

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 1999

OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-25581

PRICELINE.COM INCORPORATED

(Exact name of Registrant as specified in its charter)

Delaware 06-1528493
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

Five High Ridge Park
Stamford, Connecticut 06905

(Address of principal executive offices)

(203) 705-3000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed, since
last report.)

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

Number of shares of Common Stock outstanding at March 31, 1999:

Common Stock, par value \$0.008 per share 142,320,427

(Class) (Number of Shares)

PRICELINE.COM INCORPORATED
FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 1999

Part I - FINANCIAL INFORMATION

PAGE

Item 1. Condensed Financial Statements (Unaudited)

Condensed Balance Sheets - December 31, 1998 and
March 31, 1999.....3

Condensed Statements of Operations - Three Months Ended
March 31, 1998 and 1999.....4

Condensed Statements of Cash Flow - Three Months Ended
March 31, 1998 and 1999.....5

Condensed Statements of Changes in Stockholders' Equity -

Three Months Ended March 31, 1999.....	6
Notes to Condensed Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	11
Item 3. Quantitative and Qualitative Disclosures About Market Risk.....	30
Part II - OTHER INFORMATION	
Item 1. Legal Proceedings.....	32
Item 2. Changes in Securities and Use of Proceeds.....	33
Item 3. Defaults Upon Senior Securities.....	33
Item 4. Submission of Matters to a Vote of Security Holders.....	34
Item 5. Other Information.....	34
Item 6. Exhibits and Reports On Form 8-K.....	34
Signatures	35

PART I - FINANCIAL INFORMATION

Item 1. Condensed Financial Statements.

PRICELINE.COM INCORPORATED
CONDENSED BALANCE SHEETS
(UNAUDITED)

ASSETS	December 31, 1998	March 31, 1999
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 53,593,026	\$ 30,593,613
Proceeds receivable from sale of common stock	-	149,040,000
Accounts receivable, net of allowance for uncollectible accounts of \$290,823 and \$494,210 at December 31, 1998 and March 31, 1999, respectively	4,176,980	9,916,344
Related party receivable	-	1,273,632
Prepaid expenses and other current assets	2,433,542	6,565,647
	-----	-----
Total current assets	60,203,548	197,389,236
PROPERTY AND EQUIPMENT - net	5,926,877	10,009,654
OTHER ASSETS	442,060	2,340,036
	-----	-----
TOTAL ASSETS	\$ 66,572,485	209,738,926
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 5,268,430	\$ 13,051,723
Related party payable	32,447	-
Accrued expenses	4,258,641	8,913,257
Other current liabilities	722,030	135,221
	-----	-----
Total current liabilities	10,281,548	22,100,201
LONG-TERM DEBT - net	989,018	989,657
CAPITAL LEASE OBLIGATIONS	26,074	19,277
	-----	-----
Total liabilities	11,296,640	23,109,135
	-----	-----

COMMITMENTS AND CONTINGENCIES (note 6)

STOCKHOLDERS' EQUITY

Preferred stock	311,262	-
Common stock	745,802	1,138,564
Additional paid-in capital	171,158,186	327,944,914
Accumulated deficit	(116,939,405)	(142,453,687)
	-----	-----
Total stockholders' equity	55,275,845	186,629,791
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 66,572,485	\$ 209,738,926
	=====	=====

See accompanying notes to condensed financial statements.

PRICELINE.COM INCORPORATED
CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended	
	March 31, 1998	March 31, 1999
	-----	-----
Revenues	\$ -	\$ 49,410,542
Cost of Revenues:		
Product costs	-	43,659,184
Supplier warrant costs	-	380,759
	-----	-----
Total cost of revenues	-	44,039,943
Gross profit	-	5,370,599
	-----	-----
Expenses:		
Sales and marketing	1,129,408	17,138,145
General and administrative	1,697,241	3,666,624
Systems and business development	1,926,053	2,183,911
	-----	-----
Total expenses	4,752,702	22,988,680
	-----	-----
Operating loss	(4,752,702)	(17,618,081)
Interest income, net	49,641	457,772
	-----	-----
Net loss	(4,703,061)	(17,160,309)
Accretion on preferred stock	-	(8,353,973)
	-----	-----
Net loss applicable to common shareholders	\$ (4,703,061)	\$ (25,514,282)
	=====	=====
Basic and diluted net loss applicable to common shareholders per common share	\$ (0.08)	\$ (0.27)
	=====	=====
Weighted average common shares outstanding	55,487,311	94,939,486

See accompanying notes to condensed financial statements.

- - - - -

Note: Shares outstanding as of March 31, 1999 totaled 142,320,427 shares.

(UNAUDITED)

	Three Months Ended	
	March 31, 1998	March 31, 1999
OPERATING ACTIVITIES:		
Net loss	\$ (4,703,061)	\$ (17,160,309)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	247,459	748,345
Provision for uncollectible accounts	-	398,662
Supplier warrant costs	-	380,759
Changes in assets and liabilities:		
Receivables	(22,473)	(6,614,334)
Prepaid expenses and other current assets	(1,475,475)	(1,268,108)
Accounts payable and accrued expenses	6,817,305	7,757,244
Other	(302,363)	(1,369,094)
Net cash provided by (used in) operating activities	561,392	(17,126,835)
INVESTING ACTIVITIES:		
Purchase of property and equipment	(4,240,712)	(4,830,483)
Net cash used in investing activities	(4,240,712)	(4,830,483)
FINANCING ACTIVITIES:		
Principal payments under capital lease obligations	(5,206)	(5,949)
Issuance of common stock and subscription units	18,470,363	-
Payment received on stockholder note	250,000	-
Deferred offering costs	-	(1,036,146)
Net cash provided by (used in) financing activities	18,715,157	(1,042,095)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,035,837	(22,999,413)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	16,459	53,593,026
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 15,052,296	\$ 30,593,613
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	3,017	1,649
Proceeds from sale of common stock received on April 1, 1999		149,040,000

See accompanying notes to condensed financial statements.

PRICELINE.COM INCORPORATED
CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

	PREFERRED STOCK		Common Stock		ADDITIONAL PAID-IN CAPITAL	Accumulated Deficit	Total
	SHARES	Amount	Shares	Amount			
Balance, January 1, 1999	\$ 31,126,184	\$ 311,262	\$ 93,225,200	\$ 745,802	\$ 171,158,186	\$ (116,939,405)	\$ 55,275,845
Conversion of Series A convertible preferred stock	(17,288,684)	(172,887)	21,610,852	172,887	-	-	-
Conversion of Series B convertible preferred stock	(13,837,500)	(138,375)	17,296,875	138,375	-	-	-
Accretion on preferred stock	-	-	-	-	8,353,973	(8,353,973)	-
Issuance of common stock	-	-	10,000,000	80,000	145,338,182	-	145,418,182
Exercise of warrants	-	-	187,500	1,500	48,500	-	50,000
Issuance of airline							

participation warrants	-	-	-	-	3,046,073	-	3,046,073
Net loss, quarter ended March 31, 1999	-	-	-	-	-	(17,160,309)	(17,160,309)
Balance, March 31, 1999	-	\$ -	\$142,320,427	\$1,138,564	\$ 327,944,914	\$(142,453,687)	\$186,629,791

See accompanying notes to condensed financial statements.

PRICELINE.COM INCORPORATED
NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Business Description

Priceline.com Incorporated ("priceline.com") utilizes a new type of e-commerce known as a "demand collection system" that enables consumers to use the Internet to save money on a wide range of products and services while enabling sellers to generate incremental revenue. Priceline.com collects consumer demand, in the form of individual customer offers guaranteed by a credit card, for a particular product or service at a price set by the customer. Priceline.com then either communicates that demand directly to participating sellers or accesses participating sellers' private databases to determine whether the customer's offer can be fulfilled on the basis of the pricing information and rules established by the sellers. By requiring consumers to be flexible with respect to brands, sellers and/or product features, priceline.com enables sellers to generate incremental revenue without disrupting their existing distribution channels or retail pricing structures.

Priceline Travel, Inc. ("Priceline Travel") previously held the travel agency license used to effect airline ticket sales through the priceline.com service. Priceline Travel was wholly owned by the founding stockholder of priceline.com and on March 24, 1999, Priceline Travel was merged into priceline.com for nominal consideration. The accompanying condensed financial statements include the financial position and results of operations of Priceline Travel for all periods presented.

2. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals considered necessary for a fair presentation, have been included in the accompanying unaudited financial statements. Operating results for the three months ended March 31, 1999 are not necessarily indicative of the results that may be expected for the full year ending December 31, 1999. For further information, refer to the financial statements and notes thereto, included in priceline.com's Registration Statement on Form S-1 (File No. 333-69657), as amended, and priceline.com's final prospectus dated March 29, 1999.

3. Initial Public Offering of Common Stock

On April 1, 1999, priceline.com completed an initial public offering in which it sold 10,000,000 shares of its common stock at a price of \$16.00 per share, raising \$160.0 million in gross proceeds. Offering proceeds to priceline.com, net of approximately \$11.2 million in aggregate underwriters discounts and commissions and \$4.8 million in related expenses, were approximately \$144.0 million. Simultaneous with the effectiveness on March 29, 1999 of priceline.com's Registration Statement on Form S-1, each outstanding share of priceline.com's Series A and Series B convertible preferred stock was automatically converted into shares of common stock. As of March 31, 1999, approximately 142.3 million shares of common stock were outstanding. Priceline.com's balance sheet as of March 31, 1999 reflected a receivable of \$149.0 million in respect of the offering proceeds it received on April 1, 1999.

4. Net Loss Per Share

Priceline.com computes net loss per share in accordance with SFAS No. 128, "Earnings Per Share" which requires dual presentation of basic earnings per share ("EPS") and diluted EPS.

Basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common shares and potentially dilutive shares outstanding during the period. The effect of the conversion of the Series A and Series B convertible preferred stock is included in the weighted average number of shares outstanding during the period commencing on the conversion date, March 29, 1999. The effect of the preferred stock conversion for the period prior to March 29, 1999 has not been included in the computation of diluted net loss per share as the impact would have been antidilutive for the periods presented. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants (using the treasury stock method). At March 31, 1999, options and warrants to purchase 44,999,782 shares of common stock were outstanding. Outstanding warrants and options could potentially dilute basic earnings per share in the future but have not been included in the computation of diluted net loss per share as the impact would have been antidilutive for the periods presented.

Net loss applicable to common stockholders for the first quarter ended March 31, 1999 was \$25.5 million as a result of a non-recurring, non-cash charge associated with the accretion on the Series A and Series B convertible preferred stock that was outstanding during such period. Based on the weighted average number of 94.9 million shares of common stock outstanding during such calendar quarter, the net loss applicable to common stockholders was \$0.27 per share.

5. Recent Accounting Pronouncements

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 98-1, "Accounting for Costs of Computer Software Developed or Obtained for Internal Use." This SOP requires capitalization of certain costs of computer software developed or obtained for internal use. Priceline.com adopted this SOP on January 1, 1999 and during the quarter ended March 31, 1999, priceline.com capitalized approximately \$2.4 million of computer software developed or obtained for internal use.

6. Commitments and Contingencies

On January 6, 1999, priceline.com received notice that a third party patent applicant and patent attorney, Thomas G. Woolston, purportedly had filed in December 1998 with the United States Patent and Trademark Office a request to declare an "interference" between a patent application filed by Woolston describing an electronic market for used and collectible goods and priceline.com's core buyer-driven commerce patent. Priceline.com has received a copy of a Petition for Interference from Woolston, the named inventor of at least three United States Patent applications titled "Consignment Nodes," one of which has issued as a patent. Priceline.com currently is awaiting information from the Patent Office regarding whether it will initiate an interference proceeding concerning Woolston's patent application and priceline.com's core buyer-driven commerce patent.

Woolston recently announced an agreement to license his issued patent and pending patent applications to the owner of an Internet travel service that, according to such announcement, commenced on-line operations in the fourth quarter of 1998 and purports to compete with priceline.com.

While the interference process is still at an early stage, priceline.com believes that it has meritorious defenses to Woolston's claim, which it intends to pursue vigorously. Among other things, priceline.com believes that the Woolston patent application does not disclose the inventions covered by the priceline.com patent claims. However, it is impossible to predict the outcome of an interference with certainty. While Woolston claims to have an earlier invention date by a period of approximately sixteen months, the final decision as to priority of invention would be made by the Patent Office after considering facts provided by each party during the interference proceeding. If an interference is declared and thereafter resolved in favor of Woolston, such resolution could result in an award of some or all of the disputed patent claims to Woolston. If, following such award, Woolston were successful in a patent infringement action against priceline.com, including prevailing over

all defenses available to priceline.com such as those of non-infringement and invalidity, this could require priceline.com to obtain licenses from Woolston at a cost which could significantly adversely affect priceline.com's business. If Woolston prevailed in both an interference and an infringement action, then priceline.com could be enjoined from conducting business through the priceline.com service to the extent covered by the patent claims awarded to Woolston. In addition, defense of the interference action may be expensive and may divert management attention away from priceline.com's business.

On January 19, 1999, Marketel International Inc. ("Marketel"), a California corporation, filed a lawsuit against priceline.com and Priceline Travel, among others. On February 22, 1999, Marketel filed an amended and supplemental complaint, and on March 17, 1999, Marketel filed a second amended complaint. The second amended complaint filed by Marketel alleges causes of action for, among other things, misappropriation of trade secrets, breach of contract, conversion, breach of confidential relationship, copyright infringement, fraud, unfair competition and false advertising, and seeks injunctive relief and damages in an unspecified amount. In its second amended complaint, Marketel alleges, among other things, that the defendants conspired to misappropriate Marketel's business model, which it describes as a buyer-driven electronic marketplace for travel services and its appurtenant techniques, market research, forms, plans, and processes, which allegedly were provided in confidence to some of the defendants approximately ten years ago. The second amended complaint also alleges that three former Marketel employees are the actual sole inventors or co-inventors of a patent which was issued on August 11, 1998 and which patent has been assigned to priceline.com. Marketel asks that the patent's inventorship be corrected accordingly.

On February 5, 1999, February 10, 1999 and March 31, 1999, the defendants filed their answer, amended answer and answer to the second amended complaint, respectively, to the amended complaint, in which they denied the material allegations of liability in the second amended complaint. Priceline.com and all other defendants strongly dispute the material legal and factual allegations contained in Marketel's second amended complaint and believe that the second amended complaint is without merit. On April 22, 1999, Marketel's legal counsel filed a motion to withdraw as counsel on the following grounds: (1) Marketel has failed to cooperate with its counsel in the preparation and prosecution of the case; (2) Marketel and its counsel have been unable to reach agreement as to compensation; and (3) Marketel and its counsel have a fundamental disagreement over the handling of the litigation. Marketel has filed an opposition to the withdrawal of its counsel. A hearing has been scheduled on this issue for May 28, 1999.

Priceline.com intends to defend vigorously against the action. Defending the lawsuit may involve significant expense and, due to the inherent uncertainties of litigation, there can be no certainty as to the ultimate outcome. Pursuant to the indemnification obligations contained in the Purchase and Intercompany Services Agreement with Walker Digital, Walker Digital has agreed to indemnify, defend and hold harmless priceline.com for damages, liabilities and legal expenses incurred in connection with the Marketel litigation.

From time to time priceline.com has been and expects to continue to be subject to legal proceedings and claims in the ordinary course of business, and including claims of alleged infringement of third party intellectual property rights. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

7. Adaptive Marketing Alliances

Adaptive marketing revenues represented in excess of 10% of total revenues, substantially all of which was attributable to priceline.com's third party credit card marketing program with Capital One.

On March 3, 1999, Capital One notified priceline.com of its intention to cease accepting credit card applications through priceline.com effective May 1, 1999. On March 10, 1999, priceline.com entered into an agreement in principle with First USA Bank, a leading national credit card issuer, under which First USA would replace Capital One as priceline.com's strategic partner in its credit card adaptive marketing program. A definitive agreement was entered into by priceline.com and First USA on

March 31, 1999. Priceline.com implemented its credit card program with First USA in late April 1999. The First USA agreement has a term of five years, subject to certain earlier termination and repricing rights of First USA.

PRICELINE.COM INCORPORATED
FORM 10-Q

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

"Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward-looking statements. In some cases, readers can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue," or the negative of such terms or other comparable terminology. These statements involve known and unknown risks, uncertainties and other factors that may cause priceline.com's actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, those set forth under "Overview," "Liquidity and Capital Resources," and "Additional Factors that May Affect Future Results" included in this section, and those set forth in the "Risk Factors" section of priceline.com's Registration Statement on Form S-1 (File No. 333-69657), as amended, and priceline.com's final prospectus dated March 29, 1999. Although management of priceline.com believes that the expectations reflected in the forward-looking statements are reasonable, priceline.com cannot guarantee future results, levels of activity, performance, or achievements. Priceline.com undertakes no duty to update any of the forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

Priceline.com has pioneered a unique new type of e-commerce known as a "demand collection system" that enables consumers to use the Internet to save money on a wide range of products and services while enabling sellers to generate incremental revenue. Using a simple and compelling consumer proposition-"name your price," priceline.com collects consumer demand, in the form of individual customer offers guaranteed by a credit card, for a particular product or service at a price set by the customer. Priceline.com then either communicates that demand directly to participating sellers or accesses participating sellers' private databases to determine whether it can fulfill the customer's offer on the basis of the pricing information and rules established by the sellers. Consumers agree to hold their offers open for a specified period of time and, once fulfilled, offers cannot be canceled. Priceline.com benefits consumers by enabling them to save money, while at the same time benefitting sellers by providing them with an effective revenue management tool capable of identifying and capturing incremental revenues. By requiring consumers to be flexible with respect to brands, sellers and product features, priceline.com enables sellers to generate incremental revenue without disrupting their existing distribution channels or retail pricing structures.

Priceline.com was formed in July 1997 and its primary activities during the period prior to launch consisted of recruiting and training employees, developing its business model, implementing systems to support its business model, developing relationships with seller participants and developing the priceline.com brand. Priceline.com commenced operations in April 1998 with the sale of leisure airline tickets. Priceline.com's services were expanded to include the sale of new automobiles, on a test basis, in July 1998, hotel room reservations in October 1998 and home mortgages through a third party mortgage service in January 1999. In addition to home mortgages, priceline.com's home financing services now include home equity loans and refinancing services. The number of full-time employees of priceline.com increased from 10 at inception to 194 as of March 31, 1999.

Priceline.com earns revenues upon the completion of successful transactions through the priceline.com service, which in certain cases includes revenues generated through adaptive marketing programs offered through the priceline.com service. The manner in which priceline.com earns

revenues varies, however, depending on the product or service sold. With respect to airline ticket and hotel reservation services, priceline.com earns the spread between the customer's named price and the fare or rate charged by the seller. With respect to the automobile service, it earns a fixed fee from both the customer and the seller after the transaction is consummated. With respect to the home financing service, it receives a payment equal to a percentage of the net revenue generated by the service, which is operated in conjunction with LendingTree, Inc. Priceline.com also generates revenues through adaptive marketing programs with third parties that pay priceline.com fees for marketing their customer acquisition programs and through other ancillary fees paid to priceline.com by third parties. Consumer fees are payable only upon completion of successful transactions.

