive or impair any rights to directors' and officers' insurance claims under any policy that is or has been in existence with respect to the Company or any of its officers, directors or employees, it being understood and agreed that the indemnification provided for in this Section 7.11 is not prior to or in substitution for any such claims under such policies.

(d) If Parent, the Surviving Corporation or any of its successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger, or (ii) transfers or conveys all or substantially all of its properties and assets to any person, then, and in each such case, to the extent necessary, proper provision shall be made so that the successors and assigns of Parent or the Surviving Corporation, as the case may be, shall assume the obligations set forth in this Section 7.11.

(e) The rights of each Indemnified Party under this Section 7.11 shall be in addition to any rights such person may have under the certificate of incorporation or bylaws of the Company or any of its Subsidiaries, under Delaware law or any other applicable laws or under any agreement of any Indemnified Party with the Company or any of its Subsidiaries. These rights shall survive consummation of the Merger and are intended to benefit, and shall be enforceable by, each Indemnified Party.

Section 7.12 *Reorganization.* Following the Effective Time, neither the Company, the Surviving Corporation, Parent nor any of their affiliates shall take any action, cause any action to be taken, fail to

take any commercially reasonable action or cause any commercially reasonable action to fail to be taken, which action or failure to act would or could reasonably be expected to prevent the Merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code.

Section 7.13 Registration Statement (a) If at any time prior to the date of the Stockholder Meeting, or any adjournment thereof, any event with respect to Parent, its officers and directors or any of its Subsidiaries shall occur which is required to be described in an amendment of, or a supplement to the Registration Statement, Parent shall notify the Company thereof in writing by reference to this Section 7.13(a) and shall describe such event in reasonable detail and shall reasonably cooperate with the Company (to the extent the Company's assistance or cooperation is reasonably required) in preparing and filing an amendment or supplement to the extent required by applicable law. Any such amendment or supplement shall be promptly filed with the SEC, and such amendment or supplement shall comply in all material respects with all provisions of the Securities Act.

(b) If at any time prior to the date of the Stockholder Meeting (as defined herein), or any adjournment thereof, any event with respect to the Company, its officers and directors or any of its Subsidiaries shall occur which is required to be described in an amendment of, or a supplement to the Registration Statement, the Company shall notify Parent thereof in writing by reference to this Section 7.13(b) and shall describe such event in reasonable and shall reasonably cooperate with Parent in preparing and filing an amendment or supplement to the extent required by applicable law. Any such amendment or supplement shall be promptly filed with the SEC and, as and to the extent required by law, disseminated to the stockholders of the Company, and such amendment or supplement shall comply in all material respects with all provisions of the Securities Act.

Section 7.14 Employees

(a) Each of the employees employed as of the Closing Date by the Company or a Subsidiary is hereinafter referred to as a "*Transferring Employee*." Parent shall, or Parent shall cause the Company or a Subsidiary to, for the period beginning on the Closing Date and ending on December 31, 2005, provide to the Transferring Employees, who continue employment with the Company or a Subsidiary, salary and employee benefits that in the aggregate are substantially similar to the salary and benefits as provided by the Company and its Subsidiaries to such Transferring Employees as of immediately prior to the Closing Date. Parent agrees that it will not terminate or amend the Company severance plan in effect on the date hereof, a true and complete copy of which has previously been provided to Parent, for the period beginning on the Closing Date and ending on December 31, 2005 and such Company severance plan shall remain in full force and effect during such period for all Transferring Employees. Notwithstanding anything to the contrary in this Section 7.14, nothing in this Agreement shall limit the right of Parent or the Company to, subject to the immediately preceding sentence, modify, amend, suspend or terminate any Company Benefit Plan.

(b) Transferring Employees shall be credited for their length of service with the Company and any Subsidiary to the extent of the employee benefit plans maintained by Parent, the Company or a Subsidiary that cover such Transferring Employees on or after the Closing Date for purposes of eligibility, vesting and any pre-existing condition limitations, other than (i) under any defined benefit pension plan, (ii) to the extent that any such crediting of service would result in duplication of benefits, (iii) for purposes of eligibility for subsidized early retirement benefits or (iv) for any new program for which credit prior to the effective date of such program is not given to similarly situated employees of Parent other than the Transferring Employees.

