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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

Amendment No. 1  
To

**FORM 10**

GENERAL FORM FOR REGISTRATION OF SECURITIES  
Pursuant to Section 12(b) or 12(g) of  
The Securities Exchange Act of 1934

**Liberty Spinco, Inc.**

(exact name of registrant as specified in its charter)

<b>Delaware</b> (State of incorporation or organization)	<b>37-1699499</b> (I.R.S. Employer Identification No.)
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<b>12300 Liberty Blvd.</b> <b>Englewood, CO</b> (Address of principal executive offices)	<b>80112</b> (Zip code)
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Registrant's telephone number, including area code: **(720) 875-5400**

Securities to be registered pursuant to Section 12(b) of the Act:

**Series A Common Stock, \$0.01 par value**  
(Title of class)

**Series B Common Stock, \$0.01 par value**  
(Title of class)

Securities to be registered pursuant to Section 12(g) of the Act:

**None.**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a  
smaller reporting company)

Smaller reporting company

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**Liberty Spingo, Inc.**

**Our Information Statement is filed as Exhibit 99.1 to this Form 10. For your convenience, we have provided below a cross-reference sheet identifying where the items required by Form 10 can be found in the Information Statement.**

<u>Item No.</u>	<u>Item Caption</u>	<u>Location in Information Statement</u>
1.	Business.	Summary; Risk Factors; Cautionary Statement Concerning Forward Looking Statements; The Spin-Off; Selected Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations; Description of our Business; and Certain Relationships and Related Party Transactions
1A.	Risk Factors.	Risk Factors
2.	Financial Information.	Summary; Risk Factors; Selected Financial Data; and Management's Discussion and Analysis of Financial Condition and Results of Operations
3.	Properties.	Description of our Business—Properties
4.	Security Ownership of Certain Beneficial Owners and Management.	Security Ownership of Certain Beneficial Owners and Management
5.	Directors and Executive Officers.	Management
6.	Executive Compensation.	Management; and Executive Compensation
7.	Certain Relationships and Related Transactions.	Summary; Risk Factors; Management; and Certain Inter-Company Agreements
8.	Legal Proceedings.	Description of our Business—Legal Proceedings
9.	Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters.	Summary; The Spin-Off; Risk Factors; Executive Compensation—Equity Compensation Plan Information; and Description of our Capital Stock
10.	Recent Sales of Unregistered Securities.	Not Applicable
11.	Description of Registrant's Securities to be Registered.	Description of our Capital Stock
12.	Indemnification of Directors and Officers.	Indemnification of Directors and Officers
13.	Financial Statements and Supplementary Data.	Summary; Selected Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations
14.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.	Not Applicable
15.	Financial Statements and Exhibits.	

- (a) *Financial Statements:* The following financial statements are included in the Information Statement and filed as part of this Registration Statement:

**Liberty Media Corporation**

Report of Independent Registered Public Accounting Firm  
Consolidated Balance Sheets as of December 31, 2011 and 2010  
Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009  
Consolidated Statements of Comprehensive Earnings (Loss) for the years ended December 31, 2011, 2010 and 2009  
Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009  
Consolidated Statement of Equity for the years ended December 31, 2011, 2010 and 2009  
Notes to Condensed Consolidated Financial Statements  
Unaudited Condensed Consolidated Balance Sheets as of September 30, 2012 and December 31, 2011  
Unaudited Condensed Consolidated Statements of Operations for the three months ended September 30, 2012 and 2011 and for the nine months ended September 30, 2012 and 2011  
Unaudited Condensed Consolidated Statements of Comprehensive Earnings (Loss) for the three months ended September 30, 2012 and 2011 and for the nine months ended September 30, 2012 and 2011  
Unaudited Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011  
Unaudited Condensed Consolidated Statement of Equity for the nine months ended September 30, 2012  
Notes to Condensed Consolidated Financial Statements (unaudited)

**Liberty Spinco, Inc.**

Unaudited Condensed Pro Forma Consolidated Balance Sheet as of September 30, 2012  
Unaudited Condensed Pro Forma Consolidated Balance Sheet as of December 31, 2011  
Unaudited Condensed Pro Forma Consolidated Balance Sheet as of December 31, 2010  
Unaudited Condensed Pro Forma Consolidated Statement of Operations for the nine months ended September 30, 2012  
Unaudited Condensed Pro Forma Consolidated Statement of Operations for the nine months ended September 30, 2011  
Unaudited Condensed Pro Forma Consolidated Statement of Operations for the year ended December 31, 2011  
  
Unaudited Condensed Pro Forma Consolidated Statement of Operations for the year ended December 31, 2010  
Unaudited Condensed Pro Forma Consolidated Statement of Operations for the year ended December 31, 2009  
Notes to Condensed Pro Forma Consolidated Financial Statements (unaudited)