All offers made through the priceline.com service are guaranteed by a customer credit card and credit cards are the only form of payment accepted by priceline.com. The manner in which and time at which revenues are recognized differs depending on the product or service sold through the priceline.com service. With respect to airline ticket and hotel reservation services, revenues are generated by transactions with customers who make offers to purchase airline tickets and reserve hotel rooms supplied by participating sellers. Revenues and related costs are recognized if, and when, priceline.com accepts the customer's offer and charges the customer's credit card. Because priceline.com is the merchant of record in these transactions, revenue for these services includes the amount billed to the customer, net of certain transportation taxes and fees. Airline and hotel revenues also may include fees from third parties for adaptive marketing programs. With respect to automobile and home financing services, fees or other payments payable by the seller and/or the customer are recognized as revenue. Because priceline.com acts as an intermediary between the customer and the seller in these transactions, revenues for these products and services is recorded at the amount of the fee received in connection with the transaction, and not on the value of the underlying transaction, when the transaction is completed. Automobile and home financing services revenues also may include fees from third parties for adaptive marketing programs.

During the three month period from January 1, 1999 through March 31, 1999, priceline.com collected guaranteed offers for approximately 1,396,719 airline tickets, representing approximately \$293.8 million in total consumer demand. This demand resulted in sales of approximately 186,250 airline tickets, representing approximately \$38.8 million in revenue.

Because the priceline.com system does not set minimum offer thresholds, and consumers are not charged to make offers for airline tickets and other products, it is expected that priceline.com will receive a significant number of unreasonable or fantasy offers. Accordingly, priceline.com also analyzes the percentage of "reasonable" ticket requests that it is able to fill. Priceline.com considers an offer for an airline ticket to be "reasonable" when it is no more than 30% lower than the lowest generally available advance-purchase fare for the same route. Using this standard, the overall percentage of ticket requests considered reasonable for the three-month period ended March 31, 1999 was approximately 65%. The 186,250 tickets sold through priceline.com during the three-month period represented approximately 24% of the combined reasonable ticket requests for domestic and international flights. For domestic routes where priceline.com's airline participants have strong coverage, that percentage was higher, with approximately 27% of all reasonable requests fulfilled for the same three-month period. The percentage of reasonable offers that priceline.com is able to fill can also vary depending on the particular route.

Since its inception, priceline.com has incurred net losses in each fiscal quarter. Priceline.com incurred net losses of \$17.2 million during the first quarter of 1999. As of March 31, 1999, priceline.com had an accumulated deficit of \$142.5 million. Priceline.com believes that its continued growth will depend in large part on its ability to continue to promote the priceline.com brand and to apply the priceline.com business model to a wide range of products and services. Accordingly, priceline.com intends to continue to invest heavily in marketing and promotion, technology and personnel. As a result, it expects to incur additional losses for at least the next two years. In addition, priceline.com's limited operating history makes the prediction of future results of operations difficult, and accordingly, there can be no assurance that it

will achieve or sustain revenue growth or profitability.

Priceline.com is in the process of recruiting a chief operating officer. Priceline.com anticipates that compensation to such chief operating officer would include the grant of options to purchase shares of its common stock at fair market value on the date of grant. However, pursuant to prior board authorization, priceline.com has the authority to issue any such options at an exercise price of \$16.00, the offering price in the company's initial public offering. In this event, priceline.com would recognize compensation expense over the vesting period of the options to the extent of the excess of the fair value of the underlying stock over the exercise price. Priceline.com expects the majority of such options to be granted in the year ending December 31, 1999.

Priceline.com's travel agency license was previously held by Priceline Travel, a separate company that was owned by Mr. Jay S. Walker, priceline.com's Founder and Vice Chairman. Priceline Travel merged with and into priceline.com as of March 24, 1999. Accordingly, the financial statements include the financial position and results of operations of Priceline Travel for all periods presented.

Results of Operations

Quarter Ended March 31, 1999

Priceline.com was formed in July 1997, but did not commence operations until April 1998. Accordingly, comparisons with prior periods are not meaningful.

Revenues

Total revenues for the quarter ended March 31, 1999 were \$49.4 million. Revenues for the period were comprised primarily of the selling price of airline tickets and hotel room reservations, fee income from adaptive marketing programs offered in connection with priceline.com's product offerings and other ancillary revenues, and fee income from priceline.com's auto and home financing programs.

Cost of Revenues and Gross Profit

Cost of revenues for the quarter ended March 31, 1999 totaled \$44.0 million, consisting of product costs of \$43.7 million and supplier warrant costs of \$381,000. Product costs were comprised of the cost of airline tickets from priceline.com's suppliers, net of the federal air transportation tax, segment fees and passenger facility charges imposed in connection with the sale of airline tickets. Product costs also include the cost of hotel rooms from priceline.com's suppliers, net of hotel tax. Supplier warrant costs represent a non-cash expense related to the issuance of common stock warrants issued to one of priceline.com's airline program participants in January 1999. Priceline.com anticipates that it will recognize additional supplier warrant costs in the amount of \$381,000 in each of the next seven fiscal quarters.

Gross profit, which is comprised of revenues less cost of revenues, was \$5.4 million for the quarter ended March 31, 1999. Gross margin was 10.9% for the period. Excluding the effect of non-cash supplier warrant costs, priceline.com would have had gross profit of \$5.8 million and gross margin of 11.6% for the quarter ended March 31, 1999. Gross profit and gross margin are affected by the price at which priceline.com causes offers to be fulfilled and by the level of fees generated by adaptive marketing programs.

During the first quarter of 1999, priceline.com entered into an agreement with First USA Bank, a leading national credit card issuer, under which First USA replaced Capital One as its strategic partner in its credit card adaptive marketing program. In April 1999, priceline.com implemented its adaptive marketing program with First USA and, since that time, adaptive marketing revenues from third party credit card programs were primarily attributable to the First USA adaptive marketing program. The impact of this change will not be reflected until the second quarter of 1999 and thereafter. Capital One paid a fee for each qualifying credit card application submitted over the priceline.com service. The fee structure of the First USA program is based on different factors and may or may not result in revenues comparable to those under the Capital One program. See "Additional Factors that May Affect Future Results -- Priceline.com is

Dependent on Adaptive Marketing Programs."

Operating Expenses

Sales and Marketing. Sales and marketing expenses for the quarter ended March 31, 1999 totaled \$17.1 million, or 34.7% of revenues. Approximately 76% of sales and marketing expenses were comprised of advertising and promotion expenses. The remaining expenses consisted primarily of (1) fees payable to a third party service provider that operates priceline.com's call center; (2) credit card processing fees; (3) provisions for customer credit card charge-backs (based upon a percentage reflecting priceline.com's historical experience); and (4) compensation for priceline.com's sales and marketing personnel.

General and Administrative. General and administrative expenses for the quarter ended March 31, 1999 totaled \$3.7 million, or 7.4% of revenues. General and administrative expenses for the period were comprised primarily of compensation for personnel, fees for outside professionals, telecommunications and other overhead costs, including occupancy expense.

Systems and Business Development. Systems and business development expenses for the quarter ended March 31, 1999 totaled \$2.2 million, or 4.4% of revenues. Systems and business development expenses for the period were comprised primarily of compensation to priceline.com's information technology and product development staff and payments to outside contractors, data communications and other expenses associated with operating priceline.com's Web site and, to a lesser extent, depreciation on computer hardware and licensing fees for computer software.

Interest Income, Net

Interest income, net for the quarter ended March 31, 1999 totaled \$457,772, reflecting approximately \$475,000 of interest income earned by priceline.com on its cash balances, net of interest expense for the period.

Quarter Ended March 31, 1998

During the quarter ended March 31, 1998, priceline.com was engaged in start-up activities and incurred \$4.8 million of operating expenses. These operating expenses primarily consisted of investments in technology and personnel related expenses. No revenues were earned during the period. As of March 31, 1998, priceline.com had a cumulative net loss of \$7.2 million.

Liquidity and Capital Resources

Since its inception, priceline.com has financed its operations primarily through the sale of equity securities. As of March 31, 1999, priceline.com had approximately \$30.6 million in cash and cash equivalents, and an IPO proceeds receivable of \$149.0 million representing prospective initial public offering proceeds. On April 1, 1999, priceline.com completed its initial public offering in which it sold 10,000,000 shares of its common stock at a price of \$16.00 per share, raising \$160.0 million in gross proceeds. Offering proceeds to priceline.com, net of approximately \$11.2 million in aggregate underwriters discounts and commissions and \$4.8 million in related expenses, were approximately \$144.0 million.

In April 1999, priceline.com made a \$3.3 million loan to Mr. Richard S. Braddock for the payment of taxes related to the issuance to Mr. Braddock of 8,125,000 shares of common stock in August 1998. The loan bears interest at 5.28% per annum. Interest is payable annually and principal is payable in January 2004.

Net cash used in operating activities was \$17.1 million for the quarter ended March 31, 1999. Net cash used in operating activities was primarily attributable to net losses.

Net cash used in investing activities was \$4.8 million for the quarter ended March 31, 1999. Net cash used in investing activities was primarily related to purchases of property and equipment.

Net cash used in financing activities was \$1.0 million for the quarter ended March 31, 1999. Net cash used in financing activities resulted primarily from the expenses paid in connection with priceline.com's initial public offering of 10,000,000 shares of its common

stock, for which priceline.com received approximately \$149.0 million in cash, net of underwriting discounts and commissions on April 1, 1999. Additional expenses of approximately \$3.0 million are expected to be paid in the second quarter of 1999.

Priceline.com had no material commitments for capital expenditures as of March 31, 1999, but capital expenditures were \$4.8 for the first quarter of 1999, and priceline.com expects such expenditures to be at least \$20.0 million in 1999. As a result of its rapid growth, priceline.com expects to increase capital expenditures for purchased software, internally developed software, computer equipment and leasehold improvements. Priceline.com believes that, based upon its current operating plan, its existing cash and cash equivalents, the net proceeds from its initial public offering and any cash generated from operations will be sufficient to fund its operating activities, capital expenditures and other obligations through at least the next three years. However, if during that period or thereafter priceline.com is not successful in generating sufficient cash flow from operations or in raising additional capital when required in sufficient amounts and on terms acceptable to priceline.com, these failures could have a material adverse effect on priceline.com's business, results of operations and financial condition. If additional funds are raised through the issuance of equity securities, the percentage ownership of its then-current stockholders would be diluted.

Recent Accounting Pronouncements

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 98-1, "Accounting for Costs of Computer Software Developed or Obtained for Internal Use." This SOP is effective for fiscal years beginning after December 15, 1998. This SOP provides guidance on capitalizing the cost of computer software developed or obtained for internal use. Priceline.com adopted this statement on January 1, 1999 and, during the quarter ended March 31, 1999, priceline.com capitalized approximately \$2.4 million of computer software developed or obtained for internal use.

Tax Matters

Net Operating Loss Carryforwards

Priceline.com has not generated any taxable income to date and therefore has not paid any federal income taxes since inception. Utilization of priceline.com's net operating loss carryforwards, which begin to expire in 2018, may be subject to certain limitations under Section 382 of the Internal Revenue Code of 1986, as amended. Priceline.com has provided a full valuation allowance on the deferred tax asset, consisting primarily of net operating loss carryforwards, because of uncertainty regarding its realization.

Federal Air Transportation Tax on Airline Ticket Sales

Currently, a federal air transportation tax is imposed upon the sale of airline tickets and generally is collected by the airlines selling the tickets. Because of the unique pricing structures employed in the priceline.com service, it is not clear how this federal tax should be calculated when sales occur using the priceline.com service. Priceline.com has submitted a written request to the United States Internal Revenue Service seeking a determination of priceline.com's federal air transportation tax obligations. Such determination may not be favorable and may require priceline.com to collect federal air transportation tax on the total amount paid by consumers for air travel. If the determination of the Internal Revenue Service is unfavorable, priceline.com could owe \$274,230 in additional taxes as of March 31, 1999. Priceline.com has accrued for such potential liability in its condensed balance sheet as of March 31, 1999 and is providing for such potential liability on an ongoing basis. See " -- Additional Factors that May Affect Future Results -- Priceline.com's Business is Subject to Tax Uncertainties."

Non-Qualified Stock Options

Priceline.com currently has outstanding non-qualified stock options to purchase 24,192,880 shares issued to various employees, consultants and directors pursuant to the 1997 Omnibus Plan and the 1999 Omnibus Plan. Each option entitles its holder to purchase a share of common stock at a weighted average exercise price of approximately \$1.55 per share, subject

to adjustment in accordance with the 1997 Omnibus Plan and the 1999 Omnibus Plan. On exercise of an option, priceline.com will be entitled to an income tax deduction equal to the difference between the exercise price of the option and the then fair market value of the common stock. As the exercise of options is in the sole discretion of the holder of the options, the timing of the corresponding income tax deduction is outside the control of priceline.com.

Year 2000 Readiness Disclosure

Priceline.com's State of Readiness

Priceline.com has defined Year 2000 compliance as follows:

Information technology time and date data processes, including, but not limited to, calculating, comparing and sequencing data from, into and between the 20th and 21st centuries contained in its products and services offered through the priceline.com service, will function accurately, continuously and without degradation in performance and without requiring intervention or modification in any manner that will or could adversely affect the performance of such products or the delivery of such services as applicable at any time hereafter.

Priceline.com's internal systems include both its information technology systems and non-information technology systems. Priceline.com has initiated an assessment of its proprietary information technology systems, and expects to complete any remediation and testing of all information technology systems during 1999. With respect to information technology systems provided by third-party vendors, priceline.com has sought assurances from such vendors that their technology is Year 2000 compliant. All of priceline.com's material information technology system vendors have replied to inquiry letters sent by priceline.com stating that they either are Year 2000 compliant or expect to be so in a timely manner.

Priceline.com is evaluating its non-information technology systems for Year 2000 compliance. It has not, to date, discovered any material Year 2000 issues with respect to its non-information technology systems.

Priceline.com is in the process of contacting its material seller participants whose products or services are sold through the priceline.com service to determine if they are Year 2000 compliant. To date, all such seller participants have stated that they are, or expect to be, Year 2000 compliant in a timely manner.

Priceline.com's customers are individual Internet users, and, therefore, priceline.com does not have any individual customers who are material to an evaluation of Year 2000 compliance issues.

The Costs to Address Year 2000 Issues

Priceline.com has expensed amounts incurred in connection with Year 2000 compliance since its formation through March 31, 1999. Such amounts have not been material. The additional costs to make any other products or services Year 2000 compliant by mid-1999 will be expensed as incurred, but are not expected to be material.

Priceline.com is not currently aware of any material operational issues or costs associated with preparing its systems for the Year 2000. Nonetheless, it may experience material unexpected costs caused by undetected errors or defects in the technology used in its systems or because of the failure of a material seller participant to be Year 2000 compliant.

Risks Associated with Year 2000 Issues

Notwithstanding priceline.com's Year 2000 compliance efforts, the failure of a material system or vendor, including a seller participant in the priceline.com service, or the Internet generally, to be Year 2000 compliant could harm the operation of the priceline.com service or prevent certain products and services being offered through the priceline.com service, or have other unforeseen, adverse consequences to the company.

Finally, priceline.com also is subject to external Year 2000-related failures or disruptions that might generally affect industry and commerce, such as utility or transportation company Year 2000

compliance failures and related service interruptions. Moreover, participating sellers in priceline.com services might experience substantial slow-downs in business if consumers avoid products and services such as air travel both before and after January 1, 2000 arising from concerns about reliability and safety because of the Year 2000 issue. All of these factors could have a material adverse effect on its business, financial condition and results of operations.

Contingency Plans

Priceline.com has not yet developed a contingency plan to address situations that may result if it is unable to achieve Year 2000 compliance. The cost of developing and implementing such a plan, if necessary, could be material.

Additional Factors That May Affect Future Results

Priceline.com's Limited Operating History Makes Evaluating Its Business Difficult

Priceline.com was formed in July 1997 and began operations on April 6, 1998. As a result, priceline.com has only a limited operating history on which you can base an evaluation of its business and prospects. Priceline.com's prospects must be considered in the light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development, particularly companies in new and rapidly evolving markets, such as online commerce, using new and unproven business models. To address these risks and uncertainties, priceline.com must, among other things:

- o attract leading sellers and consumers to the priceline.com service;
- o maintain and enhance its brand, and expand its product and service offerings;
- o attract, integrate, retain and motivate qualified personnel; and
- o adapt to meet changes in its markets and competitive developments.

Priceline.com may not be successful in accomplishing these objectives.

Priceline.com Is Not Profitable and Expects to Continue to Incur Losses

Priceline.com has incurred net losses of \$63.3 million during the period from July 18, 1997 (inception) through March 31, 1999, before giving effect to \$68.3 million of non-cash charges arising from equity issuances to a number of its participating airlines, its chief executive officer and other parties, which resulted in total net losses of \$131.6 million for the period. Priceline.com has not achieved profitability and expects to continue to incur losses for at least the next two years. The principal causes of its losses are likely to continue to be significant brand development costs, marketing and promotion costs and technology and systems development costs.

Almost all of priceline.com's revenues to date have been derived from airline ticket sales and related adaptive marketing programs. In order to increase airline and adaptive marketing revenues, build a record of successful transactions and enhance the priceline.com brand, priceline.com has sold a substantial portion of its airline tickets below cost. In addition, as its business model evolves, priceline.com expects to introduce a number of new products and services. With respect to both current and future product and service offerings, priceline.com expects to increase significantly its operating expenses in order to increase its customer base, enhance its brand image and support its growing infrastructure. For priceline.com to make a profit, its revenues and gross profit margins will need to increase sufficiently to cover these and other future costs. Otherwise, priceline.com may never make a profit.

Priceline.com Is Dependent on Adaptive Marketing Programs

Priceline.com's adaptive marketing programs permit consumers to increase the amount of their offers at no additional cost by participating in sponsor promotions during the process of making an offer through the priceline.com service. The fees paid to priceline.com by sponsors offering the promotions generate significant revenues. Since these fees have

historically involved no direct costs, they have had a disproportionately positive impact on priceline.com's gross profit margins. A significant reduction in consumer acceptance of its adaptive marketing programs, costs that priceline.com may incur in connection with adaptive marketing programs or any material decline in such programs could result in a material reduction in priceline.com's revenues and its gross profit. Priceline.com may not be able to replace such revenues through other programs or through product sales.

During the first quarter of 1999, priceline.com's adaptive marketing revenues were primarily derived from fees paid by Capital One Bank for qualifying credit card applications submitted over the priceline.com service in connection with customer offers for airline tickets. On March 3, 1999, Capital One notified priceline.com of its intention to cease accepting credit card applications through priceline.com effective May 1, 1999.

On March 10, 1999, priceline.com entered into an agreement in principle with First USA Bank, a leading national credit card issuer, under which First USA replaced Capital One as priceline.com's strategic partner in its credit card adaptive marketing program. A definitive agreement was entered into by priceline.com and First USA on March 31, 1999. Under the First USA adaptive marketing program, priceline.com enables its customers to increase the amount of their offers by a specified amount by applying online for a First USA credit card and offers other promotions linked to the First USA customer acquisition program. Priceline.com earns fees in a variety of ways, including (1) upon the opening of credit card accounts originated through the priceline.com service, up to a specified maximum amount of five million accounts, subject to reduction under certain circumstances by First USA; (2) upon the activation of credit card accounts acquired for First USA through the priceline.com service and based upon the use of such accounts; and (3) for transfers of balances from other credit cards to First USA credit cards through the priceline.com service. A portion of the fees earned under the First USA program is required to be reinvested in program incentives. The First USA agreement has a term of five years, subject to certain earlier termination and repricing rights of First USA. For example, subject to priceline.com's rights of renegotiation, First USA has the right to terminate the agreement after one year (and earlier under certain circumstances) if its financial returns under the adaptive marketing program are not at least equivalent to certain agreed upon levels.