(c) The health plans that cover the Transferring Employees in the plan year in which the Closing Date occurs shall credit such Transferring Employees with all co-payments, deductibles and similar amounts paid by the Transferring Employees under the applicable Company Benefits Plans prior to the Closing Date to the extent credited under the applicable Company Benefit Plans.

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(d) No Transferring Employee or other current or former employee of the Company or any Subsidiary, including any beneficiary or dependent thereof, or any other person not a party to this Agreement, shall be entitled to assert any claim hereunder.

Section 7.15 *Obligations of Merger Sub.* Parent shall take all action necessary to cause Merger Sub to perform its obligations under this Agreement and to consummate the Merger on the terms and conditions set forth in this Agreement.

Section 7.16 *Dividends.* Parent shall not, and shall not permit any of its Subsidiaries to, make, declare or pay any dividend in cash other than cash dividends or distributions by a direct or indirect wholly owned Subsidiary of the Parent to its parent or to another direct or indirect wholly owned Subsidiary of Parent.

ARTICLE VIII

CONDITIONS

Section 8.1 *Conditions to Each Party's Obligation to Effect the Merger.* The respective obligations of the Parties to effect the Merger shall be subject to the following conditions:

(a) *Stockholder Approval.* The Company Stockholder Approval shall have been obtained.

(b) *Stock Exchange Listings.* The shares of Parent Common Stock to be issued in the Merger shall have been authorized for quotation on NASDAQ or such other national exchange on which Parent Common Stock may be quoted or listed as of the Closing Date.

(c) *Other Approvals.* Any waiting period (and any extension thereof) applicable to the Merger under the HSR Act shall have expired or been terminated and all other material notifications, consents, authorizations and approvals required to be made or obtained from any Governmental Entity prior to the Effective Time shall have been made or obtained for the transactions contemplated by the Merger (all such approvals and the expiration of all such waiting periods being referred to herein as the "*Requisite Regulatory Approval*").

(d) *Effectiveness of Registration Statement.* The Registration Statement shall have become effective under the Securities Act and no stop order suspending the effectiveness of the Registration Statement shall be in effect and no proceedings for that purpose shall have been initiated or threatened by the SEC.

(e) *No Injunctions or Restraints; Illegality.* No injunction prohibiting the consummation of the Merger shall be in effect. No statute, rule, regulation, order, injunction or decree shall have been enacted, entered, promulgated or enforced by any Governmental Entity which prohibits, materially restricts or makes illegal the consummation of the Merger, and there shall not have been instituted or threatened to be instituted any proceeding seeking an order, injunction or decree which prohibits, materially restricts or makes illegal the consummation of the Merger.

(f) *Federal Tax Opinions.*

(i)

The Company shall have received a written opinion of Gibson, Dunn & Crutcher LLP, dated the Closing Date, to the effect that the Merger will constitute a "reorganization" within the meaning of Section 368(a) of the Code. In rendering such opinion, such counsel may require and rely upon representations contained in certificates of officers of Parent and the Company.

(ii)

Parent shall have received a written opinion of Wachtell, Lipton, Rosen & Katz, dated the Closing Date, to the effect that the Merger will constitute a "reorganization" within the meaning of Section 368(a) of the Code. In rendering such opinion, such counsel may require and rely upon representations contained in certificates of officers of Parent and the Company.

(iii)

Parent and the Company agree to provide to counsel referred to in clauses (i) and (ii) such representations as such counsel reasonably requests in connection with rendering the opinions referred to therein.

Section 8.2 *Conditions to Obligations of the Company.* The obligations of the Company to effect the Merger are also subject to the satisfaction, or waiver by the Company, at or prior to the Effective Time, of the following conditions:

(a) *Representations and Warranties.* (i) The representations and warranties of Parent set forth in Section 5.2(a) of this Agreement shall be materially true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except to the extent that such representations and warranties speak as of another date, in which case such representations and warranties shall be materially true and correct as of such other date), (ii) the representations and warranties of Parent set forth in this Agreement and qualified by Material Adverse Effect shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except to the extent that such representations and warranties speak as of another date, in which case such representations and warranties shall be true and correct as of such other date), and (iii) all other representations and warranties of Parent set forth in this Agreement and not qualified by Material Adverse Effect, disregarding all qualifications and exceptions contained therein relating to materiality, shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except to the extent that such representations and warranties speak as of another date, in which case such representations and warranties shall be true and correct as of such other date), except where the failure of such representations and warranties to be true and correct would not, when taken together, have a Material Adverse Effect on Parent. The Company shall have received certificates signed on behalf of Parent by an appropriate executive officer to such effect.