(b) *Exhibits.* The following documents are filed as exhibits hereto

<u>Exhibit Number</u>	<u>Exhibit Description</u>
2.1	Form of Reorganization Agreement by and between Liberty Media Corporation and the Registrant.
3.1	Form of Restated Certificate of Incorporation of the Registrant to be in effect at the time of the Spin-Off.*
3.2	Form of Bylaws of the Registrant to be in effect at the time of the Spin-Off.*
4.1	Specimen Certificate for shares of Series A Common Stock, par value \$.01 per share, of the Registrant.*
4.2	Specimen Certificate for shares of Series B Common Stock, par value \$.01 per share, of the Registrant.*
8.1	Opinion of Skadden, Arps, Slate, Meagher & Flom regarding certain tax matters.
10.1	Form of Liberty Spinco, Inc. 2012 Incentive Plan.
10.2	Form of Liberty Spinco, Inc. 2012 Nonemployee Director Incentive Plan.
10.3	Form of Liberty Spinco, Inc. 2012 Transitional Stock Adjustment Plan.**
10.4	Liberty Media Corporation 2006 Deferred Compensation Plan (As Amended and Restated as of September 23, 2012) (incorporated by reference to Exhibit 10.7 to Liberty Media Corporation's Annual Report on Form 10-K for the year ending December 31, 2011 (File No. 001-33982) as filed on February 23, 2012).
10.5	Form of Tax Sharing Agreement by and between Starz and Liberty Media Corporation.
10.6	Services Agreement by and between Liberty Interactive Corporation and Liberty Media Corporation (incorporated by reference to Exhibit 10.4 to Post-Effective Amendment No. 1 to Liberty Media Corporation's Form S-4 filed on September 23, 2011 (File No. 333-171201) (the "S-4")).
10.7	Form of Services Agreement by and between Starz and Liberty Media Corporation.
10.8	Facilities Agreement by and between Liberty Interactive Corporation and Liberty Property Holdings, Inc. (incorporated by reference to Exhibit 10.6 to the S-4).
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10.10	Form of Lease Agreement by and between Liberty Media Corporation and Liberty Property Holdings, Inc.**
10.11	Form of Aircraft Time Sharing Agreements with Starz.
10.12	Form of Indemnification Agreement by and between Liberty Spinco, Inc. and its executive officers/directors.*
10.13	Tax Sharing Agreement dated as of March 9, 1999, by and among AT&T Corp., Liberty Media LLC, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.1 to Liberty Interactive Corporation's Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-33982) as filed on February 25, 2010 (the "Liberty Interactive 2009 10-K"))).

Exhibit Number	Exhibit Description
10.14	First Amendment to Tax Sharing Agreement dated as of May 28, 1999, by and among AT&T Corp., Liberty Media LLC, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.2 to the Liberty Interactive 2009 10-K).
10.15	Second Amendment to Tax Sharing Agreement dated as of September 24, 1999, by and among AT&T Corp., Liberty Media LLC, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.3 to the Liberty Interactive 2009 10-K).
10.16	Third Amendment to Tax Sharing Agreement dated as of October 20, 1999, by and among AT&T Corp., Liberty Media LLC, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.4 to the Liberty Interactive 2009 10-K).
10.17	Fourth Amendment to Tax Sharing Agreement dated as of October 28, 1999, by and among AT&T Corp., Liberty Media LLC, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.5 to the Liberty Interactive 2009 10-K).
10.18	Fifth Amendment to Tax Sharing Agreement dated as of December 6, 1999, by and among AT&T Corp., Liberty Media LLC, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.6 to the Liberty Interactive 2009 10-K).
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10.21	Eighth Amendment to Tax Sharing Agreement dated as of July 25, 2000, by and among AT&T Corp., Liberty Media LLC, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.9 to the Liberty Interactive 2009 10-K).

Exhibit Number	Exhibit Description
10.22	Instrument dated January 14, 2000, adding The Associated Group, Inc. as a party to the Tax Sharing Agreement dated as of March 9, 1999, as amended, among The Associated Group, Inc., AT&T Corp., Liberty Media LLC, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.10 to the Liberty Interactive 2009 10-K).
10.23	Tax Sharing Agreement, dated as of November 19, 2009, by and between Liberty Media Corporation and Liberty Entertainment, Inc. ("LEI") (incorporated by reference to Exhibit 10.7 to Amendment No. 1 to the LEI Registration Statement on Form S-4 (File No. 333-158795) as filed on June 8, 2009).
10.24	Restated and Amended Employment Agreement dated November 1, 1992, between Tele-Communications, Inc. and John C. Malone (assumed by Liberty Media LLC as of March 9, 1999), and the amendment thereto dated June 30, 1999 and effective as of March 9, 1999, between Liberty Media LLC and John C. Malone (collectively, the "Malone Employment Agreement" (assumed, as amended, by Liberty Media Corporation as of September 22, 2011)) (incorporated by reference to Exhibit 10.11 to the Liberty Interactive 2009 10-K).
10.25	Second Amendment to Malone Employment Agreement effective January 1, 2003 (incorporated by reference to Exhibit 10.12 to the Liberty Interactive 2009 10-K).
10.26	Third Amendment to Malone Employment Agreement effective January 1, 2007 (incorporated by reference to Exhibit 10.13 to Liberty Interactive Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-33982) as filed on February 27, 2009) (the "Liberty Interactive 2008 10-K").
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10.28	Amended and Restated Executive Employment Agreement dated September 23, 2011, between Liberty Media Corporation and Gregory B. Maffei (incorporated by reference to Exhibit 10.29 to Liberty Media Corporation's Annual Report on Form 10-K for the year ended December 31, 2011 (File No.001-35294) as filed on February 23, 2012).
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21.1	List of Subsidiaries.*
99.1	Information Statement, Subject to Completion, dated November 29, 2012.
99.2	Executive and Director Compensation Information, extracted from the 2012 annual meeting proxy statements of Liberty Media Corporation and Liberty Interactive Corporation.