Potential Fluctuations in Priceline.com's Financial Results Makes Financial Forecasting Difficult

Priceline.com expects its revenues and operating results to vary significantly from quarter to quarter. As a result, quarter to quarter comparisons of its revenues and operating results may not be meaningful. In addition, due to priceline.com's limited operating history and its new and unproven business model, priceline.com cannot predict its future revenues or results of operations accurately. It is likely that in one or more future quarters its operating results will fall below the expectations of securities analysts and investors. If this happens, the trading price of its common stock would almost certainly be materially and adversely affected.

Priceline.com's business has no backlog and almost all of its net revenues for a particular quarter are derived from transactions that are both initiated and completed during that quarter. Its current and future expense levels are based largely on its investment plans and estimates of future revenues and are, to a large extent, fixed. Accordingly, priceline.com may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall, and any significant shortfall in revenues relative to its planned expenditures could have an immediate adverse effect on its business and results of operations.

Priceline.com's limited operating history and rapid growth makes it difficult to assess the impact of seasonal factors on its business. Nevertheless, priceline.com expects its business to be subject to seasonal fluctuations, reflecting a combination of seasonality trends for the products and services offered by the priceline.com service and seasonality patterns affecting Internet use. For example, with regard to its travel products, demand for leisure travel may increase over summer vacations and holiday periods, while Internet usage may decline during the summer months. Its results also may be affected by seasonal fluctuations in the inventory

made available to the priceline.com service by participating sellers. Airlines, for example, typically enjoy high demand for tickets through traditional distribution channels for travel during Thanksgiving and the year-end holiday period. As a result, during those periods, airlines may have less excess inventory to offer through the priceline.com service at discounted prices. Priceline.com's business also may be subject to cyclical variations for the products and services offered; for example, leisure travel and home mortgage financing tend to decrease in economic downturns.

Priceline.com is Dependent on the Airline Industry and Certain Airlines

Priceline.com's near term, and possibly long term, prospects are significantly dependent upon its sale of leisure airline tickets. Sales of leisure airline tickets represented 78% of total revenue for the quarter ended March 31, 1999. Leisure travel, including the sale of leisure airline tickets, is dependent on personal discretionary spending levels. As a result, sales of leisure airline tickets and other leisure travel products tend to decline during general economic downturns and recessions. Unforeseen events, such as political instability, regional hostilities, increases in fuel prices, travel-related accidents and unusual weather patterns also may adversely affect the leisure travel industry. As a result, its business also is likely to be affected by those events. Significantly reducing its dependence on the airline and travel industries is likely to take a long time and there can be no guarantee that priceline.com will succeed in reducing that dependence.

Sales of airline tickets from priceline.com's four largest airline suppliers accounted for approximately 93% of airline ticket revenue for the quarter ended March 31, 1999. As a result, currently priceline.com is substantially dependent upon the continued participation of these four airlines in the priceline.com service in order to maintain and continue to grow its total airline ticket revenues. Priceline.com currently has 19 participating airlines. However, its airline participation agreements:

- o do not require the airlines to make tickets available for any particular routes;
- o do not require the airlines to provide any specific quantity of airline tickets;
- o do not require the airlines to provide particular prices or levels of discount;
- o do not require the airlines to deal exclusively with it in the public sale of discounted airline tickets; and
- o generally, can be terminated upon relatively short notice.

These agreements also outline the terms and conditions under which ticket inventory provided by the airlines may be sold. In addition, its agreement with Delta Air Lines requires, subject to various exceptions, Delta's approval of the addition of new carriers to the priceline.com service and the routes for which tickets may be offered by specified carriers through the priceline.com service. Accordingly, Delta could limit priceline.com's ability to expand its business through the introduction of new carriers or the expansion of the routes for which priceline.com offers tickets.

Due to its dependence on the airline industry, priceline.com could be severely affected by changes in that industry, and, in many cases, priceline.com will have no control over such changes or their timing. For example, if the Federal Aviation Administration grounded a popular aircraft model, excess seat capacity could be dramatically reduced and, as a result, its source of inventory could be significantly curtailed. In addition, given the concentration of the airline industry, particularly in the domestic market, major airlines that are not participating in the priceline.com service could exert pressure on other airlines not to supply it with tickets. Alternatively, the airlines could attempt to establish their own buyer-driven commerce service or other similar service to compete with us. Priceline.com also could be materially adversely affected by the bankruptcy, insolvency or other material adverse change in the business or financial condition of one or more of its airline participants.

Priceline.com's Business Model is Novel and Unproven

The priceline.com service is based on a novel and unproven business model. Priceline.com will be successful only if consumers and sellers actively use the priceline.com service. Prior to the launch of the priceline.com service, consumers and sellers had never bought and sold products and services through a demand collection system over the Internet. Therefore, it is impossible to predict the degree to which consumers and sellers will use the priceline.com service.

Many of the factors influencing consumers' and sellers' willingness to use the priceline.com service are outside its control. For example, a labor dispute that disrupts airline service or an airline accident could make consumers unwilling to use a service like priceline.com that does not permit the customer to designate the airline on which the customer purchases a ticket. In addition, a breach of security on the Internet, even if priceline.com were not involved, could make consumers unwilling to guarantee orders online with a credit card. Consequently, it is possible that consumers and sellers will never utilize the priceline.com service to the degree necessary for it to achieve profitability.

Priceline.com Needs to Sell New Products and Services

Priceline.com is unlikely to make significant profits unless priceline.com makes new or complementary products and services and a broader range of existing products and services available through the priceline.com service. Priceline.com will incur substantial expenses and use significant resources in trying to expand the type and range of the products and services that priceline.com offers. However, priceline.com may not be able to attract sellers to provide such products and services or consumers to purchase such products and services through the priceline.com service. In addition, if priceline.com launches new products or services and they are not favorably received by consumers, its reputation and the value of the priceline.com brand could be damaged.

Almost all of priceline.com's experience to date is in the travel industry. The travel industry is characterized by "expiring" inventories. For example, if not used by a specific date, an airline ticket or hotel room reservation has no value. The expiring nature of the inventory creates incentives for airlines and hotels to sell seats or room reservations at reduced rates. Because priceline.com has only limited experience in selling "non-expiring" inventories on the priceline.com service, such as new cars or financial services, it cannot predict whether the priceline.com business model can be successfully applied to such products and services.

Priceline.com May Be Unable to Effectively Manage Its Rapid Growth

Priceline.com has rapidly and significantly expanded its operations and anticipates that further expansion will be required to realize its growth strategy. Its rapid growth has placed significant demands on its management and other resources which, given its expected future growth rate, is likely to continue. To manage its future growth, priceline.com will need to attract, hire and retain highly skilled and motivated officers and employees and improve existing systems and/or implement new systems for: (1) transaction processing; (2) operational and financial management; and (3) training, integrating and managing its growing employee base.

If Priceline.com Loses Its Key Personnel or Cannot Recruit Additional Personnel, Its Business May Suffer

Competition for personnel with experience in Internet commerce is intense. If priceline.com does not succeed in attracting new employees or retaining and motivating its current and future employees, its business could suffer significantly.

Since its formation in July 1997, priceline.com has expanded from 10 to 194 full-time employees as of March 31, 1999. Priceline.com also has employed many key personnel since its launch in April 1998, including its Chief Executive Officer, and a number of key managerial, marketing, planning, financial, technical and operations personnel. In addition, priceline.com currently is engaged in recruiting a new chief operating officer. Priceline.com expects to continue to add additional key personnel in the near future. Priceline.com does not have "key person" life insurance policies on any of its key personnel.

Priceline.com believes its performance is substantially dependent on:

- o its ability to retain and motivate its senior management and other key employees; and
- o its ability to identify, attract, hire, train, retain and motivate other highly skilled technical, managerial, marketing and customer service personnel.

Priceline.com Relies on Third-Party Systems

Priceline.com relies on certain third-party computer systems or third-party service providers, including;

- o the computerized central reservation systems of the airline and hotel industries to satisfy demand for airline tickets and hotel room reservations;
- o the computer systems of LendingTree, Inc. to satisfy offers for home mortgages;
- o Exodus Communications to host its systems infrastructure, web and database servers; and
- o CallTech Communications Incorporated to operate its call center.

Any interruption in these third-party services, or a deterioration in their performance, could be disruptive to its business. Priceline.com currently does not have any contractual arrangement with Exodus Communications and its agreements with CallTech Communications and LendingTree are terminable upon short notice. In the event its arrangement with any of such third parties is terminated, priceline.com may not be able to find an alternative source of systems support on a timely basis or on commercially reasonable terms.

Intense Competition Could Reduce Priceline.com's Market Share and Harm Its Financial Performance

The markets for the products and services offered on the priceline.com service are intensely competitive. Priceline.com competes with both traditional distribution channels and online services. Increased competition could diminish its ability to become profitable or result in loss of market share and damage the priceline.com brand.

Priceline.com currently or potentially competes with a variety of companies with respect to each product or service priceline.com offers. With respect to travel products, these competitors include:

- o Internet travel agents such as Travelocity, Preview Travel and Microsoft's Expedia.com;
- o traditional travel agencies;
- o consolidators and wholesalers of airline tickets and other travel products;
- o individual airlines, hotels, rental car companies, cruise operators and other travel service providers; and
- o operators of travel industry reservation databases such as Worldspan and Sabre.

Its current or potential competitors with respect to new automobiles include traditional and online auto dealers, including newly developing auto superstores such as Auto Nation, Auto-by-Tel and Microsoft's CarPoint. With respect to financial service products, its competitors include:

- o banks and other financial institutions;
- o online and traditional mortgage and insurance brokers, including Quicken Mortgage, E-Loan and Home Shark; and
- o insurance companies.

Priceline.com also potentially faces competition from a number of large online services that have expertise in developing online commerce and

in facilitating Internet traffic. These potential competitors include America Online, Microsoft and Yahoo!, who could choose to compete with it either directly or indirectly through affiliations with other e-commerce companies. Other large companies with strong brand recognition, technical expertise and experience in online commerce and direct marketing could also seek to compete in the buyer-driven commerce market.

Many of its competitors have significant competitive advantages. For example, airlines, hotels, financial institutions and other suppliers also sell their products and services directly to consumers and have established Web sites. Internet directories, search engines and large traditional retailers have significantly greater operating histories, customer bases, technical expertise, brand recognition and/or online commerce experience than us. In addition, certain competitors may be able to devote significantly greater resources than it to:

- o marketing and promotional campaigns;
- o attracting traffic to their Web sites;
- o attracting and retaining key employees; and
- o Web site and systems development.

Priceline.com's Success Depends on Its Ability to Protect Its Intellectual Property

Priceline.com has developed a comprehensive program for securing and protecting rights in patentable inventions, trademarks, trade secrets and copyrightable materials. If priceline.com is not successful in protecting its intellectual property, there could be a material adverse effect on its business.

Patents

Priceline.com currently holds one issued United States patent directed to a unique Internet-based buyer-driven commerce method and system underlying its business model. Priceline.com also holds one issued United States patent directed to a method and system for pricing and selling airline ticket options and one allowed patent application directed to methods and systems for generating airline-specified time tickets. In addition, priceline.com has pending eighteen United States and one international patent applications directed to different aspects of its technology and business processes. Priceline.com also has instituted an invention development program to identify and protect new inventions and a program for international filing of selected patent applications. Nevertheless, it is possible that:

- o its core buyer-driven commerce patent and any other issued patents could be successfully challenged by one or more third parties, which could result in its loss of the right to prevent others from exploiting the buyer-driven commerce system claimed in the patent or the inventions claimed in any other issued patents;
- o because of variations in the application of its business model to each of its products and services, its core buyer-driven commerce patent may not be effective in preventing one or more third parties from utilizing a copycat business model to offer the same product or service in one or more categories;
- o its ability to practice its core buyer-driven commerce patent through offering one or more of its products or services could be successfully prevented if one or more third parties prevail in an interference action in the U.S. Patent and Trademark Office and thereby obtain priority of invention for the subject matter claimed in its core buyer-driven commerce patent;
- o its pending patent applications may not result in the issuance of patents; and
- o current and future competitors could devise new methods of competing with its business that are not covered by its

issued patents or patent applications.

While priceline.com's core patent is directed to a unique buyer-driven commerce system and method, it does not necessarily prevent competitors from developing and operating Internet commerce businesses that use customer-offer based business models. It is possible for a competitor to develop and utilize a business model that appears similar to its patented buyer-driven commerce system, but which has sufficient distinctions that it does not fall within the scope of its patent. For example, priceline.com is aware of more than one Internet travel service that appears to use a customer offer based transaction model, but based on the information priceline.com has obtained to date, may not infringe its patent.

Priceline.com is currently subject to an interference action relating to its core buyer-driven commerce patent. See Note 6 of the Notes to Condensed Financial Statements.

Trademarks, Copyrights and Trade Secrets

Priceline.com regards the protection of its copyrights, service marks, trademarks, trade dress and trade secrets as critical to its future success. Priceline.com relies on a combination of laws and contractual restrictions, such as confidentiality agreements to establish and protect its proprietary rights. However, laws and contractual restrictions may not be sufficient to prevent misappropriation of its technology or deter others from developing similar technologies. Priceline.com also attempts to register its trademarks and service marks in the United States and internationally. However, effective trademark, service mark, copyright and trade secret protection may not be obtainable and/or available in every country in which its services are made available online.

Pending Litigation

Current pending litigation against priceline.com and others alleges causes of action for, among other things, misappropriation of trade secrets, breach of contract, conversion, breach of confidential relationship, copyright infringement, fraud, unfair competition, and false advertising, and seeks injunctive relief and damages in an unspecified amount. See Note 6 of the Notes to the Condensed Financial Statements.

Domain Names

Priceline.com currently holds the Internet domain name "priceline.com," as well as various other related names. Domain names generally are regulated by Internet regulatory bodies. The regulation of domain names in the United States and in foreign countries is subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, priceline.com may not acquire or maintain the "priceline.com" domain name in all of the countries in which priceline.com conducts business.

The relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is unclear. Therefore, priceline.com could be unable to prevent third parties from acquiring domain names that infringe or otherwise decrease the value of its trademarks and other proprietary rights.

Licenses

In the future, priceline.com may license portions of its intellectual property, including its issued patents, to third parties. To date, priceline.com has granted a small business providing online travel services immunity from suit under its core Internet-based buyer-driven commerce system patent, on the condition that the nature and scope of such business is not significantly changed. If the nature or scope of such immunity were disputed, priceline.com would need to institute proceedings to enforce its rights either under the immunity agreement or under the patent.

Priceline.com May Not Be Able to Keep Up With the Rapid Technological and Other Changes

The markets in which priceline.com competes are characterized by

rapidly changing technology, evolving industry standards, frequent new service and product announcements, introductions and enhancements and changing consumer demands. Priceline.com may not be able to keep up with these rapid changes. In addition, these market characteristics are heightened by the emerging nature of the Internet and the apparent need of companies from many industries to offer Internet-based products and services. As a result, priceline.com's future success will depend on its ability to adapt to rapidly changing technologies, to adapt its services to evolving industry standards and to continually improve the performance, features and reliability of its service in response to competitive service and product offerings and the evolving demands of the marketplace. In addition, the widespread adoption of new Internet, networking or telecommunications technologies or other technological changes could require it to incur substantial expenditures to modify or adapt its services or infrastructure.

Year 2000 Risks May Harm Priceline.com's Business

The risks posed by Year 2000 issues could adversely affect priceline.com's business in a number of other significant ways. Although priceline.com believes that its internally developed systems and technology are Year 2000 compliant, its information technology systems nevertheless could be substantially impaired or cease to operate due to Year 2000 problems. Additionally, priceline.com relies on information technology supplied by third parties, and its participating sellers also are heavily dependent on information technology systems and on their own third party vendors' systems. Year 2000 problems experienced by it or any of such third parties could materially adversely affect its business. Additionally, the Internet could face serious disruptions arising from the Year 2000 problem.

Priceline.com is evaluating its internal information technology systems and contacting its information technology suppliers and participating sellers to ascertain their Year 2000 status. However, priceline.com cannot guarantee that its own systems will be Year 2000 compliant in a timely manner, that any of its participating sellers or other Web site vendors will be Year 2000 compliant in a timely manner, or that there will not be significant interoperability problems among information technology systems. Priceline.com also cannot guarantee that consumers will be able to visit its Web site without serious disruptions arising from the Year 2000 problem. Given the pervasive nature of the Year 2000 problem, priceline.com cannot guarantee that disruptions in other industries and market segments will not adversely affect its business. Further, the costs related to Year 2000 compliance could be significant. Moreover, participating sellers in priceline.com services might experience substantial slow-downs in business if consumers avoid products and services such as air travel both before and after January 1, 2000 arising from concerns about reliability and safety because of the Year 2000 issue.

Online Security Breaches Could Harm Priceline.com's Business

The secure transmission of confidential information over the Internet is essential in maintaining consumer and supplier confidence in the priceline.com service. Substantial or ongoing security breaches on its system or other Internet-based systems could significantly harm its business. Priceline.com currently requires buyers to guarantee their offers with their credit card, either online or through its toll-free telephone service. Priceline.com relies on licensed encryption and authentication technology to effect secure transmission of confidential information, including credit card numbers. It is possible that advances in computer capabilities, new discoveries or other developments could result in a compromise or breach of the technology used by it to protect customer transaction data.

Priceline.com incurs substantial expense to protect against and remedy security breaches and their consequences. A party that is able to circumvent its security systems could steal proprietary information or cause interruptions in its operations. Security breaches also could damage its reputation and expose it to a risk of loss or litigation and possible liability. Its insurance policies carry low coverage limits, which may not be adequate to reimburse it for losses caused by security breaches. Priceline.com cannot guarantee that its security measures will prevent security breaches.

Priceline.com also faces risks associated with security breaches affecting third parties conducting business over the Internet. Consumers

generally are concerned with security and privacy on the Internet and any publicized security problems could inhibit the growth of the Internet and, therefore, the priceline.com service as a means of conducting commercial transactions.

Priceline.com's Stock Price Could Be Highly Volatile

The market prices for stocks of Internet-related and technology companies, particularly following an initial public offering, frequently increase to levels that bear no relationship to the operating performance of such companies. Such market prices generally are not sustainable and are subject to wide variations. If priceline.com's common stock trades to such levels, it likely will thereafter experience a material decline.

In the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of their securities. Priceline.com may in the future be the target of similar litigation. Securities litigation could result in substantial costs and divert management's attention and resources.