(b) *Performance of Obligations.* Parent shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and the Company shall have received certificates signed on behalf of Parent by an appropriate executive officer to such effect.

Section 8.3 *Conditions to Obligations of Parent.* The obligations of Parent to effect the Merger are also subject to the satisfaction or waiver by Parent at or prior to the Effective Time of the following conditions:

(a) *Representations and Warranties.* (i) the representations and warranties of the Company set forth in Section 4.2(a) of this Agreement shall be true and correct (other than insubstantial numerical inaccuracies) as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except to the extent that such representations and warranties speak as of another date, in which case such representations and warranties shall be true and correct (other than insubstantial numerical inaccuracies) as of such other date), (ii) the representations and warranties of the Company set forth in this Agreement and qualified by Material Adverse Effect shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except to the extent that such representations and warranties speak as of another date, in which case such representations and warranties shall be true and correct as of such other date), and (iii) the representations and warranties of the Company set forth in this Agreement and not qualified by Material Adverse Effect, disregarding all qualifications and exceptions contained therein relating to materiality, shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except to the extent that such representations and warranties speak as of another date, in which case such representations and warranties shall be true and correct as of such other date), except where the failure of such representations and warranties to be true and

correct would not, when taken together, have a Material Adverse Effect on the Company. Parent shall have received certificates signed on behalf of the Company by its Chief Executive Officer and Chief Financial Officer to such effect.

(b)

Performance of Obligations. The Company shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and Parent shall have received certificates signed on behalf of the Company by an appropriate officer to such effect.

(c)

Consents. All consents listed on Section 8.3(c) of the Company Disclosure Schedule shall have been obtained and shall be in full force and effect.

ARTICLE IX

TERMINATION, AMENDMENT AND WAIVER

Section 9.1 *Termination.* This Agreement may be terminated at any time prior to the Effective Time, whether before or after obtaining the Company Stockholder Approval:

(a) by mutual consent of Parent and the Company in a written instrument;

(b) by either Parent or the Company if any Governmental Entity that must grant a Requisite Regulatory Approval has denied approval of the Merger and such denial has become final and nonappealable or any Governmental Entity of competent jurisdiction shall have issued a final nonappealable order permanently enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement, provided that the terminating party has fulfilled its obligations under Section 7.1;

(c) by Parent or the Company if the Effective Time shall not have occurred on or before the six-month anniversary of the date of this Agreement (the "*Termination Date*"), unless the failure of the Effective Time to occur by such date shall be principally due to the failure of the party seeking to terminate this Agreement to perform or observe the covenants and agreements of such Party set forth herein; *provided, however*, that if on such date each of the conditions set forth in Article VIII other than those set forth in Sections 8.1(a) and 8.1(c) has been fulfilled or is capable of being fulfilled, then such date shall be automatically extended to the nine-month anniversary of the date of this Agreement;

(d) (i) by the Company (provided that the Company is not then in material breach of any representation, warranty, covenant or other agreement contained herein which breach either individually or in the aggregate would constitute, if occurring on the Closing Date, the failure of the conditions set forth in Sections 8.3(a) or Section 8.3(b) of this Agreement) if there shall have been a breach by Parent of any of its covenants or agreements or any of its representations or warranties set forth in this Agreement, which breach, either individually or in the aggregate, would constitute, if occurring or continuing on the Closing Date, the failure of the conditions set forth in Section 8.2(a) or Section 8.2(b) of this Agreement, and which is not cured within fifteen (15) days following written notice to Parent or by its nature or timing cannot be cured prior to the Closing Date; or

