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	**4833**	**59-2712887**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Numbers)	(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)

Copies to:

David C. Karp **Wachtell, Lipton, Rosen & Katz** **51 West 52nd Street** **New York, New York 10019** **(212) 403-1000**	**Brett M. Robertson** **Ask Jeeves, Inc.** **555 12th Street, Suite 500** **Oakland, California 94607** **(510) 985-7400**	**Douglas D. Smith** **Peter T. Heilmann** **Gibson, Dunn & Crutcher** **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. o

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

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

Calculation of Registration Fee

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per 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,

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 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:

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 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.

(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

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, 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.

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)

(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."

	IAC Historical Per Share Data	Combined IAC Pro Forma Per Share Data	Combined Post-Spin IAC Pro Forma Per Share Data	Ask Jeeves Historical Per Share Data	Ask Jeeves Equivalent Pro Forma Per Share Data(1)
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)		

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

	IAC Historical Per Share Data	Combined IAC Pro Forma Per Share Data	Combined Post-Spin IAC Pro Forma Per Share Data	Ask Jeeves Historical Per Share Data	Ask Jeeves Equivalent Pro Forma Per Share Data(1)
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;

- 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;

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;

- 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 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;

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.

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)			**Valuation Range**	
	Low	**High**	**2005 OIBA**	**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.

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 x	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

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. Pursuan