Priceline.com's Business is Subject to Tax Uncertainties

Potential Federal Air Transportation Tax Liability

Currently, a federal air transportation tax is imposed upon the sale of airline tickets and generally is collected by the airlines selling the tickets. The tax is based upon a percentage of the cost of transportation, which was 9% for periods prior to October 1, 1998 and 8% thereafter. Because of the unique pricing structures employed in the priceline.com service, such as the amount paid by the customer for a ticket being different than the amount charged by the airline for the same ticket with the excess payment, if any, going to it as a charge for the use of its proprietary business method, it is not clear how this federal tax should be calculated when sales occur using the priceline.com service. Priceline.com has been calculating this tax based on the price charged by the airline for a ticket, rather than the price paid by the customer. There is a possibility that current law requires computation of the tax based on the price paid by the customer to us. Due to the uncertainty of how the federal air transportation tax applies to sales of airline tickets using the priceline.com service, priceline.com has submitted a written request to the United States Internal Revenue Service seeking a determination of its federal air transportation tax obligations. Such determination may not be favorable and may require it to collect the federal air transportation tax on the total amount paid by consumers for air travel.

If the determination of the Internal Revenue Service is unfavorable, priceline.com could owe approximately \$274,230 in additional taxes as of March 31, 1999. Priceline.com has accrued for such potential liability in its condensed balance sheet as of March 31, 1999 and is providing for such potential liability on an ongoing basis. Priceline.com has agreed to indemnify and hold harmless certain of its participating airlines from any liability with respect to such taxes, as well as to secure the payment of such taxes by a letter of credit.

State Taxes

Priceline.com files tax returns in such states as required by law based on principles applicable to traditional businesses. In addition, priceline.com does not collect sales or other similar taxes in respect of transactions conducted through the priceline.com service (other than the federal air transportation tax referred to above). However, one or more states could seek to impose additional income tax obligations or sales tax collection obligations on out-of-state companies, such as ours, which engage in or facilitate online commerce. A number of proposals have been made at state and local levels that could impose such taxes on the sale of products and services through the Internet or the income derived from such sales. Such proposals, if adopted, could substantially impair the growth of e-commerce and adversely affect its opportunity to become profitable.

Legislation limiting the ability of the states to impose taxes on Internet-based transactions recently has been enacted by the United States Congress. However, this legislation, known as the Internet Tax Freedom Act, imposes only a three-year moratorium, which commenced October 1, 1998 and ends on October 21, 2001, on state and local taxes on (1) electronic commerce where such taxes are discriminatory and (2) Internet access unless

such taxes were generally imposed and actually enforced prior to October 1, 1998. It is possible that the tax moratorium could fail to be renewed prior to October 21, 2001. Failure to renew this legislation would allow various states to impose taxes on Internet-based commerce. The imposition of such taxes could adversely affect priceline.com's ability to become profitable.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Priceline.com currently has no floating rate indebtedness, holds no derivative instruments and does not earn significant foreign-sourced income. Accordingly, changes in interest rates or currency exchange rates do not generally have a direct effect on priceline.com's financial position. However, changes in currency exchange rates may affect the cost of international airline tickets and international hotel reservations offered through the priceline.com service, and so indirectly affect consumer demand for such products and priceline.com's revenue. In addition, to the extent that changes in interest rates and currency exchange rates affect general economic conditions, priceline.com would also be affected by such changes.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

On January 6, 1999, priceline.com received notice that a third party patent applicant and patent attorney, Thomas G. Woolston, purportedly had filed in December 1998 with the United States Patent and Trademark Office a request to declare an "interference" between a patent application filed by Woolston describing an electronic market for used and collectible goods and priceline.com's core buyer-driven commerce patent. Priceline.com currently is awaiting information from the Patent Office regarding whether it will initiate an interference proceeding concerning Woolston's patent application and priceline.com's core buyer-driven commerce patent. While the interference process is still at an early stage, among other things, priceline.com believes that the Woolston patent application does not disclose the inventions covered by the priceline.com patent claims and believes that it has meritorious defenses to Woolston's claim, which it intends to pursue vigorously.

On January 19, 1999, Marketel International Inc. ("Marketel"), a California corporation, filed a lawsuit against priceline.com and Priceline Travel, among others. On February 22, 1999, Marketel filed an amended and supplemental complaint, and on March 17, 1999, Marketel filed a second amended complaint. The second amended complaint filed by Marketel alleges causes of action for, among other things, misappropriation of trade secrets, breach of contract, conversion, breach of confidential relationship, copyright infringement, fraud, unfair competition and false advertising, and seeks injunctive relief and damages in an unspecified amount. In its second amended complaint, Marketel alleges, among other things, that the defendants conspired to misappropriate Marketel's business model, which it describes as a buyer-driven electronic marketplace for travel services and its appurtenant techniques, market research, forms, plans, and processes, which allegedly were provided in confidence to some of the defendants approximately ten years ago. The second amended complaint also alleges that three former Marketel employees are the actual sole inventors or co-inventors of a patent which was issued on August 11, 1998 and which patent has been assigned to priceline.com. Marketel asks that the patent's inventorship be corrected accordingly. On February 5, 1999, February 10, 1999 and March 31, 1999, the defendants filed their answer, amended answer and answer to the second amended complaint, respectively, to the amended complaint, in which they denied the material allegations of liability in the second amended complaint. Priceline.com and all other defendants strongly dispute the material legal and factual allegations contained in Marketel's second amended complaint and believe that the second amended complaint is without merit. On April 22, 1999, Marketel's legal counsel filed a motion to withdraw as counsel on the following grounds: (1) Marketel has failed to cooperate with its counsel in the preparation and prosecution of the case; (2) Marketel and its counsel have been unable to reach agreement as to compensation; and (3) Marketel and its counsel have a fundamental disagreement over the handling of the litigation. Marketel has filed an opposition to the withdrawal of its counsel. A hearing has been scheduled on this issue for May 28, 1999.

Priceline.com intends to defend vigorously against the action. Defending the lawsuit may involve significant expense and, due to the

inherent uncertainties of litigation, there can be no certainty as to the ultimate outcome. Pursuant to the indemnification obligations contained in the Purchase and Intercompany Services Agreement with Walker Digital, Walker Digital has agreed to indemnify, defend and hold harmless priceline.com for damages, liabilities and legal expenses incurred in connection with the Marketel litigation.

From time to time priceline.com has been and expects to continue to be subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of third party intellectual property rights by the company. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

Item 2. Changes in Securities and Use of Proceeds.

On April 1, 1999, priceline.com completed an initial public offering in which it sold 10,000,000 shares of its common stock, \$0.008 par value. The managing underwriters in the offering were Morgan Stanley & Co. Incorporated, Merrill Lynch, Pierce, Fenner & Smith Incorporated, BancBoston Robertson Stephens Inc. and Donaldson, Lufkin & Jenrette Securities Corporation. The shares of common stock sold in the offering were registered under the Securities Act of 1933, as amended, on a Registration Statement on Form S-1 (the "Registration Statement") (Reg. No. 333-69657) that was declared effective by the Securities and Exchange Commission on March 29, 1999. All 10,000,000 shares of common stock registered under the Registration Statement were sold at a price of \$16.00 per share for gross proceeds of \$160.0 million. Offering proceeds to priceline.com, net of approximately \$11.2 million in aggregate underwriter discounts and commissions and \$4.8 million in other related expenses, were approximately \$144.0 million.

As of March 31, 1999, priceline.com's balance sheet reflected a receivable of \$149.0 million in respect of the offering proceeds it received on April 1, 1999, and accordingly, as of March 31, 1999, none of the net offering proceeds to priceline.com had been applied. The net proceeds from the initial public offering will be used for general corporate purposes, including working capital to fund anticipated operating losses, expenses associated with its advertising campaigns, brand-name promotions and other marketing efforts and capital expenditures. Priceline.com also may use a portion of the net proceeds, currently intended for general corporate purposes, to acquire or invest in businesses, technologies, products or services, although no specific acquisitions are planned and no portion of the net proceeds has been allocated for any acquisition. None of the net offering proceeds of priceline.com have been or will be paid directly or indirectly to any director, officer, general partner of priceline.com or their associates, persons owning 10% or more of any class of priceline.com's equity securities, or an affiliate of priceline.com.

Simultaneous with the effectiveness of the registration statement relating to the initial public offering, each outstanding share of priceline.com's Series A and Series B convertible preferred stock was automatically converted into 1.25 shares of priceline.com's common stock.

Item 3. Defaults Upon Senior Securities.

Not Applicable.

Item 4. Submission of Matters to Vote of Security Holders.

Not Applicable.

Item 5. Other Information.

Not Applicable.

Item 6. Exhibits and Reports On Form 8-K.

(a) Exhibits

Exhibit Number -----	Description -----
10.1+	Interactive Marketing Agreement, dated March 31,

1999, by and between priceline.com Incorporated and First USA Bank, N.A.

27.1 Financial Data Schedule.

- -----
+ Certain portions of this document have been omitted pursuant to a confidential treatment request.

(b) Reports on Form 8-K

None.

SIGNATURES

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

Date: May 17, 1999

PRICELINE.COM INCORPORATED
(Registrant)

By: /s/ Richard S. Braddock

Name: Richard S. Braddock
Title: Chairman and Chief Executive Officer

Date: May 17, 1999

By: /s/ Paul E. Francis

Name: Paul E. Francis
Title: Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
-----	-----
10.1+	Interactive Marketing Agreement, dated March 31, 1999, by and between priceline.com Incorporated and First USA Bank, N.A.
27.1	Financial Data Schedule.

- -----
+ Certain portions of this document have been omitted pursuant to a confidential treatment request.

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR CERTAIN
PORTIONS OF THIS DOCUMENT. CONFIDENTIAL PORTIONS
HAVE BEEN FILED SEPARATELY WITH THE
SECURITIES AND EXCHANGE COMMISSION.

EXECUTION COPY

INTERACTIVE MARKETING AGREEMENT

This INTERACTIVE MARKETING AGREEMENT (this "Agreement"), made this 31st day of March, 1999, by and between PRICELINE.COM INCORPORATED, a Delaware corporation having its principal office at Five High Ridge Park, Stamford, Connecticut 06905 (the "Company"), and FIRST USA BANK, N.A., a national banking association having its principal office at Three Christina Centre, 201 North Walnut Street, Wilmington, Delaware 19801 ("FUSA", together with the Company, the "Parties" and each individually a "Party").

RECITALS

WHEREAS, FUSA desires to make its consumer credit card products and related services (hereinafter referred to as "Credit Card(s)") available to the on-line visitors, telephone callers and customers of the Company (the "Company Customers") through the Internet and/or Websites currently or hereafter owned, maintained, managed or controlled by or on behalf of the Company (the "Company Site(s)") and through the Company's inbound and outbound telephone services (the "Company Phone Services" and, together with the Company Site(s), the "Company Services"); and

WHEREAS, the Company has agreed to actively market and offer Credit Card(s) and other credit related products to and among Company Customers, subject to the terms and conditions hereinafter contained.

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the Parties herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Defined Terms. Unless the context requires otherwise, the capitalized terms set forth herein shall have the meanings set forth on Schedule A hereto.

Section 1.2 Interpretation. Definitions in this Agreement shall apply equally to the singular and plural forms of the defined terms. The words "include" and "including" shall be deemed to be followed by the phrase "without limitation" where such phrase does not otherwise appear. The words "herein", "hereof", "hereinafter" and words of similar import refer to this Agreement as a whole and not to any particular Articles or Sections of this Agreement. Except as otherwise specifically indicated, all references in this Agreement to Articles and Sections refer to Articles and Sections of this Agreement, and all references to Exhibits or Schedules refer to Exhibits or Schedules attached hereto, and all such Exhibits and Schedules are incorporated herein by reference.

ARTICLE II CO-MARKETING PROGRAM

For the Initial Term and any Renewal Term of this Agreement, and in accordance with the terms and conditions of this Agreement, the Company shall implement and support a program (the "Program") to market FUSA Credit Cards to Company Customers, and FUSA shall make available certain promotional, informational and application materials required by the Company to implement and support the Program and shall review applications from, and issue FUSA Credit Cards to, Company Customers qualifying for such Credit Cards.

ARTICLE III

COMPANY RIGHTS AND OBLIGATIONS

Section 3.1 Company Direct Promotions. In furtherance of the Program, the Company shall, subject to FUSA's standard policies and to reasonable restrictions set forth by FUSA, solicit applications, directly and indirectly, for FUSA Credit Cards from Company Customers ("Company Direct Promotions"). The Company shall submit any marketing materials developed by the Company for Company Direct Promotions in writing to FUSA, and FUSA shall promptly review and approve such materials as FUSA deems acceptable in FUSA's sole discretion for marketing to Company Customers, prior to their use by the Company; provided, however, that any Credit Card applications used in connection with the Program must be supplied to the Company by FUSA, and FUSA shall use commercially reasonable efforts to provide the Company with a Credit Card application form that is functionally efficient for customer use. The Company shall be authorized to solicit Account applications from Company Customers whether or not such customers hold FUSA accounts, and FUSA shall make its Account approval decisions with respect to such Account applications consistent with FUSA's normal credit approval standards and safe and sound banking practices, subject to normal multi-account limits imposed by FUSA with regard to customers who already hold FUSA accounts. Unless otherwise agreed to by FUSA in FUSA's sole discretion, all expenses incurred by the Company in connection with Company Direct Promotions shall be borne solely by the Company.

Section 3.2 Company Programs and Value-Added Enhancements. The Company shall, in the Company's discretion, fund, develop and support premium and other incentive programs (including any promotional subsidies that the Company may determine to offer) specifically targeted at generating FUSA Credit Card applications, FUSA Credit Card usage, card value-added offers and card balance-building activities, and the Company shall use commercially reasonable efforts to maximize Company Customer acceptance of such program offerings. The Parties shall also market test a variety of value-added enhancements, as mutually agreed to by the Parties, which such value-added enhancements may include cash rebate offers and "Instant Rewards" programs. The aggregate retail value of such programs and rewards shall be equal to at least (i) [**] during the first 12-month billing cycle for each such Account and (ii) the amount of the Usage Fee paid with respect to each such Company-Sourced Account for each 12-month billing cycle thereafter.

Section 3.3 Company Customer Information. (a) The Company may, at its option, provide to FUSA the names and addresses of those Company Customers who fail to apply for FUSA Credit Cards upon visiting the Company Site(s) or through Company Phone Services for the sole purpose of FUSA's screening such Company Customers for subsequent pre-approved credit offers. Those Company Customers that pass such screening may be subject to market-test programs designed to provide such Company Customers with incentives to return to a Company Site(s), apply for a pre-approved FUSA Credit Card and receive a Company benefit or reward (paid for by the Company). The terms of any such test-market program or promotion shall be the subject of a separate agreement between the Parties containing a mutually agreed performance-based payment structure.

FUSA and the Company mutually acknowledge that, given the nature of the industry, additional or various marketing vehicles not specifically addressed in this Agreement may require additional Company Customer information. As a result, the Company and FUSA shall each use commercially reasonable efforts to provide the other with all necessary and relevant Company Customer information as requested by either Party from time to time, subject to such Party's privacy policy and all legal and regulatory requirements and restrictions.

Section 3.4 License to Use Marks. (a) During the Initial Term and any Renewal Term of this Agreement, to the extent required by FUSA in connection with the performance of its obligations under this Agreement or any additional marketing activity contemplated by Article VII, the Company grants to FUSA the right and license to use the current and future respective name, trademarks, service marks, copyrights and logo of the Company (collectively, the "Company Marks"), subject to the review and prior approval of the Company, solely in connection with the Program and any transactions contemplated by Article VII. Such right and license shall be restricted to the products and services described or contemplated herein and shall not apply or extend to any other product or service offered by FUSA. Except for amounts paid to the Company pursuant to Article V and

Schedule B hereto, FUSA shall not be required to pay any additional amounts to the Company, or on account of the Company, in connection with the use of the Company Marks in conjunction with the Program. Subject to and consistent with the rules and regulations of Visa and MasterCard, FUSA shall comply with the standards established by the Company with respect to the form of the Company Marks and their usage.

(b) Notwithstanding the provisions of Section 3.4(a), the Company is and shall remain the owner of all rights in and to its name and logo and all other intellectual property owned or licensed by the Company, as the same now exist or as they may hereafter be modified, including all rights in and to any copyright, trademark, service mark and similar rights pertaining thereto. Any and all rights to Company Marks and other Company intellectual property not herein specifically granted and licensed to FUSA are reserved to the Company. Except as otherwise specifically provided for herein, upon the termination of this Agreement, all rights conveyed by the Company to FUSA with respect to the use of the Company Marks and other Company intellectual property shall cease, and all such rights shall revert to the Company. Upon termination of this Agreement, FUSA shall have no further right to utilize the Company Marks; provided, however, that nothing contained herein shall require FUSA, upon termination of this Agreement, to cancel any Account or to terminate or replace any Credit Card issued in connection with this Agreement.

- -----

[**] = Confidential treatment requested for redacted portion.

ARTICLE IV FUSA RIGHTS AND OBLIGATIONS

Section 4.1 Offering and Issuance of Credit Cards. In furtherance of the Program, FUSA shall offer Credit Card(s) to Company Customers in accordance with the following provisions:

Subject to Section 4.1(d), FUSA shall assist the Company with the design and development of such marketing, promotion and solicitation materials as the Parties mutually agree are appropriate to promote the Program among Company Customers, it being understood and acknowledged by the Parties that FUSA shall be given the opportunity, and the Company shall cooperate and assist FUSA with respect thereto, to market FUSA Credit Cards at any and all points and potential points during a Company Customer's visit to any location upon any Company Site(s), subject to the mutual agreement of the Parties, which agreement shall not be unreasonably withheld, and in a manner and form subject to testing and refinement by mutual agreement of the Parties. FUSA reserves the right to limit its solicitation materials to those Company Customers deemed to be creditworthy in accordance with FUSA's normal credit criteria and credit practices and with safe and sound banking practices.

Subject to federal, state and local law and any other rules and regulations applicable to FUSA, including MasterCard or Visa operating regulations, the holders of all approved Accounts shall receive Credit Card(s) issued by FUSA which contain marks or design elements that would distinguish such Credit Cards from other Credit Cards issued by FUSA not in connection with the Program. FUSA shall have the right to designate on all of its Credit Cards, including, without limitation, all Credit Cards issued in connection with this Program, such information as FUSA shall, in its sole discretion, deem appropriate.

(c) FUSA reserves the right to, and may in FUSA's sole discretion, communicate such information to the Credit Card holders that FUSA normally sends to its other cardmembers, without having to obtain the prior approval of the Company.

(d) Credit Cards issued by FUSA pursuant to the Program shall be governed by the terms of the cardmember agreement to be entered into between each such person and FUSA.

Each such cardmember agreement shall specify that the laws of the State of Delaware, and as applicable, Federal law, shall govern the terms and conditions of such Account and the extension of credit by FUSA to the cardmember. Notwithstanding anything to the contrary contained herein, FUSA shall have the right to amend such cardmember agreements at any time in accordance with applicable law, including, without limitation, changing the

basic pricing on individual Accounts at any time, including, without limitation, in the event of late payments, non-payments, delinquency, payment by checks that fail to clear, default, bankruptcy or other consistent or substantial failure by any Program cardmember to perform in accordance with the terms of the cardmember agreement; provided that such amendments are not made in a manner that is inconsistent with the manner in which FUSA determines to amend FUSA cardmember agreements that are not generated through the Program.