(ii) by Parent (provided that neither Parent nor Merger Sub is then in material breach of any representation, warranty, covenant or other agreement contained herein which breach either individually or in the aggregate would constitute, if occurring on the Closing Date, the failure of the conditions set forth in Section 8.2(a) or Section 8.2(b) of this Agreement) if there shall have been a breach by the Company of any of its covenants or agreements or any of its representations or warranties set forth in this Agreement, which breach, in any such case, either individually or in the aggregate, would constitute, if occurring or continuing on the Closing Date, the failure of the conditions set forth in Section 8.3(a) or Section 8.3(b) of this Agreement, and which is not cured

as promptly as practicable and in any case within fifteen (15) days following written notice to the Company or by its nature or timing cannot be cured prior to the Closing Date;

(e) by the Company if, prior to receipt of the Company Stockholder Approval, (i) the Company receives a Superior Proposal, (ii) the Company shall have promptly (and in no event later than two calendar days, which shall include at least one Business Day, after forming such intention) notified Parent of its intention to terminate this Agreement pursuant to this Section 9.1(e), such notice to Parent to be in writing and to be accompanied by reasonable details of the terms and conditions of such Superior Proposal, including the identity of the offeror, a complete copy of each agreement contemplated to be entered into by the Company or its Subsidiaries in connection with the Superior Proposal, and the Company shall have otherwise complied with Section 7.3, (iii) if requested in good faith by Parent within two Business Days after receipt by Parent of such notice, the Company shall have negotiated and caused its respective financial and legal advisers to negotiate during the following three Business Day period with Parent to in good faith determine with Parent whether adjustments in the terms and conditions of this Agreement as would enable the Company to proceed with the transactions contemplated herein on such adjusted terms, and notwithstanding such negotiations and adjustments, the Board of Directors of the Company concludes, in its good faith judgment, that the transactions contemplated herein on such terms as adjusted, are not at least as favorable to the stockholders of the Company as such Superior Proposal and (iv) the Board of Directors of the Company thereafter resolves to accept such Superior Proposal after having consulted with, its independent outside legal counsel and determined in good faith that the failure to take such action would constitute a breach of the fiduciary duties of the Board of Directors of the Company under applicable law; *provided*, that such termination under this Section 9.1(e) shall not be effective until the Company or an Acquiring Person on behalf of the Company has made payment of the full fee required by Section 9.2(b); and *provided, further*, that if the Company's Board of Directors concludes that Parent's proposal under clause (iii) is at least as favorable to the stockholders of the Company as the Superior Proposal, this Agreement shall promptly be amended to reflect such terms and the Company shall no longer have the right herein with respect to such original Superior Proposal, unless and until it is subsequently adjusted to again constitute a Superior Proposal;

(f) by Parent, if the Board of Directors of the Company (i) shall have failed to recommend, or shall have withdrawn, or modified or amended in any respect materially adverse to Parent, its approval or recommendation of this Agreement or shall have resolved to do any of the foregoing, or (ii) shall have recommended another Acquisition Proposal or if the Board of Directors of the Company shall have resolved to accept a Superior Proposal or shall have failed to publicly affirm its approval or recommendation of this Agreement (or failed to publicly state that it cannot at such time make any recommendation pending completion of its analysis and discussions regarding the Acquisition Proposal consistent with the Company Board of Directors' fiduciary duties) within 10 days of Parent's request made after any Acquisition Proposal shall have been disclosed to the Company's stockholders generally; or

(g) by Parent or the Company if the stockholders of the Company fail to approve this Agreement upon a vote held at a duly held meeting of stockholders called for such purpose (including any adjournment or postponement thereof), but subject, in the case of termination by the Company, to its obligation to make the payment required by Section 9.2(b)(iv), if applicable.

Section 9.2 *Effect of Termination.* (a) In the event of termination of this Agreement by Parent or the Company as provided in Section 9.1, this Agreement shall forthwith become void and have no effect, and none of Parent, Merger Sub or the Company, any of their respective Subsidiaries or any of the officers or directors of any of them shall have any liability of any nature whatsoever hereunder, or in connection with the transactions contemplated hereby, except that (i) Sections 7.2(b), 10.2, 10.6, 10.7, 10.8 and this Section 9.2 shall survive any termination of this Agreement, and (ii) notwithstanding

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anything to the contrary contained in this Agreement, no party shall be relieved or released from any liabilities or damages arising out of its willful breach of any provision of this Agreement.