(e) The Parties acknowledge that the Company does not intend to issue Credit Cards or act as a banking institution pursuant to this Agreement. The Parties further acknowledge that if, at any time during the Initial Term or any Renewal Term of this Agreement, the obligations of the Company under this Agreement subject the Company to any rule, regulation or statute governing Credit Card issuers or banking institutions, the Company shall not be required (subject to Section 14.2(b)) to fulfill any such obligation, and the Parties shall negotiate in good faith to amend this Agreement to the extent necessary to permit the Company to be able to fulfill its obligations under this Agreement without having to be subject to any such rule, regulation or statute.

Section 4.2 On-line Credit Approval. Both Parties shall use commercially reasonable efforts to implement a system whereby FUSA is able to provide prompt on-line, credit approval decisions to Account applicants during a Company Site visit, such that any Company Customer whose application is approved during such visit is able to open an Account and, immediately after such Account is opened, charge Company Site purchases to such Account (subject to the terms and conditions of such Account and the related cardmember agreement, including, without limitation, the credit limit established with respect to such Account). Subject to any legal or regulatory requirements or restrictions, FUSA shall use commercially reasonable efforts to provide the Company with technical support and regular updates that will allow the Company on a real-time basis to determine (subject to receipt of such updates) whether a Company Customer using a Non-FUSA Credit Card for a Company Site purchase also holds a FUSA account, and, if so, (a) whether sufficient credit is available to charge the current purchase on such FUSA Credit Card; (b) whether sufficient credit is available for a balance transfer; (c) whether such Company Customer's FUSA account is active or dormant; and (d) what the valid account number is for such FUSA account. The Company agrees that (i) its use of the information provided pursuant to the previous sentence shall be solely for the purposes set forth herein and (ii) the Company's use of such information shall be subject to the confidentiality provisions set forth in Article XII. In addition, FUSA agrees to perform a more detailed review and scoring of any Account application that has been rejected through the on-line approval process to determine if such application should be subsequently approved consistent with FUSA's normal credit approval standards and safe and sound banking practices. When on-line account approval capabilities have been established in connection with the Company Site(s), the Company shall use commercially reasonable efforts to persuade Company Customers to charge their Company Site purchases or any other charge to a Company-Sourced Account.

Section 4.3 License to Use Marks. (a) During the Initial Term and any Renewal Term of this Agreement, FUSA hereby grants to the Company the right and license to use the current and future respective name, trademarks, service marks, copyrights and logo of FUSA (collectively, the "FUSA Marks"), subject to the review and prior approval of FUSA, solely in connection with the Program and any transactions contemplated by Article VII. Such right and license are restricted to the products and services described and contemplated herein and shall not apply or extend to any other product or service offered by the Company. The Company shall not be required to pay any amount to FUSA, or on account of FUSA, in connection with the use of the FUSA Marks in conjunction with the Program. Subject to and consistent with the rules and regulations of Visa and MasterCard, the Company shall comply with the standards established by FUSA with respect to the form of the FUSA Marks and their usage.

(b) Notwithstanding the provision of Section 4.3(a), FUSA is and shall remain the owner of all rights in and to its name and logo and all other intellectual property owned or licensed by FUSA, as the same now exist or as they may hereafter be modified, including all rights in and to any copyright, trademark, service mark and similar rights pertaining thereto. Any and all rights to FUSA Marks and other FUSA intellectual property not herein specifically granted and licensed to the Company are

reserved to FUSA. Except as otherwise specifically provided for herein, upon the termination of this Agreement, all rights conveyed by FUSA to the Company with respect to the use of the FUSA Marks and other FUSA intellectual property shall cease, and all such rights shall revert to FUSA. Upon termination of this Agreement, the Company shall have no further right to utilize the FUSA Marks; provided, however, that nothing contained herein shall require FUSA, upon termination of this Agreement, to cancel any Account or to terminate or replace any Credit Card issued in connection with this Agreement.

Section 4.4 Statement Messages/Inserts. (a) Subject to reasonable space, weight, size, content and scheduling restrictions, and upon FUSA's prior review and approval, FUSA may periodically include Company informational inserts or statement messages ("Messages/Inserts") in Company-Sourced Account cardmember statements mailed by FUSA to its FUSA brand cardholders (as opposed to cardholders of credit cards issued in conjunction with a third party).

(b) The Company shall bear the costs of preparing and producing the actual Messages/Inserts. FUSA shall pay for the normal cost of mailing Messages/Inserts; provided, however, that if the Messages/Inserts increase the postal expense incurred by FUSA to mail statements with such Messages/Inserts, then FUSA shall inform the Company in advance and, if the Company agrees to reimburse FUSA for such incremental postage expense, FUSA shall use commercially reasonable efforts to include such Messages/Inserts in such mailing.

ARTICLE V COMPENSATION AND PAYMENT

Section 5.1 Fees. During the Initial Term and any Renewal Term of this Agreement, and subject to the terms and conditions set forth herein, FUSA shall pay to the Company certain fees, commissions and bonuses (collectively, the "Fees") as set forth on Schedule B hereto.

Section 5.2 Substitute Accounts. Notwithstanding anything else contained herein, FUSA shall not be obligated to pay to the Company any duplicate Account Origination Fee or duplicate Value-Added Payment in the event that any account that forms the basis upon which such Account Origination Fee or Value-Added Payment is calculated represents a substitute account, which includes, without limitation, any account established due to the loss or theft of a cardmember's existing Credit Card and any account established as a result of former joint cardmembers' requesting individual accounts.

Section 5.3 Payment Terms. FUSA shall provide the Company with a reconciliation report within 15 days following the end of each month setting forth the amount of Fees earned by the Company during such month. Any amounts owing to the Company and payable pursuant to the terms of this Article V shall be paid to the Company within 15 days following the end of each calendar quarter. The Parties shall meet periodically to discuss payment methodologies and mechanisms that reflect estimated payments based on mutually agreed payment criteria and metrics. If any such methodology proves not accurately to reflect the Parties' actual payment experience, the Parties shall negotiate revisions in future payments and estimated payments to reflect such actual experience.

Section 5.4 Payment Upon Termination. FUSA's obligation to pay any Fees to the Company shall cease immediately upon the expiration or termination of this Agreement for any reason whatsoever; provided that such Fees shall be reconciled and paid with respect to all amounts earned by the Company up to the effective date of such expiration or termination; and provided further that FUSA shall continue to pay Usage Fees to the Company in accordance with Paragraph 6 of Schedule B following the expiration or termination of this Agreement, but (a) only to the extent, and in the amount, that such Usage Fees are directly used by the Company to support value-added enhancements implemented pursuant to Section 3.2 prior to such termination or expiration and (b) only for so long as FUSA has a positive return on the Company-Sourced Account Portfolio.

Section 5.5 Marketing Costs. Other than the Fees provided for in Schedule B hereto, FUSA shall not be obligated to pay the Company any advertising costs or fees or any payments related to promotional visibility or premium cost reimbursement or any up-front payments whatsoever, it being understood and agreed to by the Parties that the Company will bear all

marketing costs incurred by the Company (including, without limitation, premium costs related to ticket subsidies and rebates) in connection with the generation of Credit Card applications from Company Customers under this Agreement. Notwithstanding the foregoing, FUSA may, if FUSA chooses, in FUSA's sole discretion, reimburse the Company for any or all costs related to the Company's Program testing and management or to support marketing efforts proposed by the Company.

Section 5.6 Fee Adjustments. (a) Upon written notice from FUSA to the Company given at any time after the one-year anniversary of the Effective Date, the Parties shall attempt to renegotiate, in good faith, (i) any or all of the Fees set forth in Schedule B and (ii) the terms of this Article V.

(b) In addition, it is the Parties' intent that (i) the five-year average Return on Average Outstandings, as measured based on the Pro Forma Vintage Profit and Loss Statement for the Company Program (the "ROO"), be greater than or equal to 3%, as measured by FUSA on a consistent basis with the methodology used on other similar accounts, and (ii) the NPV/CPA Ratio be greater than or equal to the NPV/CPA Ratio of alternative competitive investment opportunities for FUSA, as measured by FUSA on a consistent basis with the methodology used on other similar accounts ("Competitive Opportunities"). Calculation of the ROO shall take into account all sources of revenue, including late-fee income, fee-based services and association income, as well as any traditional avoided costs, including lower chargeoffs. In the event that, upon the one-year anniversary of the Effective Date, (x) the ROO, as measured by FUSA on a consistent basis with the methodology used on other similar accounts, falls below this 3% minimum or (y) the NPV/CPA Ratio, as measured by FUSA on a consistent basis with the methodology used on other similar accounts, falls below the NPV/CPA Ratio of Competitive Opportunities, the Company and FUSA shall negotiate promptly in an effort to reach agreement on the modification of one or more terms of future compensation in an effort to return the ROO and the NPV/CPA Ratio to acceptable levels. If, on the other hand, the ROO, as measured by FUSA, is in excess of 3%, FUSA shall increase, in good faith, the compensation metrics to the Company by an amount corresponding to such excess, such that the Company and FUSA share equally in such excess.

(c) Any Fee adjustment made pursuant to this Agreement, including pursuant to this Section 5.6 or Exhibit B hereto, shall be made on a prospective basis only.

(d) In the event the Parties are unable to negotiate in good faith any Fee adjustment provided for herein within 30 days of a written request by FUSA for such adjustment, FUSA shall have the right, in FUSA's sole discretion, to terminate this Agreement in accordance with Section 10.6.

ARTICLE VI OWNERSHIP RIGHTS

Section 6.1 Account Ownership. The Company shall not possess or claim any ownership interest in Credit Cards issued or accounts established pursuant to this Agreement and all rights related thereto (collectively, the "Accounts") or in any FUSA Customer Financial Information. Without limiting the foregoing, any and all outstanding balances with respect to the Accounts, including, without limitation, all amounts owing for the payments of goods and services, periodic finance charges, late and other charges and all documents and records developed and retained by FUSA in connection therewith, including, without limitation, all FUSA Customer Financial Information, shall be the sole property of FUSA or its assigns, and the Company shall have no rights or interests therein. Notwithstanding the foregoing, and subject to the provisions of Sections 7.3 and 14.1, (a) the Company shall retain the right to offer to any Company Customer whose Account application has been rejected by FUSA, Credit Cards issued by other issuers, including issuers specializing in high-risk issuance; and (b) the Company shall have the right to offer to any Company Customer that has chosen not to apply for a FUSA MasterCard or Visa Credit Card after the Company's first two clearly presented and discrete offers of such FUSA MasterCard or Visa Credit Card to such Company Customer during such Company Customer's visit(s) to a Company Site, no more than four other credit or charge cards not offered by FUSA, including such cards issued by American Express or Discover ("Other Credit Cards") upon such Company Customer's subsequent visit(s) to any Company Site(s), up to a maximum of two offers of each of the four such Other Credit Cards; provided that the Company shall not offer any Other Credit Card in a manner that features such Other

Credit Card more prominently located or displayed than, or in a position superior to, the Company's offer of any FUSA Credit Card; and provided further that in no event shall the Company have the right to offer to any Company Customer (other than a Company Customer described in Section 6.1(a) or pursuant to Section 7.3(c)), at any time during the Initial Term or any Renewal Term of this Agreement, any Visa or MasterCard credit or charge card product that is not provided by FUSA; and provided further that if a Company Customer that is offered any Other Credit Card by the Company pursuant to Section 6.1(b) chooses not to apply for any such Other Credit Card upon the Company's first two offers of each of the four Other Credit Card(s) to such Company Customer, the Company shall be required to comply again with the procedures for offering FUSA MasterCard and Visa Credit Cards set forth in Section 6.1(b) above. It is the intention of the parties that the Company will not offer Other Credit Cards to Account holders and will not use FUSA Customer Financial Information or a list of Account holders provided to the Company for the purpose of marketing Other Credit Cards. The Company will use commercially reasonable efforts to design and implement systems technology that will enable the Company to exclude Account holders from promotions for Other Credit Cards and to prevent the use of FUSA Customer Financial Information or a list of Account holders in the promotion of Other Credit Cards.

Section 6.2 Customer Lists and Data. FUSA and its affiliates may maintain separately all information that is submitted or obtained as a result of an Account relationship or an application for an Account relationship with a Company Customer (collectively, "Customer Data"). "Customer Data" includes, without limitation, information provided to FUSA or any of its agents by a Company Customer for storage and subsequent use by a Company Customer on the Internet, including a Company Customer's identity, address, credit card number(s), personal information, purchasing preferences or history and similar information and all FUSA Customer Financial Information. Customer Data obtained by FUSA pursuant to this Program shall be owned solely by FUSA and shall become a part of FUSA's own records and files.

ARTICLE VII ADDITIONAL PRODUCT MARKETING

In addition to the Parties' obligations under the Program and the market test programs described in Section 3.3, the Parties may offer or support additional products and marketing efforts, including those set forth in this Article VII, as part of the Program or as stand-alone activities, subject to separate agreements:

Section 7.1 Co-branding. The Parties acknowledge that the Company does not currently have, nor does the Company have any plans to create, a co-branded credit or charge card. If the Company determines, in its sole discretion, to offer such a co-branded credit or charge card during the Initial Term or any Renewal Term of this Agreement, FUSA shall have the exclusive right to provide such co-branded credit or charge card; provided that if FUSA determines, in its sole discretion, not to provide such co-branded credit or charge card, the Company shall be permitted to seek a co-branded credit or charge card from another provider, subject to a right of first refusal by FUSA. If, during the Initial Term or any Renewal Term, the Company and FUSA determine to offer a co-branded credit or charge card to Company Customers as provided for herein, this Agreement shall be amended accordingly.

Section 7.2 No-Fee Products. The Company understands and acknowledges that FUSA may choose to offer to Company Customers a wide range of market-competitive, no-fee consumer products that will enable FUSA to achieve the highest possible Account approval rates. The Company agrees further that any such no-fee product that is not market-competitive may be market-tested to Company Customers subject to the Company's prior approval of such market testing, which approval shall not be unreasonably withheld; provided, however, that neither (a) any application for any such no-fee product that is not market-competitive nor (b) FUSA's approval of any such application, shall be included in the calculation of the 50% approval rate that FUSA is required to achieve pursuant to Paragraph 3 of Schedule B hereto. In addition, unless otherwise agreed to by the Parties, FUSA shall not offer any product to Company Customers that includes a fee for balance transfers.

Section 7.3 Additional Programs and Marketing. (a) The parties intend to seek mutually acceptable ways to expand their business relationship to

include additional relevant products and service categories. Without limiting the generality of the foregoing, the Company shall work in good faith with FUSA and its affiliates to enable FUSA and/or such affiliates (i) to participate in all financial service products offered by the Company or through the Company Services, including, without limitation, automobile loans, home equity loans, home mortgages and mortgage refinancings and other loan products and (ii) to make the FUSA Wallet available to Company Customers. In addition, in the event the Company decides to introduce any current, new or unaddressed product, service, property or entity relating to credit products, banking products or related services (the "New Product(s)"), by itself or through another entity, the Company shall give FUSA prompt notice of the same, and the Parties shall negotiate in good faith an agreement whereby FUSA shall have the right to provide some or all of the New Products as a preferred provider through or on behalf of the Company. Notwithstanding the foregoing, nothing contained in this Section 7.3(a) shall be deemed to give FUSA preferred status in any such programs, and FUSA's participation in such programs shall be subject to the execution of a separate agreement with respect to each such program. FUSA acknowledges that the Company operates a promotion with a third party pursuant to which the Company makes available to users of the Company Services certain mortgage loan, home equity loan and home equity line of credit products (which products do not include Credit Cards) and that nothing in this Agreement shall preclude the Company from continuing to fulfill its obligations under that promotion.

(b) Without limiting the generality of the foregoing, if and when FUSA develops a corporate credit card product, the Company shall use commercially reasonable efforts to identify corporate Company Customers and shall target corporate credit card offers to such corporate Company Customers.

(c) Without limiting the generality of the foregoing, in the event that the Company decides to offer to Company Customers a "name-your-price" balance transfer or debt consolidation product, FUSA and the Company shall negotiate in good faith to include FUSA as a preferred provider with respect thereto.

(d) The Parties understand and acknowledge that, as of the date of this Agreement, the Company does not permit advertising on any Company Site(s), except that, as an adaptive marketing sponsor, FUSA shall be identified clearly by name on the Company Site(s), including by means of a FUSA logo. If, at any time during the Initial Term or any Renewal Term of this Agreement, the Company determines to permit advertising on any Company Site or through any Company Phone Services, or any such advertising otherwise is permitted on any Company Site or through any Company Phone Services, FUSA shall have a right of first offer to be the exclusive credit card issuer to advertise on such Company Site or through such Company Phone Services, and the Company shall, on an on-going basis, provide FUSA with advertising space on such Company Site(s) and through such Company Phone Services in accordance with terms to be mutually agreed to by the Parties at such time; provided, however, that if FUSA determines not to advertise on such Company Site or through such Company Phone Services or the Parties are unable to agree in good faith on acceptable terms pursuant to which FUSA shall advertise on such Company Site or through such Company Phone Services, the Company shall be permitted to offer advertising space to Other Credit Card issuers, subject to FUSA's right of first refusal.

(e) The Parties understand and acknowledge that participation in each such product offering or marketing effort described or referred to in this Section 7.3 shall be implemented under separate agreement and shall not be part of the Program.

ARTICLE VIII COMPANY REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to FUSA as of the date of this Agreement as follows:

Section 8.1 Organization and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized, is duly qualified and in good standing as a foreign corporation in every state in which the character of its business requires such qualification (except where the failure to obtain such foreign qualification would not have a material adverse effect on the Company's business) and has the power to own its

property and carry on its business as now conducted.

Section 8.2 Due Authorization. The execution and delivery by the Company of this Agreement, the performance by the Company of the transactions contemplated hereby and compliance by the Company with the terms of this Agreement, (a) are within the Company's power and authority and (b) have been duly authorized by all necessary action. This Agreement has been duly executed and delivered by the Company and constitutes a valid and binding agreement of the Company, enforceable in accordance with its terms.

Section 8.3 Consents. Neither the execution and delivery of this Agreement by the Company nor the performance by the Company of its obligations hereunder requires any consent, authorization, approval, notice to or other action by or in respect of, or filing with, any third party or any governmental body or agency.

Section 8.4 No Conflicts. Neither the execution, delivery and performance by the Company of this Agreement nor compliance by the Company with the terms of this Agreement shall contravene, violate or conflict with, or constitute a default or breach under, any provision of any law, statute, rule or regulation to which the Company or any of its properties is subject, or under any governing documents, charter or bylaw or any agreement, judgment, injunction, order, decree or other instrument binding on the Company.

Section 8.5 Intellectual Property Rights. The Company owns, or has the right to use under valid and enforceable agreements, the Company Marks and all other intellectual property necessary to conduct the Company's business, and, except as set forth on Schedule D hereto, the Company is not currently aware of any material claims, and is not currently involved in any material litigation, challenging the Company's ownership of, or claiming infringement with respect to, the Company Marks or any other intellectual property necessary to conduct the Company's business.

Section 8.6 Litigation. Except as set forth on Schedule D hereto, the Company is not aware of any claims, and is not currently involved in any litigation, challenging the Company's access to the WorldWide Web or the Internet.

ARTICLE IX
FUSA REPRESENTATIONS AND WARRANTIES

FUSA represents and warrants to the Company as of the date of this Agreement as follows:

Section 9.1 Organization and Qualification. FUSA is a national banking association duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized, is duly qualified and in good standing as a foreign corporation in every state in which the character of its business requires such qualification (except where the failure to obtain such qualification would not have a material adverse effect on FUSA's business) and has the power to own its property and carry on its business as now conducted.

Section 9.2. Due Authorization. The execution, delivery and performance by FUSA of this Agreement and compliance by FUSA with the terms of this Agreement (a) are within FUSA's corporate power and authority and (b) have been duly authorized by all necessary corporate action. This Agreement has been duly executed and delivered by FUSA and constitutes a valid and binding agreement of FUSA, enforceable in accordance with its terms.

Section 9.3 Consents. Neither the execution and delivery of this Agreement by FUSA nor the performance by FUSA of its obligations hereunder require any consent, authorization, approval, notice to or other action by or in respect of, or filing with, any third party or governmental body or agency (other than informational filings required by MasterCard or Visa).

Section 9.4 No Conflicts. Neither the execution and delivery of this Agreement by FUSA nor the performance by FUSA of its obligations hereunder shall contravene, violate or conflict with, or constitute a default or breach under, any provision of any law, statute, rule or regulation to which FUSA or any of its properties is subject or of the charter or by-laws of FUSA or of any agreement, judgment, injunction, order, decree or other

instrument binding upon FUSA.

Section 9.5 Intellectual Property Rights. FUSA owns, or has the right to use under valid and enforceable agreements, the FUSA Marks and all other intellectual property necessary to conduct FUSA's business, and FUSA is not currently aware of any material claims, and is not currently involved in any material litigation, challenging FUSA's ownership of, or claiming infringement with respect to, the FUSA Marks or any other intellectual property necessary to conduct FUSA's business.

ARTICLE X
TERM AND TERMINATION

Section 10.1 Term. The term of this Agreement shall commence as of the date of this Agreement and shall continue, subject to the provisions of this Article X, for five years therefrom (the "Initial Term"). Promptly upon the execution of this Agreement, the Parties shall work together and shall use their commercially reasonable efforts to enable the Effective Date to commence immediately upon the termination of the Company's promotion with Capital One Bank, which promotion the Company acknowledges is the only preferred status arrangement that the Company has with any Other Credit Card issuer as of the date of this Agreement. Subject to the provisions of this Article X, upon the expiration of the Initial Term, this Agreement shall be automatically renewed for successive renewal terms of two years each (the "Renewal Terms"), unless, at least 180 days prior to the expiration of the Initial Term or the then current Renewal Term, either Party shall have notified the other in writing of its decision not to renew this Agreement.

Section 10.2 Termination for Breach. If there is a material breach by either Party of this Agreement, and such breach shall continue uncured for a period of 30 days after receipt by the breaching Party of written notice thereof from the non-breaching Party (setting forth in detail the nature of such breach), then this Agreement shall terminate at the option of the non-breaching Party as of the 31st day following the receipt of such written notice. If, however, the breach cannot be remedied within such 30-day period, such time period shall be extended for an additional period of not more than 30 days, so long as the breaching Party has notified the non-breaching Party in writing and in detail of its plans to initiate substantive steps to cure the breach and diligently thereafter pursues the same to completion within such additional 30-day period. Notwithstanding the foregoing, in the event any representation or warranty set forth in this Agreement is breached, the non-breaching Party shall have the right to terminate this Agreement immediately upon written notice to the breaching Party.

Section 10.3 Termination for Bankruptcy. This Agreement shall be deemed immediately terminated, without the requirement of further action or notice by either Party, in the event that either Party, or a direct or indirect holding company of either Party, shall become subject to voluntary or involuntary bankruptcy, insolvency, receivership, conservatorship or similar proceedings (including, without limitation, the takeover of such Party by the applicable regulatory agency) pursuant to applicable state or Federal law.

Section 10.4 Change in Law. In the event that any change in any federal, state or local law, statute, operating rule or regulation or any change in any operating rule or regulation of either MasterCard or Visa, makes the continued performance of this Agreement under the then current terms and conditions commercially unreasonable, then FUSA shall have the right to terminate this Agreement upon 90-days' prior written notice to the Company. Such written notice shall include a detailed explanation and evidence of the burden imposed as a result of such change.

Section 10.5 Sale or Business Combination. (a)(i) In the event that the Company enters into any merger, acquisition, transfer of control or sale of substantially all of its assets to, or any similar transaction with, any competitor of FUSA or any entity that owns a competitor of FUSA, then FUSA shall have the right to terminate this Agreement immediately upon written notice to the Company. (ii) In the event that the Company enters into any merger, acquisition, transfer of control or sale of substantially all of its assets to, or any similar transaction with, any entity that, due to its products, services or reputation, creates a demonstrable and material conflict of interest for FUSA, then FUSA shall have the right to terminate this Agreement upon 90-days' prior written notice to the Company.

(b) (i) In the event that FUSA enters into any merger, acquisition, transfer of control or sale of substantially all of its assets to, or any similar transaction with, any competitor of the Company or any entity that owns a competitor of the Company, then the Company shall have the right to terminate this Agreement immediately upon written notice to FUSA. (ii) In the event that FUSA enters into any merger, acquisition, transfer of control or sale of substantially all of its assets to, or any similar transaction with, any entity that, due to its products, services or reputation, creates a demonstrable and material conflict of interest for the Company, then the Company shall have the right to terminate this Agreement upon 90-days' prior written notice to FUSA.

Section 10.6 Failure to Renegotiate Fees. In the event that the Parties are unable to renegotiate in good faith the Fees to be paid by FUSA to the Company, as provided for in Section 5.6, and Paragraph 2 of Schedule B, within the time period specified in such Section or Paragraph, FUSA shall have the right, in FUSA's sole discretion, after the expiration of such time period, to terminate this Agreement upon 60-days' prior written notice to the Company. During any Fee renegotiation provided for in this Agreement, the Fees to be paid the Company shall remain unchanged until the earlier to occur of (a) the Parties' agreement to adjust any of such Fees and (b) the date of the termination of this Agreement.

Section 10.7 Procedures Upon Termination. Upon the expiration or earlier termination of this Agreement for any reason whatsoever, (a) the Company and FUSA shall work together to ensure an orderly termination of the Program; (b) the Company and FUSA shall each promptly return to the other all materials, if any, that have been supplied by each to the other; and (c) all Accounts that have been opened pursuant to the terms hereof, together with all Accounts for which applications have been received but not yet processed by FUSA as of the effective date of such expiration or termination, shall remain the sole and exclusive property of FUSA. Except for those provisions which by their terms shall survive the expiration or termination of this Agreement, all obligations of FUSA to the Company shall cease after the effective date of such expiration or termination.

ARTICLE XI INDEMNIFICATION

Section 11.1 Company Indemnification. The Company shall indemnify, defend and hold FUSA and its affiliates, and their successors and assigns, harmless from and against all claims (including, without limitation, third-party claims), actions, suits or other proceedings, and any and all losses, judgments, damages, expenses or other costs (including, without limitation, reasonable attorneys' fees and disbursements), arising from or in any way relating to (a) any actual or alleged breach or inaccuracy of any representation or warranty of the Company contained in this Agreement, (b) any actual or alleged infringement of any trademark, copyright, trade name or other proprietary ownership interest resulting from the use by FUSA of the Company Marks as contemplated by this Agreement, (c) any third-party action, suit or other proceeding to which FUSA is made a party alleging infringement by the Company of any proprietary ownership right in connection with the Company's business (other than as provided for in Section 11.2(b)), (d) any matter set forth on Schedule D hereto and (e) any negligent or grossly negligent act or omission or willful misconduct of the Company or its directors, officers, employees, agents or assigns in connection with the entry into or performance of this Agreement.

Section 11.2 FUSA Indemnification. FUSA shall indemnify, defend and hold the Company, its affiliates and their successors and assigns, harmless from and against all claims (including, without limitation, third-party claims), actions, suits or other proceedings, and any and all losses, judgments, damages, expenses or other costs (including reasonable attorneys' fees and disbursements), arising from or in any way relating to (a) any actual or alleged breach or inaccuracy of any representation or warranty of FUSA contained in this Agreement, (b) any actual or alleged infringement of any trademark, copyright, trade name or other proprietary ownership interest resulting from the use by the Company of the FUSA Marks as contemplated by this Agreement, (c) any act or omission of FUSA in connection with the issuance of Credit Card(s) or the administration of Accounts which constitutes a violation of state or Federal banking or consumer credit laws or regulations, (d) any third-party action, suit or other proceeding to which the Company is made a party alleging infringement by FUSA of any proprietary ownership right in connection with the FUSA's

business (other than as provided for in Section 11.1(b)) and (e) any negligent or grossly negligent act or omission or willful misconduct of FUSA or its directors, officers, employees, agents or assigns in connection with the entry into or performance of this Agreement.

Section 11.3 Indemnification Procedures. If a Party (the "Indemnified Party") seeks indemnification under this Article XI, (a) the Indemnified Party shall notify in writing the indemnifying party (the "Indemnifying Party") within 30 days after learning of the occurrence of any event that is asserted to be an indemnifiable event pursuant to this Agreement (a "Claim Notice"). If such event involves the claim of any third party and the Indemnifying Party confirms in writing its responsibility for such liability, if established, the Indemnifying Party shall be entitled to participate in and, to the extent it desires, assume control over (in which case the Indemnifying Party shall assume all expense with respect to) the defense, settlement, adjustment or compromise of such claim.

(b) The Indemnified Party shall have the right to employ separate counsel in any action or claim and to participate in the defense thereof at the expense of the Indemnifying Party (i) if the retention of such counsel has been specifically authorized by the Indemnifying Party or (ii) if such counsel is retained because the Indemnifying Party does not notify the Indemnified Party within 20 days after receipt of a Claim Notice that it elects to undertake the defense thereof. The Indemnified Party shall have the right to employ counsel at the Indemnified Party's own expense and to participate in such action or claim, including settlement or trial, so long as such participation does not substantially interfere with the Indemnifying Party's defense of such claim or action.

(c) The Indemnifying Party shall obtain the prior written approval of the Indemnified Party before entering into any settlement, adjustment or compromise of such claim or ceasing to defend against such claim, if, pursuant to or as a result of such settlement, adjustment, compromise or cessation, (i) injunctive or other relief would be imposed against the Indemnified Party or (ii) such settlement, adjustment, compromise or cessation does not include a complete and unconditional release of the Indemnified Party with respect to such claim.

(d) If the Indemnifying Party does not assume control over the defense of such claim as provided in Section 11.3(a), the Indemnified Party shall have the right to defend the claim in such manner as it may deem appropriate, at the cost and expense of the Indemnifying Party, and with the consent of the Indemnifying Party, to settle, adjust or compromise such claim. The Indemnified Party may settle, adjust or compromise any such claim without the consent of the Indemnifying Party if the Indemnified Party waives indemnification for such claim.

(e) The Indemnifying Party shall remit payment for the amount of a valid and substantiated claim for indemnification hereunder promptly upon receipt of written notice therefor from the Indemnified Party. Upon the payment in full of any claim hereunder, the Indemnifying Party shall be subrogated to the rights of the Indemnified Party against any person with respect to the subject matter of such claim.

(f) In the event that the Indemnifying Party reimburses the Indemnified Party for any third-party claim, the Indemnified Party shall remit to the Indemnifying Party any reimbursement that the Indemnified Party subsequently receives for such third-party claim.

ARTICLE XII CONFIDENTIALITY

Section 12.1 Protection. (a) The Parties acknowledge and agree that the terms of this Agreement and all information provided or disclosed to or in connection with either Party's performance under this Agreement or to which a Party gains access in connection with this Agreement shall be deemed confidential and proprietary information ("Confidential Information") and shall not be disclosed by a Party receiving any such Confidential Information (the "Receiving Party") to any third party without the prior written consent of the Party providing or disclosing the Confidential Information (the "Disclosing Party"). Confidential Information shall include, without limitation: (i) names, addresses and demographic, behavioral and credit information relating to FUSA cardmembers or potential FUSA cardmembers; (ii) cardmember communication materials and issuance strategies or methods; (iii) business objectives, assets and properties;

and (iv) programming techniques and technical, developmental, cost and processing information.

(b) For the term of this Agreement and for a period of two years thereafter, the Receiving Party shall: (i) receive all Confidential Information in confidence; (ii) use reasonable efforts to maintain the confidentiality of such Confidential Information and not disclose such Confidential Information to any third party (except for the Receiving Party's employees, representatives, authorized agents and contractors or subcontractors who have a need to know, are under a duty of non-disclosure and are acting for the sole benefit of the Receiving Party), which efforts shall accord such Confidential Information at least the same level of protection against unauthorized use and disclosure that the receiving party customarily accords its own information of a similar nature; (iii) use or permit the use of such Confidential Information solely in accordance with the terms of this Agreement; and (iv) promptly notify the Disclosing Party in writing of any loss or unauthorized use, disclosure of or access to the Disclosing Party's Confidential Information of which the Receiving Party becomes aware and take all steps reasonably requested by the Disclosing Party to limit, stop or otherwise remedy such misappropriation, disclosure or unauthorized use. Each party shall abide by and reproduce and include any restrictive legends or confidential rights notices (although such restrictive legends or confidential rights notices are not required for Confidential Information to be afforded the protection provided for under this Section) that appear in or on any Confidential Information of the other Party which it is authorized to reproduce. Neither party shall remove, alter, cover or distort any confidential rights notices, legends, symbols or labels appearing in any Confidential Information of the other Party. For purposes of this Agreement, a "need to know" means that the employee, representative, authorized agent, contractor or subcontractor requires the Confidential Information to perform his or her responsibilities in connection with the Program.

Section 12.2 Exclusions. The restrictions on disclosure set forth in this Article XII shall not apply when, and to the extent that, the Confidential Information: (a) is or becomes generally available to the public through no fault of the Receiving Party (or any person or entity acting on its behalf); (b) was previously rightfully known to the Receiving Party free of any obligation to keep it confidential; (c) is subsequently disclosed to the Receiving Party by a third party who may rightfully transfer and disclose such information without restriction and free of any obligation to keep it confidential; (d) is independently developed by the Receiving Party or a third party without reference to the Disclosing Party's Confidential Information; or (e) is required to be disclosed by the Receiving Party as a matter of law or by valid court or governmental agency order or request; provided that the Receiving Party shall use all reasonable efforts to provide the Disclosing Party with at least 10-days' prior written notice of such disclosure and the Receiving Party shall only disclose that portion of the Confidential Information that is legally required to be furnished pursuant to the opinion of legal counsel of the Receiving Party, it being understood and acknowledged by FUSA that the Company has disclosed, and shall continue to be permitted to disclose, the existence of this Agreement in its filings with the Securities and Exchange Commission (and will file this Agreement as an exhibit to such filings), without requiring the Company to provide an opinion of legal counsel with respect to any disclosures made pursuant to such filings.

Section 12.3 Equitable Relief. Each Party agrees that any unauthorized use or disclosure of Confidential Information may cause immediate and irreparable harm to the Disclosing Party for which money damages may not constitute an adequate remedy. In that event, each Party agrees that injunctive relief may be warranted in addition to any other remedies the Disclosing Party may have.

Section 12.4 Disposition of Confidential Information. Upon either Party's demand, or upon the termination or expiration of this Agreement, the Parties shall comply with each other's reasonable instructions regarding the disposition of Confidential Information, which instructions may include the prompt return or destruction of any and all Confidential Information, without the retention of any copies or reproductions thereto. Upon the request of either Party, such compliance shall be certified in writing to the other Party, including a statement that no copies of Confidential Information have been kept.

Section 12.5 Use of Name. Except as necessary for its performance

under this Agreement or as required by law, neither party shall use the name of the other party, its affiliates or subsidiaries in connection with any representation, publication or advertisement, or make any public statement relating to the other party, its affiliates or subsidiaries, without the prior full disclosure of same to the other party and the prior written consent of the other party.

Section 12.6 Survival of Obligations. The obligations set forth in this Article XI shall survive the termination of this Agreement for a period of two years.

ARTICLE XIII DISPUTE RESOLUTION

Any dispute, controversy, claim or disagreement between the Parties arising from, relating to or in connection with this Agreement, any agreement, certificate or other document referred to herein or delivered in connection herewith or the relationships of the parties hereunder or thereunder, including questions regarding the interpretation, meaning or performance of this Agreement, and including claims based on contract, tort, common law, equity, statute, regulation, order or otherwise (a "Dispute") shall be resolved in accordance with Schedule C.

ARTICLE XIV MISCELLANEOUS

Section 14.1 Rights of First Offer and First Refusal. Except as otherwise expressly provided herein, during the Initial Term and any Renewal Term of this Agreement, FUSA shall have the right of first offer and the right of first refusal with respect to the performance and provision of the credit card services contemplated by this Agreement, including, without limitation, the right of first offer and the right of first refusal with respect to the offering, review and processing of all Credit Card applications generated by the Company through any marketing program, including, without limitation, through any Company Phone Services.

Section 14.2 Records. (a) During the Initial Term and any Renewal Term of this Agreement, FUSA shall maintain accurate records with respect to all Accounts established pursuant to this Agreement and copies of all documents and other material related to FUSA's obligations to the Company under this Agreement. Within 10 days of the Company's written request to FUSA, the Company, by its duly authorized agents and representatives, shall have the right to inspect such records, documents and material from time to time during ordinary business hours and to make copies of such records, documents and other materials, subject to (i) such security procedures as FUSA may reasonably impose and (ii) such limitations as may be required under applicable rules, regulations or statutes governing the conduct of FUSA's business; provided, however, that FUSA shall have no obligation to disclose to the Company, and the Company shall not have any right to inspect or copy, or any other right of access to, any FUSA Customer Financial Information or any records, documents or other material subject to FUSA's corporate privacy policy, except with respect to any disclosure required by any regulatory agency with jurisdiction over the Company.

(b) During the Initial Term and any Renewal Term of this Agreement, the Company shall keep full and accurate books of account and copies of all documents and other material related to the Company's obligations to FUSA under this Agreement at the Company's principal office. Within 10 days of FUSA's written request to the Company, FUSA, by its duly authorized agents and representatives, shall have the right to audit such books, documents and other material from time to time and shall have access thereto during ordinary business hours, and shall be at liberty to make copies of such books, documents and other material, subject to (i) such security procedures as the Company may reasonably impose and (ii) such limitations as may be required under applicable rules, regulations or statutes governing the conduct of the Company's business; provided, however, that the Company shall have no obligation to disclose to FUSA, and FUSA shall not have the right to audit, or any other right of access thereto any information, records, documents or other material subject to the Company's corporate privacy policy, except with respect to any disclosure required by any regulatory agency with jurisdiction over FUSA.

Section 14.3 Non-Competition. Except as otherwise expressly provided in this Agreement, with respect to all Accounts established pursuant to this Agreement, the Company agrees that neither the Company nor any entity

that the Company controls shall by itself or in conjunction with others, directly or indirectly, during the Initial Term or any Renewal Term of this Agreement, and for a period of one year following the expiration or earlier termination of this Agreement, for any reason specifically target any offer of a credit or charge card or credit or charge card related product to any cardmember possessing an Account, which offer the Company does not also simultaneously make to all Company Customers.

Section 14.4 Personnel. Each Party shall provide appropriately trained and experienced dedicated personnel to support the success of the Program and perform its obligations under this Agreement in a commercially reasonable manner, and FUSA further shall provide personnel support, the nature and level of which shall be at FUSA's sole discretion. Nothing in this Agreement shall be construed to create an employment relationship between either of the Parties and employees of the other Party, and each Party shall comply with all laws, statutes, rules, regulations, administrative orders and applicable judicial decisions relating to insurance, hours at labor, wages, working conditions and other employer-employee related subjects.