(b) The Company agrees to pay to Parent a fee equal to \$68.5 million, by wire transfer of immediately available funds, if:

(i) (A) the Company terminates this Agreement pursuant to Section 9.1(e) or (B) the Company terminates this Agreement pursuant to Section 9.1(c) and at such time Parent would have been permitted to terminate this Agreement pursuant to Section 9.1(f), which fee shall be payable prior to such termination;

(ii) Parent terminates this Agreement pursuant to Section 9.1(f), which fee shall be payable within two Business Days of such termination;

(iii) (A) the Company terminates this Agreement pursuant to Section 9.1(c) other than as a result of Parent's failure to proceed in a timely manner, (B) prior to such termination, a proposal for an Acquisition Transaction (other than pursuant to this Agreement) shall have been disclosed publicly or to the Company and (C) within 12 months following such termination, the Company, directly or indirectly, enters into an agreement for an Acquisition Transaction or an Acquisition Transaction is consummated, which fee shall be payable immediately upon the first to occur of either event described in this clause (C); or

(iv) this Agreement is terminated (A) pursuant to Section 9.1(g) and prior to the vote referred to in Section 9.1(g) a proposal for an Acquisition Transaction (other than pursuant to this Agreement) shall have been disclosed publicly, or (B) pursuant to Section 9.1(d)(ii) on the basis of a material breach by the Company of any covenant or agreement contained herein if prior to such breach a proposal for an Acquisition Transaction (other than pursuant to this Agreement) shall have been disclosed publicly or to the Company, provided in the case of clauses (A) or (B) that within 12 months of termination of this Agreement the Company, directly or indirectly, enters into an agreement for an Acquisition Transaction or an Acquisition Transaction is consummated, which fee shall be payable immediately upon the first to occur of either event described in this clause.

For purposes of Sections 9.2(b)(iii) and 9.2(b)(iv), the percentage in the definition of "Acquisition Transaction" shall be thirty-three percent (33%) in lieu of both the twenty-five percent (25%) or fifteen percent (15%).

(c) The Company agrees to pay all fees and expenses actually incurred by Parent and Merger Sub in connection with the Agreement, not in excess of \$3 million in the aggregate, by wire transfer of immediately available funds, if:

(i) a fee becomes payable pursuant to Section 9.2(b); or

(ii) this Agreement is terminated by Parent pursuant to Section 9.1(d)(ii).

(d) Parent agrees to pay all fees and expenses actually incurred by the Company in connection with the Agreement, not in excess of \$3 million in the aggregate, by wire transfer of immediately available funds, if this Agreement is terminated by the Company pursuant to Section 9.1(d)(i).

Section 9.3 Amendment. Subject to compliance with applicable law, this Agreement may be amended by the Parties, by action taken or authorized by their respective Boards of Directors, at any time before or after the Company Stockholder Approval; *provided, however*, that after the Company Stockholder Approval, there may not be, without further approval of such stockholders, any amendment of this Agreement that changes the amount or the form of the consideration to be delivered hereunder to the holders of Company Common Stock other than as contemplated by this Agreement. This Agreement may not be amended except by an instrument in writing signed by Parent and the Company.

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Section 9.4 *Extension; Waiver.* At any time prior to the Effective Time, the Parties, by action taken or authorized by their respective Board of Directors, may, to the extent legally allowed, (a) extend the time for the performance of any of the obligations or other acts of the other Parties, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions contained herein; *provided, however*, that after the Company Stockholder Approval, there may not be, without further approval of such stockholders, any extension or waiver of this Agreement or any portion thereof which reduces the amount or changes the form of the consideration to be delivered to the holders of Company Common Stock hereunder, other than as contemplated by this Agreement. Any agreement on the part of a Party to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party, but such extension or waiver or failure to insist on strict compliance with an obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

ARTICLE X

GENERAL PROVISIONS

Section 10.1 *Nonsurvival of Representations, Warranties and Agreements.* None of the representations, warranties, covenants and agreements in this Agreement or in any instrument delivered pursuant to this Agreement (other than the Confidentiality Agreement, which shall terminate in accordance with its terms) shall survive the Closing or the termination of this Agreement pursuant to Section 9.1 except for those covenants and agreements contained herein which by their terms apply in whole or in part after the Closing or are designated as surviving any such termination.