Section 14.5 Notices. Unless otherwise specifically provided in this Agreement, every notice or other communications required or permitted under this Agreement shall be valid only if in writing and shall be delivered either by personal delivery; by facsimile, telegram, mailgram or telecopy; by nationally recognized overnight courier service; or by certified or registered mail, return receipt requested, addressed as follows:

If to FUSA, to:

FIRST USA BANK, N.A.
Three Christina Centre
201 North Walnut Street
Wilmington, DE 19801
Attention: Kurt Campisano

Senior Vice President
Fax. No. (302) 282-2014

with a copy to:
General Counsel
Fax No. (302) 884-8361

If to the Company, to:

PRICELINE.COM INCORPORATED
Five High Ridge Park
Stamford, CT 06905
Attention: Jim Accomando
Senior Vice President
Fax No. (203) 595-0160

with a copy to:
General Counsel
Fax No. (203) 595-8345

or to such other person or address as either Party shall have previously designated to the other by written notice given in the manner set forth above. With respect to any notice that requires a response in 10 or fewer business days, such notice shall be sent by hand delivery, facsimile, overnight courier or telecopy only. Notices shall be deemed given (a) one day after sent if sent by facsimile, telegram, mailgram, telecopy or by overnight courier; (b) upon printed confirmation of delivery to the correct facsimile number if sent by facsimile; (c) when delivered and receipted for if hand delivered; or (d) when receipted for (or upon the date of attempted delivery when delivery is refused) if sent by certified or registered mail, return receipt requested.

Section 14.6 Entire Agreement; Amendment. This Agreement, including the Exhibits and Schedules hereto, constitutes the entire understanding between the Parties with respect to the subject matter hereof and supersedes all prior written and oral proposals, understandings, agreements and representations, all of which are merged herein. No amendment to or modification of this Agreement shall be effective unless in writing and

executed by both Parties.

Section 14.7 Non-Waiver of Default. The failure of either Party to insist, in any one or more instances, on the performance of any term or condition of this Agreement shall not be construed as a waiver or relinquishment of any rights granted hereunder or of the future performance of any such term or condition, and the obligations of the non-performing Party with respect thereto shall continue in full force and effect.

Section 14.8 Relationship. Nothing in this Agreement is intended to or shall be construed to constitute or establish an agency, joint venture, partnership or fiduciary relationship between the Parties, and neither Party shall have the right or authority to act for or on behalf of the other Party.

Section 14.9 Severability. In the event that any term, provision or restriction of this Agreement, or any Exhibit or Schedule hereto, shall, for any reason, be deemed to be invalid, void or unenforceable, the remaining provisions, terms and restrictions of this Agreement and such Exhibits and Schedules shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 14.1 Governing Law. This Agreement shall be governed by, interpreted under and construed and enforced in accordance with, the laws of the State of Delaware, without giving effect to any conflicts of law principles thereof.

Section 14.1 Assignment. Neither Party may assign this Agreement without the prior written consent of the other Party; provided, however, that either Party may assign this Agreement, and all of its rights and obligations hereunder, to a parent, subsidiary or affiliate of such Party without the prior written consent of the other Party.

Section 14.1 Further Assurances. Each Party agrees to take, or cause to be taken, all such further or other actions as may be reasonably necessary to make effective, consummate or perform the undertakings and obligations contemplated by this Agreement.

Section 14.1 Headings. The headings used in this Agreement are for convenience only and are not be construed to have any legal significance.

Section 14.1 Public Statements. Except as may be required by law, regulation or any governmental authority or as otherwise expressly permitted pursuant to Section 12.2, neither the Company nor any of its affiliates or their representatives shall issue a press release or make any public statement, announcement or disclosure to any third party regarding the existence of this Agreement, the terms hereof or the transactions contemplated hereby without the prior written consent of FUSA.

[Execution page follows]

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the day and year first above written.

PRICELINE.COM INCORPORATED

By: /s/ Jay S. Walker

Name: Jay S. Walker
Title: Vice Chairman

FIRST USA BANK, N.A.

By: /s/ Kurt M. Campisano

Name: Kurt M. C ampisano
Title: Senior Vice President

SCHEDULE A

DEFINITIONS

"AAA" shall mean the American Arbitration Association.

"AAA Rules" shall have the meaning set forth in Paragraph 4(b) of Schedule C.

"Account Origination Fee" shall have the meaning set forth in Paragraph 1 of Schedule B.

"Account Reactivation Fee" shall have the meaning set forth in Paragraph 10 of Schedule B.

"Accounts" shall have the meaning set forth in Section 6.1.

"Acquisition Balance Transfer Commission" shall have the meaning set forth in Paragraph 7 of Schedule B.

"Acquisition Bonus Payment" shall have the meaning set forth in Paragraph 4 of Schedule B.

"Agreement" shall mean this Interactive Marketing Agreement, dated as of the day and year first above written, by and between the Company and FUSA, as the same may be amended from time to time.

"Application Volume" shall have the meaning set forth in Paragraph 3 of Schedule B.

"Arbitrators" shall have the meaning set forth in Paragraph 4(c) of Schedule C.

"Balance Transferring Account" shall have the meaning set forth in Paragraph 4 of Schedule B.

"Basic Qualifications" shall have the meaning set forth in Paragraph 4(c) of Schedule C.

"Claim Notice" shall have the meaning set forth in Section 11.3.

"Company" shall mean priceline.com Incorporated, a Delaware corporation.

"Company Customers" shall have the meaning set forth in the Recitals.

"Company Direct Promotions" shall have the meaning set forth in Section 3.1.

"Company Marks" shall have the meaning set forth in Section 3.4.

"Company Phone Services" shall have the meaning set forth in the Recitals.

"Company Services" shall have the meaning set forth in the Recitals.

"Company Site(s)" shall have the meaning set forth in the Recitals.

"Company-Sourced Account" shall have the meaning set forth in Paragraph 1 of Schedule B.

"Company-Sourced Account Portfolio" shall have the meaning set forth in Paragraph 2 of Schedule B.

"Competitive Opportunities" shall have the meaning set forth in Section 5.6.

"Confidential Information" shall have the meaning set forth in Section 12.1.

"CPA" shall mean the "cost per account", which, for the Company, is measured by dividing the total cost of acquiring a given tranche of Company-Sourced Accounts by the total number of Company Sourced Accounts in such tranche.

"Credit Card(s)" shall have the meaning set forth in the Recitals.

"Customer Data" shall have the meaning set forth in Section 6.2.

"Disclosing Party" shall have the meaning set forth in Section 12.1.

"Dispute" shall have the meaning set forth in Article XIII.

"Effective Date" shall mean the date upon which a FUSA Credit Card is first offered by the Company to any Company Customer, which offer shall be made by the Company as soon as reasonably practicable following the execution of this Agreement.

"Fees" shall have the meaning set forth in Section 5.1.

"FUSA" shall mean First USA Bank, N.A., a national banking association.

"FUSA Customer Financial Information" shall mean information submitted by a Company Customer or any other customer (each a "Customer") which FUSA has acquired from a third party (other than the Company) reflecting FUSA's or any of its affiliates transactions with a customer or which is otherwise generated or developed by FUSA, to the extent that such information relates to (a) such Customer's application for a FUSA Credit Card, (b) credit bureau data and other information or analysis used to determine whether such Customer will be issued a FUSA Credit Card, (c) the credit limit for any FUSA Credit Card issued to a Customer, (d) FUSA's internal credit scoring with respect to such Customer usage history (other than usage related to the Company's services), (e) such Customer's transaction and payment history, (f) FUSA's internal profitability analysis, (g) FUSA's pricing strategies, (h) FUSA's marketing and incentive strategies, (i) customer service and customer dispute information, (j) any other aspects of FUSA's credit card business or any other services provided by FUSA or any affiliate (whether under this Agreement or otherwise) and (k) any other similar information with respect to Customers or FUSA's Credit Card business, including, without limitation, any information derived or generated from, or related to, any such Customer or FUSA information.

"FUSA Marks" shall have the meaning set forth in Section 4.3.

"FUSA Wallet" shall mean an electronic wallet to be branded by FUSA or its wallet partners, as FUSA may determine from time to time.

"Incident Rate" shall have the meaning set forth in Paragraph 4 of Schedule B.

"Indemnified Party" shall have the meaning set forth in Section 11.3.

"Indemnifying Party" shall have the meaning set forth in Section 11.3.

"Initial Term" shall have the meaning set forth in Section 10.1.

"Level 1 Dispute Review" shall have the meaning set forth in Paragraph 1 of Schedule C.

"Level 1 Dispute Termination Date" shall have the meaning set forth in Paragraph 2 of Schedule C.

"Level 2 Dispute Review" shall have the meaning set forth in Paragraph 2 of Schedule C.

"Level 2 Dispute Termination Date" shall have the meaning set forth in Paragraph 3 of Schedule C.

"Messages/Inserts" shall have the meaning set forth in Section 4.4.

"Minimum Fee" shall have the meaning set forth in Paragraph 3 of Schedule B.

"New Product(s)" shall have the meaning set forth in Section 7.3.

"Nominal Account" shall have the meaning set forth in Paragraph 2 of Schedule B.

"NPV" shall mean the Present Value of the Pro Forma Vintage Profit and Loss Statement, less the CPA, using FUSA's prevailing discount rate across FUSA's business.

"NPV/CPA Ratio" shall mean the ratio obtained by dividing the NPV of a given tranche of Company-Sourced Accounts by the CPA of the same tranche of Company-Sourced Accounts.

"Other Credit Cards" shall have the meaning set forth in Section 6.1.

"Panel" shall have the meaning set forth in Paragraph 4(c) of Schedule C.

"Party" shall mean each of FUSA and the Company and, taken together, the "Parties".

"Portfolio Balance Transfer Commission" shall have the meaning set forth in Paragraph 8 of Schedule B.

"Present Value" shall mean the calculation of the present value of the Pro Forma Vintage Profit and Loss Statement, using FUSA's prevailing discount rate across FUSA's business.

"Pro Forma Vintage Profit and Loss Statement" shall mean the pro forma profit and loss statement of the Program with respect to a given tranche of similar-aged Accounts, as such statement is calculated and prepared by FUSA.

"Program" shall have the meaning set forth in Article II.

"Rate of Return Shortfall Remedial Period" shall have the meaning set forth in Paragraph 2 of Schedule B.

"Reactivated Account" shall have the meaning set forth in Paragraph 10 of Schedule B.

"Receiving Party" shall have the meaning set forth in Section 12.1.

"Renewal Terms" shall have the meaning set forth in Section 10.1.

"ROO" shall have the meaning set forth in shall Section 5.6.

"Usage Fee" shall have the meaning set forth in Paragraph 6 of Schedule B.

"Value-Added Payment" shall have the meaning set forth in Paragraph 5 of Schedule B.

SCHEDULE B

FEES

During the Initial Term and any Renewal Term of this Agreement, FUSA agrees to pay to the Company the following Fees, in accordance with the terms of the Agreement and this Schedule B:

1. Account Origination Fees. Subject to Paragraphs 2 and 3 of this Schedule B, FUSA shall pay to the Company a \$[*] fee (the "Account Origination Fee") for every FUSA Account opened for which (a) the application was generated by marketing programs conducted through the Company Services and (b) at least one statement with a balance due has been sent to the Company Customer for such Account (each, a "Company-Sourced Account"). Such payments shall be made in accordance with the provisions of Section 5.3.

2. Nominal Accounts. In the event that FUSA, from time to time at

any time after the Effective Date, makes a good faith determination that Account Origination Fees payable to the Company with respect to any Company-Sourced Account (a) (i) initially stated with a balance of less than \$[**] or (ii) for which the Company Customer has paid in full the amount due on the initial statement and (b) that is not used again for a period of three months immediately following the cutoff date of the initial statement for such Company-Sourced Account (each such account described in subsection (a) (i) or (ii) and (b) hereof, a "Nominal Account"), are adversely affecting the profitability to FUSA of the portfolio of Company-Sourced Accounts (the "Company-Sourced Account Portfolio") such that the ROO, as measured by FUSA, falls below 3% or the NPV/CPA Ratio, as measured by FUSA, falls below the NPV/CPA Ratio of Competitive Opportunities, FUSA shall so notify the Company in writing. The Company shall have 30 days (the "Rate of Return Shortfall Remedial Period") from receipt of such notice to implement remedial program(s) in order to reduce the number of Nominal Accounts and to increase the ROO and the NPV/CPA Ratio. If, (i) after expiration of 60 days from the implementation of any such remedial program or (ii) after expiration of the Rate of Return Shortfall Remedial Period in the event that no such remedial program is implemented, the ROO has not increased to 3% or the NPV/CPA Ratio is not greater than or equal to the NPV/CPA Ratio of Competitive Opportunities, the Parties shall in good faith, and within 30 days thereafter, negotiate a reasonable modification to the Account Origination Fee or other modification to the Fees going forward such that the ROO and the NPV/CPA Ratio are at acceptable levels. If such Fee modification(s) is not mutually agreed to within such 30-day period, FUSA shall have the right, in FUSA's sole discretion, to terminate this Agreement in accordance with Section 10.6.

3. Application Volume. (a) In the event that the Company generates at least [**] completed and valid Account applications, net of duplications, for no-fee, unsecured Credit Cards per calendar quarter for review by FUSA (the "Application Volume") but FUSA does not approve at least 50% of such applications, the total amount owed to the Company in Account Origination Fees under Paragraph 1 of this Schedule B for such calendar quarter shall be calculated to equal the amount that would have been payable to the Company if 50% of such applications had been approved by FUSA and had resulted in Company-Sourced Account (the "Minimum Fee"). In the event of such occurrence, FUSA agrees to use commercially reasonable efforts subsequently to increase its credit approval rates, including, without limitation, through more detailed review and scoring of Account applications.

- -----
[**] = Confidential treatment requested for redacted portion.

(b) If the Company does not achieve the Application Volume for any calendar quarter, the Company shall not be entitled to the Minimum Fee provided for in Paragraph 3(a) of this Schedule B for the subsequent calendar quarter. If the Company fails to achieve the Application Volume for two or more consecutive calendar quarters or if the ROO falls below 3%, FUSA shall have the right to eliminate the 50% application approval threshold and related Minimum Fee provision set forth in Paragraph 3(a) of this Schedule B for all quarterly periods thereafter; provided, however, that FUSA's exercise of such right shall simultaneously relieve the Company of its preference and first refusal obligations to FUSA set forth in this Agreement.

(c) Notwithstanding the foregoing, FUSA shall be solely responsible for all approval and other credit decisions relating to the applications sourced by the Company, and nothing set forth herein shall be deemed to require FUSA to make any approval or credit decision that is not consistent with FUSA's normal credit approval standards and safe and sound banking practices.

4. Acquisition Bonus Payment. In addition to any other payment to which the Company is entitled under this Agreement, FUSA shall pay to the Company a \$[**] bonus (the "Acquisition Bonus Payment") for every Company-Sourced Account as to which the Account obligor has transferred, from any source, an outstanding balance for payment due (a "Balance Transferring Account"); provided, however, that (a) the Company shall not be entitled to any such Acquisition Bonus Payment unless and until the percentage found by dividing (i) the total number of Balance Transferring Accounts over the previous 12 consecutive billing cycles by (ii) the total

number of Company-Sourced Accounts over such previous 12 consecutive billing cycles (the "Incident Rate"), is greater than or equal to 40% and (b) the Acquisition Bonus Payment shall only be paid with respect to the number of Balance Transferring Accounts that exceed such 40% Incident Rate.

5. Value-Added Payment. In addition to any other payment the Company is entitled to under this Agreement, FUSA shall make to the Company a payment of \$[**] (a "Value-Added Payment") for every approved Account application at the time such Account application is approved by FUSA. Such Value-Added Payment shall be paid to the Company in lieu of the Usage Fee otherwise payable (pursuant to Paragraph 6 of this Schedule B) for the first 12 billing cycles after any such Company-Sourced Account is opened; provided, however, that the Company shall be entitled to such Value-Added Payment only with respect to the first five-million Accounts opened during the term of this Agreement; and provided further that if, after Value-Added Payments have been made by FUSA for the first one-million Accounts, FUSA determines that such Value-Added Payments have resulted in a ROO of less than 3% or an NPV/CPA Ratio that is below the NPV/CPA Ratio of Competitive Opportunities, FUSA may pay to the Company, in lieu of such Value-Added Payment, a Usage Fee (calculated in accordance with Paragraph 6 of this Schedule B) with respect to the remaining four-million Accounts for which a Value-Added Payment would have been earned but for this proviso.

- -----

[**] = Confidential treatment requested for redacted portion.

6. Usage Fee. In addition to any other payment the Company is entitled to under this Agreement, the Company shall be paid a fee (a "Usage Fee") for every Company-Sourced Account equal to, (a) if the net retail purchases for such period are equal to or less than \$1,000 for such Account, 0.50% of the net retail purchases made and stated every 12 billing cycles on each Company-Sourced Account or, (b) if the net retail purchases for such period on such Company-Sourced Account exceed \$1,000, an amount equal to the sum of (i) \$[**] plus (ii) [**]% of the net retail purchases made and stated every 12 billing cycles for such Company-Sourced Account, to the extent such net retail purchases exceed \$1,000 for such Account. FUSA shall pay Usage Fees to the Company quarterly and shall pay such fees within 15 days of the end of each calendar quarter with respect to such calendar quarter, in accordance with the terms of Article V. Notwithstanding the foregoing, with respect to any Account for which the Company receives a Value-Added Payment, FUSA shall not be required to pay to the Company any Usage Fee for the first 12 billing cycles after such Account is opened.

7. Acquisition Balance Transfer Commission. In addition to any other payment the Company is entitled to receive under this Agreement, FUSA shall pay to the Company a commission (an "Acquisition Balance Transfer Commission") equal to the sum of (a) [**]% of all balance dollars transferred to Balance Transferring Accounts at non-introductory rates, not to exceed \$[**] balance dollars transferred per Account per annum, and (b) an amount equal to [**]% of the amount that is (i) the difference between the actual Incident Rate (expressed as a percentage) and [**]% (which number shall never be less than zero), multiplied by (ii) the total number of balance dollars transferred; provided, however, that in calculating such amount of balance dollars transferred, the maximum number of balance dollars transferred to be counted for any Account shall not exceed \$[**].

8. Portfolio Balance Transfer Commission. In addition to any other payment the Company is entitled to receive under this Agreement, FUSA shall pay the Company a commission (a "Portfolio Balance Transfer Commission") equal to [**]% of all balance dollars transferred to any FUSA account (whether or not such account was sourced by the Company) at non-introductory rates, which balance transfer the Company has marketed and sourced, it being understood and agreed to by the Parties that the Company shall not be entitled to any Portfolio Balance Transfer Commission with respect to any balance transfers sourced by FUSA to any account, including, without limitation, any Company-Sourced Account; provided that such Portfolio Balance Transfer Commission shall be paid only (a) if such balance dollars transferred equal or exceed \$[**] per account per annum and (b) in no event with respect to more than \$[**] balance dollars transferred per account per annum; and provided further that no Portfolio Balance Transfer Commission shall be paid with respect to any balance transfer for which the Company receives an Acquisition Balance Transfer Commission.

- ----- [**] = Confidential treatment requested for redacted portion.

9. Balance Retention Bonus. In addition to any other payment to which the Company is entitled under this Agreement, with respect any Company-Sourced Account that has remained open and available for charging activity for 12 billing cycles from such Company-Sourced Account's initial billing statement, FUSA shall pay to the Company a one-time "Balance Retention Bonus" equal to [**]% of the amount by which the actual balance remaining on such Account at the end of such 12-month period exceeds 80% of the highest balance reached at any time on such account during such prior 12-month period.

10. Account Reactivation Fee. FUSA shall pay the Company an "Account Reactivation Fee" for every FUSA account that the Company causes to be reactivated if such reactivated account (a) had been dormant, i.e., had generated no debit-based statement, during the six months immediately prior to reactivation and (b) reaches billing activity of \$1,000 or more, in the aggregate, at any time during the first six billing cycles immediately following reactivation (a "Reactivated Account"). The Account Reactivation Fee shall be equal to (i) \$[**] for every Reactivated Account that had been dormant for 13 or more consecutive billing cycles immediately prior to reactivation, (ii) \$[**] for every Reactivated Account that had been dormant for no fewer than nine and no more than 12 of the consecutive billing cycles immediately prior to reactivation and (iii) \$[**] for every Reactivated Account that had been dormant for no fewer than six and no more than eight consecutive billing cycles immediately prior to reactivation. To the extent that any Reactivation Account also qualifies the Company to receive a Portfolio Balance Transfer Commission pursuant to Paragraph 8 of this Schedule B, the Company shall be entitled to receive the greater of the Account Reactivation Fee and the Portfolio Balance Transfer Commission, but not both.

- ----- [**] = Confidential treatment requested for redacted portion.

SCHEDULE C

DISPUTE RESOLUTION

1. Level 1 Dispute Review. Upon the written request of either Party, the Company and FUSA shall each appoint a designated representative whose task shall be to meet the other Party's designated representative (by conference telephone call or in person at a mutually agreeable site) in an endeavor to resolve any Dispute ("Level 1 Dispute Review"). The designated representatives shall meet as often as the parties reasonably deem necessary to discuss the Dispute and negotiate in good faith in an effort to resolve the Dispute without the necessity of any formal proceeding.

2. Level 2 Dispute Review. If resolution of the Dispute cannot be resolved within the earlier of (a) 15 days from the first Level 1 Dispute Review meeting and (b) such time as when either Party gives the other written notice of an impasse ("Level 1 Dispute Termination Date"), a chief executive officer (or a functional equivalent) of each of the Company and FUSA shall meet (by conference telephone call or in person at a mutually agreeable site) within 72 hours after the Level 1 Dispute Termination Date for the purpose of resolving such unresolved Dispute ("Level 2 Dispute Review").

3. Submission of Dispute to Mediation. If the Parties are unable to resolve the Dispute within a reasonable period after commencement of the Level 2 Dispute Review, the Parties shall give each other written notice of the existence of a continuing impasse (the date on which both Parties are in receipt of such notice, the "Level 2 Dispute Termination Date") and shall thereafter immediately submit the Dispute to mediation in accordance with the Commercial Mediation Rules of the AAA and shall bear equally the costs of the mediation. The Parties will act in good faith to jointly appoint a mutually acceptable mediator, seeking assistance in such regard from the AAA within 15 days of the Level 2 Termination Date. The Parties agree to participate in good faith in the mediation and negotiations related thereto for a period of 30 days commencing with the selection of the mediator and any extension of such period as mutually agreed to by the

Parties.

4. Arbitration. (a) If the Parties cannot agree to a mediator within 15 days of the Level 2 Dispute Termination Date or if the Dispute is not resolved within 30 days after the beginning of the mediation and any extension of such periods as mutually agreed to by the Parties, the Dispute shall be submitted to, and finally determined by, binding arbitration in accordance with the following provisions of this Schedule, regardless of the amount in controversy or whether such Dispute would otherwise be considered justiciable or ripe for resolution by a court or arbitration panel.

(b) Any such arbitration shall be conducted by the AAA in accordance with its current Commercial Arbitration Rules (the "AAA Rules"), except to the extent that the AAA Rules conflict with the provisions of this Schedule, in which event the provisions of this Schedule shall control.

(c) The arbitration panel (the "Panel") shall consist of three neutral arbitrators ("Arbitrators"), each of whom shall be an attorney having five or more years experience in the primary area of law as to which the Dispute relates, and shall be appointed in accordance with the AAA Rules (the "Basic Qualifications").

(d) Should an Arbitrator refuse or be unable to proceed with arbitration proceedings as called for by this Schedule, a substitute Arbitrator possessing the Basic Qualifications shall be appointed by the AAA. If an Arbitrator is replaced after the arbitration hearing has commenced, then a rehearing shall take place in accordance with the provisions of this Schedule and the AAA Rules.

(e) The arbitration shall be conducted in Wilmington, Delaware; provided that the Panel may from time to time convene, carry on hearings, inspect property or documents and take evidence at any location that the Panel deems appropriate.

(f) The Panel may, in its discretion, order a pre-exchange of information, including production of documents, exchange of summaries of testimony or exchange of statements of position, and shall schedule promptly all discovery and other procedural steps and otherwise assume case management initiative and control to effect an efficient and expeditious resolution of the Dispute.

(g) At any oral hearing of evidence in connection with any arbitration conducted pursuant to this Schedule, each Party and its legal counsel shall have the right to examine its witnesses and to cross-examine the witnesses of the other party. No testimony of any witness shall be presented in written form unless the opposing party shall have the opportunity to cross-examine such witness, except as the parties otherwise agree in writing and except under extraordinary circumstances where, in the opinion of the Panel, the interests of justice require a different procedure.

(h) Within 15 days after the closing of the arbitration hearing, the Panel shall prepare and distribute to the parties a written award, setting forth the Panel's findings of facts and conclusions of law relating to the Dispute, including the reasons for the giving or denial of any requested remedy or relief. The Panel shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant and shall award interest on any monetary award from the date that the loss or expense was incurred by the successful party. In addition, the Panel shall have the authority to decide issues relating to the interpretation, meaning or performance of this Agreement, any agreement, certificate or other document referred to herein or delivered in connection herewith or the relationships of the parties hereunder or thereunder, even if such decision would constitute an advisory opinion in a court proceeding or if the issues would otherwise not be ripe for resolution in a court proceeding, and any such decision shall bind the parties in their performance of this Agreement and such other documents.

(i) Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, or to obtain interim relief, no party nor any arbitrator shall disclose the existence, content or results of any arbitration conducted hereunder without the prior written consent of the other parties.

(j) To the extent that the relief or remedy granted in an award rendered by the Panel is relief or a remedy on which a court could enter judgment, a judgment upon the award rendered by the Panel may be entered in any court having jurisdiction thereof. Otherwise, the award shall be binding upon the Parties in connection with their obligations under this Agreement and in any subsequent arbitration or judicial proceedings between the Parties.

(k) The Parties agree to share equally the cost of any arbitration, including the administrative fee, the compensation of the arbitrators and the costs of any neutral witnesses or proof produced at the direct request of the Panel.

(l) Notwithstanding the choice of law provision set forth in Section 14.10 of this Agreement, The Federal Arbitration Act, 9 U.S.C. ss.ss.1 to 14, except as modified hereby, shall govern the enforcement of Article XIII and this Schedule.

5. Recourse to Courts and Other Remedies. Notwithstanding the Dispute resolution procedures contained in this Schedule, any Party may apply to any court having jurisdiction (a) to enforce this Agreement to arbitrate, (b) to seek provisional injunctive relief so as to maintain the status quo until the arbitration award is rendered or the Dispute is otherwise resolved, (c) to avoid the expiration of any applicable limitation period, (d) to preserve a superior position with respect to other creditors or (e) to challenge or vacate any final judgment, award or decision of the Panel that does not comport with the express provisions of this Schedule.

6. Attorneys' Fees. If any action, suit or proceeding is commenced to establish, maintain or enforce any right or remedy under this Agreement, the party not prevailing therein shall pay, in addition to any damages or other award, all reasonable attorneys' fees and litigation expenses incurred therein by the prevailing party.

7. Affiliates. Each party hereto agrees that for purposes of Article XIII and this Schedule, references to the Parties shall also include their respective controlled affiliates, who shall be subject to the Dispute resolution procedures of Article XIII and this Schedule to the same extent as the Parties.

SCHEDULE D

LITIGATION

See attached.

other federal or state laws. Such action could severely interfere with the conduct of the priceline.com business.

LendingTree provides the mortgage brokerage services offered through the priceline.com home mortgage service on priceline.com's Web site and is responsible for maintaining the necessary and appropriate state registrations and licenses associated with LendingTree's provision of those mortgage brokerage services. If a federal or state regulatory authority, or an aggrieved customer, should in the future claim that LendingTree has failed to comply fully with applicable federal or state law requirements pertaining to LendingTree's provision of mortgage brokerage services, the priceline.com home mortgage service could be materially and adversely affected and priceline.com may be unable to continue to make its home mortgage services Web site available, either to residents of affected state(s) or on a national basis.

Consumer Protection and Related Laws

All of priceline.com's services are subject to federal and state consumer protection laws and regulations prohibiting unfair and deceptive trade practices. Priceline.com is also subject to related "plain

language" statutes in place in many jurisdictions, which require the use of simple, easy to read, terms and conditions in contracts with consumers.

Although there are very few laws and regulations directly applicable to the protection of consumers in an online environment, it is possible that legislation will be enacted in this area and could cover such topics as permissible online content and user privacy, including the collection, use, retention and transmission of personal information provided by an online user. Furthermore, the growth and demand for online commerce could result in more stringent consumer protection laws that impose additional compliance burdens on online companies. Such consumer protection laws could result in substantial compliance costs and interfere with the conduct and growth of the priceline.com business.

Business Qualification Laws

Because priceline.com's service is available over the Internet in multiple states, and because it sells to numerous consumers resident in such states, such jurisdictions may claim that priceline.com is required to qualify to do business as a foreign corporation in each such state. Priceline.com is qualified to do business in a limited number of states, and failure by priceline.com to qualify as a foreign corporation in a jurisdiction where it is required to do so could subject priceline.com to taxes and penalties for the failure to so qualify and limit its ability to conduct litigation in such states.

International Expansion

Priceline.com intends to explore opportunities for expanding the priceline.com business into international markets. It is possible, however, that the priceline.com demand collection system will not be readily adaptable to regulatory environments of certain foreign jurisdictions. In addition, there are various other risks associated with international expansion. They include language barriers, unexpected changes in regulatory requirements, trade barriers, problems in staffing and operating foreign operations, changes in currency exchange rates, difficulties in enforcing contracts and other legal rights, economic and political instability and problems in collection.

LEGAL PROCEEDINGS

On January 6, 1999, priceline.com received notice that a third party patent applicant and patent attorney, Thomas G. Woolston, purportedly had filed in December 1998 with the United States Patent and Trademark Office a request to declare an "interference" between a patent application filed by Woolston describing an electronic market for used and collectible goods and priceline.com's core buyer-driven commerce patent. Priceline.com has received a copy of a Petition for Interference from Woolston, the named inventor in at least three United States Patent applications titled "Consignment Nodes," one of which has issued as a patent (U.S. Patent Number: 5,845,265). Priceline.com currently is awaiting information from the Patent Office regarding whether it will initiate an interference proceeding concerning Woolston's patent application and priceline.com's core buyer-driven commerce patent. An interference is an administrative proceeding instituted in the Patent Office to determine questions of patentability and priority of invention between two or more parties claiming the same patentable invention. There is no statutory period within which the Patent Office must act on an interference request. If an interference is declared and proceeds through a final hearing in the Patent Office, a final judgment is made by the Patent Office as to inventorship. Following such final judgment, appeals could be made in Federal court. While there can be no certainty as to time periods, interference proceedings typically take years to resolve.

As a threshold to the initiation of an interference proceeding, Woolston must show that his patent application supports claims that he copied from the priceline.com core buyer-driven commerce patent. In order to make this showing, he would have to prove, among other things, that he invented the subject matter of the priceline.com claims before the inventors of the priceline.com patent. If the Patent Office were to find that Woolston's patent application supported the copied priceline.com claims, it would resolve the interference by awarding inventorship to the party with the earliest proven date of invention. Woolston recently announced an agreement to license his issued patent and pending patent applications to the owner of an Internet travel service that, according to

such announcement, commenced on-line operations in the fourth quarter of 1998 and purports to compete with priceline.com.

While the interference process is still at an early stage, priceline.com believes that it has meritorious defenses to Woolston's claim, which it intends to pursue vigorously. Among other things, priceline.com believes that the Woolston patent application does not disclose the inventions covered by the priceline.com patent claims. However, it is impossible to predict the outcome of an interference with certainty. While Woolston claims to have an earlier invention date by a period of approximately sixteen months, the final decision as to priority of invention would be made by the Patent Office after considering facts provided by each party during the interference proceeding. If an interference is declared and thereafter resolved in favor of Woolston, such resolution could result in an award of some or all of the disputed patent claims to Woolston. If, following such award, Woolston were successful in a patent infringement action against priceline.com, including prevailing over all defenses available to priceline.com such as those of non-infringement and invalidity, this could require priceline.com to obtain licenses from Woolston and pay damages from the date such patent issued at a cost which could significantly adversely affect priceline.com's business. If Woolston prevailed in both an interference and an infringement action, then priceline.com could be enjoined from conducting business through the priceline.com service to the extent covered by the patent claims awarded to Woolston. In addition, defense of the interference action may be expensive and may divert management attention away from priceline.com's business.

On January 19, 1999, a lawsuit was filed in the United States District Court for the Northern District of California by Marketel International, Inc., a California corporation, under the caption Marketel International Inc. v. Priceline.com et. al., No. C-99-1061 (N.D. CA 1999), against priceline.com, Priceline Travel, Walker Asset Management, Walker Digital, Mr. Jay S. Walker, priceline.com's Founder and Vice Chairman, and Mr. Andre Jaeckle, an individual who made a \$1 million loan to priceline.com bearing interest at a rate of 6% per year, and in connection therewith, received warrants, which have subsequently been fully exercised, to purchase 62,500 shares of our common stock. On February 22, 1999, Marketel filed an amended and supplemental complaint. The amended complaint filed by Marketel, which joins as defendants Mr. Timothy G. Brier, our Executive Vice President, Travel, Mr. Bruce Schneier, an individual and consultant to Walker Digital, and Mr. James Jorasch, an individual and employee of Walker Digital, alleges causes of action for, among other things, misappropriation of trade secrets, breach of contract, conversion, breach of confidential relationship, copyright infringement, fraud, unfair competition, and false advertising, and seeks injunctive relief and damages in an unspecified amount. In its amended complaint, Marketel alleges, among other things, that the defendants conspired to misappropriate Marketel's business model, which it describes as a buyer-driven electronic marketplace for travel services and its appurtenant techniques, market research, forms, plans and processes, and which an executive of Marketel allegedly provided to Messrs. Walker and Jaeckle in confidence approximately ten years ago. The amended complaint also alleges that three former Marketel employees are the actual sole inventors or co-inventors of US patent No. 5794207, which was issued on August 11, 1998 with Jay S. Walker, Bruce Schneier and James Jorasch listed as the inventors and which patent has been assigned to priceline.com. Marketel asks that the patent's inventorship be corrected accordingly.

Based upon publicly available information, priceline.com believes that Marketel's fax and fee-based business was launched in 1991 and ceased operations seven months later. Priceline.com's Internet-based model was independently developed by Walker Digital and priceline.com, and practiced by priceline.com starting in 1998. Based on publicly available information and Marketel's complaint, priceline.com understands that Marketel operated a fax-based travel information service which offered consumers, travel agents and/or consolidators the opportunity to purchase specially printed forms. These forms, when accompanied by an additional non-refundable fee, allowed prospective ticket buyers to fax to Marketel credit-card guaranteed bids for airline travel at a bid price specified by the buyer. Priceline.com believes that Marketel has not engaged in any regular commercial activities since ceasing operations in 1992. Based upon publicly available information, Marketel reactivated its active status as a corporation by satisfying its back-due tax obligations to the State of California shortly after the filing of its complaint.

On February 5, and February 10, 1999, the defendants filed their answer and amended answer, respectively, to the amended complaint, in which they denied the material allegations of liability in the complaint. Priceline.com and all other defendants strongly dispute the material legal and factual allegations contained in Marketel's amended complaint and believe that the amended complaint is without merit. Priceline.com intends to defend vigorously against the action. Defending the law suit may involve significant expense and, due to the inherent uncertainties of litigation, there can be no certainty as to the ultimate outcome. Pursuant to the terms of the indemnification obligations contained in the Purchaser and Intercompany Agreement with Walker Digital, Walker Digital has agreed to indemnify priceline.com for damages, liability and legal expenses incurred in connection with the Marketel litigation.

From time to time priceline.com has been and expects to continue to be subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of third party intellectual property rights by the company. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

EMPLOYEES

Currently, priceline.com has 194 full-time employees. In addition, through an Intercompany Agreement with Walker Digital Corporation, priceline.com receives a variety of services, including research and development, patent and other intellectual property services and technical support. Priceline.com also employs independent contractors to support its customer service and system support functions. See "Certain Transactions."

Priceline.com has never had a work stoppage and its employees are not represented by any collective bargaining unit. It considers its relations with its employees to be good. Priceline.com's future success will depend, in part, on its ability to continue to attract, integrate, retain and motivate highly qualified technical and managerial personnel, for whom competition is intense.

FACILITIES

Priceline.com's executive, administrative and operating offices are located in approximately 35,000 square feet of leased office space located in Stamford, Connecticut. Priceline.com is subleasing this office space from Walker Digital on a month-to-month basis. Priceline.com also has guaranteed Walker Digital's obligations under a lease of office space in New York City that is used by both companies. Priceline.com anticipates that it will require additional space within the next 12 months to accommodate its anticipated growth and that suitable office space will be available on commercially reasonable terms.

<ARTICLE>
<LEGEND>

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED CONDENSED FINANCIAL STATEMENTS OF PRICELINE.COM INCORPORATED FOR THE THREE MONTHS ENDED MARCH 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	DEC-31-1999
<PERIOD-START>	JAN-01-1999
<PERIOD-END>	MAR-31-1999
<CASH>	30,593,613
<SECURITIES>	0
<RECEIVABLES>	160,229,976
<ALLOWANCES>	0
<INVENTORY>	0
<CURRENT-ASSETS>	197,389,236
<PP&E>	10,009,654
<DEPRECIATION>	0
<TOTAL-ASSETS>	209,738,926
<CURRENT-LIABILITIES>	22,100,201
<BONDS>	0
<COMMON>	1,138,564
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<OTHER-SE>	185,491,227
<TOTAL-LIABILITY-AND-EQUITY>	209,738,926
<SALES>	49,410,542
<TOTAL-REVENUES>	49,410,542
<CGS>	44,039,943
<TOTAL-COSTS>	44,039,943
<OTHER-EXPENSES>	22,988,680
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	0
<INCOME-PRETAX>	(17,160,309)
<INCOME-TAX>	0
<INCOME-CONTINUING>	0
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(17,160,309)
<EPS-PRIMARY>	(0.27)
<EPS-DILUTED>	(0.27)