Section 10.2 *Expenses.* Except as set forth in Section 9.2, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expense; *provided, however*, that the costs and expenses of printing and mailing the Proxy Statement/Prospectus, and all filing and other fees paid to the SEC or in respect of HSR, in each case in connection with the Merger, shall be borne by Parent.

Section 10.3 *Notices.* All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, telecopied (with confirmation), on the third Business Day after mailing if mailed by registered or certified mail (return receipt requested) or delivered by an express courier (with confirmation) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to the Company, to:

Ask Jeeves, Inc.
555 12th Street, Suite 500
Oakland, CA 94607
Attention: Steven Berkowitz and Brett Robertson
Telecopier: (510) 985-7507

with a copy to:

Gibson, Dunn & Crutcher LLP
One Montgomery Street
31st Floor
San Francisco, California 94104
Attention: Douglas D. Smith
Telecopier: (415) 986-5309

and

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

IAC/InterActiveCorp
152 West 57th Street
New York, NY 10019

Attention: General Counsel
Telecopier: (212) 314-7329

with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019
Attention: David C. Karp, Esq.
Telecopier: (212) 403-2000

Section 10.4 *Interpretation.* When a reference is made in this Agreement to Sections, Exhibits or Schedules, such reference shall be to a Section of or Exhibit or Schedule to this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

Section 10.5 *Counterparts.* This Agreement may be executed by facsimile and in counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the Parties and delivered to the other Parties, it being understood that all Parties need not sign the same counterpart.

Section 10.6 *Entire Agreement.* This Agreement (including the documents and the instruments referred to herein) constitutes the entire agreement and supersedes all prior or contemporaneous agreements and understandings, both written and oral, among the Parties with respect to the subject matter hereof other than the Confidentiality Agreement.

Section 10.7 *Governing Law.* (a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to any applicable conflicts of law principles.

(b) Each Party irrevocably submits to the jurisdiction of any Delaware state court or any federal court sitting in the State of Delaware in any action arising out of or relating to this Agreement, and hereby irrevocably agrees that all claims in respect of such action may be heard and determined in such Delaware state or federal court. Each Party hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. The Parties further agree, to the extent permitted by law, that final and unappealable judgment against any of them in any action or proceeding contemplated above shall be conclusive and may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified copy of which shall be conclusive evidence of the fact and amount of such judgment.

(c) To the extent that any Party has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, each Party hereby irrevocably waives such immunity in respect of its obligations with respect to this Agreement.

(d) Each Party waives, to the fullest extent permitted by applicable laws, any right it may have to a trial by jury in respect of any action, suit or proceeding arising out of or relating to this Agreement. Each Party certifies that it has been induced to enter into this Agreement by, among other things, the mutual waivers and certifications set forth above in this Section 10.7.

Section 10.8 *Publicity.* The initial press release concerning the execution of this Agreement, the Merger and the transactions contemplated hereby will be a joint release. Subject to Section 7.3(b), except as otherwise required by applicable law or the rules of NASDAQ, none of the Parties shall, or shall permit any of its Subsidiaries to, issue or cause the publication of any press release or other public announcement with respect to, or otherwise make any public statement concerning, the transactions contemplated by this Agreement without the consent of the other Parties, which consent shall not be unreasonably withheld (provided that the consent of Parent shall be deemed to be the consent of Merger Sub). Prior to the Effective Time, the Company shall not, and shall not permit any of its Subsidiaries to, without the prior consent of Parent (which shall not be unreasonably delayed, conditioned or withheld) issue or cause the publication of any press release or other public announcement with respect to any material developments in the business strategy of the Company and its Subsidiaries, except for any such press release or public announcement required by applicable law or the rules of NASDAQ (in which case the Company shall, to the extent practicable, consult with Parent prior to making such release or announcement).

Section 10.9 *Assignment; Third Party Beneficiaries.* Neither this Agreement nor any of the rights, interests or obligations shall be assigned by any of the Parties (whether by operation of law or otherwise) without the prior written consent of the other Parties. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors and assigns. This Agreement (including the documents and instruments referred to herein) is not intended to confer upon any person other than the Parties any rights or remedies hereunder other than Section 7.11 which confers the rights stated therein.

Section 10.10 *Specific Enforcement.* The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached in any material respect. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement. A Party is entitled to seek injunctive relief to prevent any breach and to enforce terms or provisions if such breach would serve as a basis of terminating this Agreement by such Party. No Party seeking such relief shall be required to post bond or other security or to prove the inadequacy of available remedies at law in order to obtain such relief. The rights provided by this section are in addition to any other remedy to which the Parties are entitled at law or in equity including an action seeking damages.

Section 10.11 *Severability.* If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions hereof.

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

IAC/INTERACTIVECORP

By: /s/ GREGORY R. BLATT

Name: Gregory R. Blatt
Title: Senior Vice President, General Counsel and Secretary

AJI ACQUISITION CORP.

By: /s/ GREGORY R. BLATT

Name: Gregory R. Blatt
Title: Chairman of the Board and Secretary

ASK JEEVES, INC.

By: /s/ A. GEORGE (SKIP) BATTLE

Name: A. George (Skip) Battle
Title: Executive Chairman
A-44

711 FIFTH AVENUE NEW YORK, N.Y. 10022 (212) 832-8000

March 21, 2005

The Board of Directors
Ask Jeeves, Inc.
555 12th Street, Suite 500
Oakland, CA 94607

Members of the Board of Directors:

We are pleased to confirm in writing as of the date hereof the opinion provided orally to the Board of Directors of Ask Jeeves, Inc. ("Ask Jeeves") at its meeting held on March 20, 2005. We understand that Ask Jeeves, IAC/InterActiveCorp ("IAC") and AJI Acquisition Corp., a wholly owned subsidiary of IAC ("Merger Sub") are entering into an Agreement and Plan of Merger and Reorganization (the "Agreement") pursuant to which the parties propose to effect a business combination transaction relating to Ask Jeeves as described in the Agreement.

As further described in the Agreement, Merger Sub shall be merged with and into Ask Jeeves (the "Merger"). At the effective time of the Merger, (i) Ask Jeeves shall continue as the surviving corporation in the Merger, (ii) Ask Jeeves shall become a direct, wholly-owned subsidiary of IAC and shall succeed to all of the rights and obligations of the Merger Sub in accordance with the Delaware General Corporation Law, and (iii) the separate corporate existence of Merger Sub shall cease. Other than shares of Ask Jeeves Common Stock (as defined below) that are held (i) in the treasury of Ask Jeeves and (ii) by IAC and any of its wholly owned subsidiaries immediately prior to the effective time of the Merger (which shares will be cancelled in the Merger), each share of Ask Jeeves common stock, par value \$0.001 per share (together with the related right to purchase Series A Junior Participating Preferred Stock of Ask Jeeves issued pursuant to the Rights Agreement entered into between Ask Jeeves and Fleet National Bank, N.A., dated as of April 26, 2001, the "Ask Jeeves Common Stock"), issued and outstanding immediately prior to the effective time of the Merger shall cease to be outstanding and shall be retired and cease to exist and shall be converted automatically into the right to receive 1.2668 (the "Exchange Ratio") fully paid and nonassessable shares of common stock, par value \$0.01 per share, of IAC, and cash in lieu of any fractional shares of IAC common stock as provided in the Agreement.

As you know, Allen & Company LLC ("Allen") has been engaged by Ask Jeeves to render certain financial advisory services in connection with the Merger. In this connection, pursuant to our January 27, 2005 engagement letter agreement (the "Engagement Letter"), you have asked us to render our opinion as to the fairness from a financial point of view to the holders of Ask Jeeves Common Stock of the Exchange Ratio. Pursuant to the Engagement Letter, Allen will receive a customary fee for its services in connection with the Merger. In addition, Allen will also receive a customary fee upon delivery of this opinion, and such fee shall be credited against any fee Allen receives upon consummation of the Merger.

Allen, as part of its investment banking business, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, private placements and related financings, bankruptcy reorganizations and similar recapitalizations, negotiated underwritings, secondary distributions of listed and unlisted securities, providing its assessment of the fairness of transactions from a financial point of view, and valuations for corporate and other purposes. As of the

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date of this letter, Allen or its affiliates are stockholders in IAC and Ask Jeeves, and Donald R. Keough, Chairman of Allen, also serves as a director of IAC. In addition, in the ordinary course of its business as a broker-dealer and market maker, Allen may have long or short positions, either on a discretionary or nondiscretionary basis, for its own account or for those of its clients, in the securities of IAC and Ask Jeeves.

Further, Allen has been engaged by IAC (and its predecessors) to render financial advisory services from time to time in the past on several separate transactions for which Allen has received customary fees. It is contemplated that Allen will be available to provide investment banking and related services to IAC in the future on other engagements, for which Allen would be compensated.

Our opinion as expressed herein reflects and gives effect to our general familiarity with each of Ask Jeeves and IAC as well as information which we received during the course of this engagement, including information provided by senior management of IAC and Ask Jeeves in the course of a number of discussions relating to this engagement. In arriving at our opinion, we neither conducted a physical inspection of the properties and facilities of Ask Jeeves or IAC nor obtained any evaluations or appraisals of the assets or liabilities of Ask Jeeves or IAC. In rendering our opinion, we have relied upon and assumed the accuracy and completeness of all of the financial and other information that was available to us, from public sources, or that was provided to us by or on behalf of IAC, Ask Jeeves or their respective representatives, or that was otherwise reviewed by us. With respect to certain budgetary information provided to us, we have assumed that such information has been reasonably prepared in good faith reflecting the best currently available estimates and judgments of the management of IAC and Ask Jeeves, respectively, as to the future operating and financial performance of each of IAC and Ask Jeeves, respectively.

In arriving at our opinion, we have among other things:

- (i) reviewed trends in the online advertising, marketing services online search industries;
- (ii) reviewed and analyzed the terms and conditions of the Merger, including the draft Agreement (which prior to the delivery of this opinion has not been executed by the parties);
- (iii) analyzed certain financial aspects of the Merger, including the Exchange Ratio;
- (iv) reviewed and analyzed publicly available historical business and financial information relating to Ask Jeeves and IAC as presented in documents filed with the Securities and Exchange Commission;
- (v) analyzed selected summary non-public financial and operating results of operations of Ask Jeeves, including Ask Jeeves' forecast and budget for 2005;
- (vi) analyzed the financial conditions and business prospects of Ask Jeeves and IAC;
- (vii) reviewed and analyzed public information, including certain stock market data and financial information relating to selected companies with businesses which we deemed comparable to those of Ask Jeeves;
- (viii) reviewed the trading histories of the common stock of Ask Jeeves and IAC and their relation to those of companies which we deemed comparable to Ask Jeeves and IAC and selected market indices;
- (ix) analyzed the market multiples of Ask Jeeves, IAC and IAC's business segments in relation to certain selected companies which we deemed comparable to Ask Jeeves, IAC and IAC's business segments;
- (x) conferred with the management teams of each of IAC and Ask Jeeves;

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- (xi) reviewed public financial and transaction information, including premiums paid, relating to selected mergers which we deemed comparable to the Merger; and
- (xii) conducted such other financial analyses and investigations as we deemed necessary or appropriate for the purposes of the opinion expressed herein.

It is understood that this opinion is solely for the information of the Board of Directors of Ask Jeeves in connection with its evaluation of the Merger and may not be used for any other purpose without our prior written consent, except that Allen consents to the inclusion of this opinion in its entirety in any filing made by Ask Jeeves with the Securities and Exchange Commission with respect to the Merger.

This opinion does not constitute a recommendation as to what course of action the Board of Directors or any securityholder of Ask Jeeves should pursue in connection with the Merger. For the purposes of our opinion, we assumed that the Merger would have the tax, accounting and legal effects contemplated by the Agreement.

Our opinion is limited to the fairness