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\* Previously filed

\*\* To be filed by amendment

**SIGNATURES**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 29, 2012

**LIBERTY SPINCO, INC.**

By: /s/ PAMELA L. COE

Name: Pamela L. Coe  
Title: *Vice President, Secretary*

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## EXHIBIT INDEX

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\* Previously filed

\*\* To be filed by amendment

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[SIGNATURES](#)

[EXHIBIT INDEX](#)

**FORM OF  
REORGANIZATION AGREEMENT**

between

**LIBERTY MEDIA CORPORATION**

and

**LIBERTY SPINCO, INC.**

Dated as of [        ], 2012

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## REORGANIZATION AGREEMENT

This **REORGANIZATION AGREEMENT** (together with all Schedules and Exhibits hereto, this “**Agreement**”), dated as of [ ], 2012, is entered into by and between **LIBERTY MEDIA CORPORATION**, a Delaware corporation (“**LMC**”), and **LIBERTY SPINCO, INC.**, a Delaware corporation (“**Spinco**”). Certain capitalized terms used herein have the meanings ascribed thereto in Section 7.1.

### RECITALS:

**WHEREAS**, Spinco is and prior to the Spin-Off (as defined below) will be a wholly-owned subsidiary of LMC;

**WHEREAS**, the LMC Board has determined that it is appropriate and in the best interests of LMC and its stockholders to reorganize its assets and liabilities by means of a spin-off (the “**Spin-Off**”) of Spinco, the assets and liabilities of which would consist of all of the assets and liabilities of LMC other than the assets and liabilities of Starz, LLC and its subsidiaries (as defined below) at the Effective Time (as defined below);

**WHEREAS**, the parties desire to effect the transactions contemplated by this Agreement, including the Restructuring (as defined below) and the distribution (the “**Distribution**”), by means of a dividend, of all of the issued and outstanding shares of common stock of Spinco to the holders of record on the Record Date (as defined below) of LMC’s Series A Liberty Capital common stock, par value \$.01 per share (“**LMCA**”), and Series B Liberty Capital common stock, par value \$.01 per share (“**LMCB**”) and together with LMC, the “**LMC Common Stock**”);

**WHEREAS**, the transactions contemplated by this Agreement, including the Restructuring and the Distribution, have been approved by the LMC Board and, to the extent applicable, the Spinco Board, and are motivated in whole or substantial part by certain substantial corporate business purposes of LMC and Spinco;

**WHEREAS**, the transactions contemplated by this Agreement, including the Restructuring and the Distribution are intended to qualify, under, among other provisions, Sections 355 and 368 of the Internal Revenue Code of 1986, as amended (the “**Code**”), and are expected to accomplish certain business purposes of LMC and Spinco (which business purposes are substantially unrelated to federal tax matters);

**WHEREAS**, this Agreement constitutes a “plan of reorganization” within the meaning of Section 368 of the Code, and the Treasury Regulations promulgated thereunder; and

**WHEREAS**, the parties wish to set forth in this Agreement the terms on which, and the conditions subject to which, they intend to implement the measures referred to above and elsewhere herein.

**NOW, THEREFORE**, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements contained herein, the parties to this Agreement hereby agree as follows:

## ARTICLE I THE RESTRUCTURING

### 1.1 Restructuring.

(a) The parties have taken or will take, and have caused or will cause their respective Subsidiaries to take, all actions that are necessary or appropriate to implement and accomplish the transactions contemplated by each of the steps set forth in the Restructuring Plan (collectively, the “**Restructuring**”); *provided*, that all of such steps shall be completed by no later than the Effective Time.

(b) All the transactions contemplated by the Restructuring and the Distribution are intended to be part of the same plan of reorganization, even though there may be delays between the completion of certain of the transactions.

### 1.2 Transfer of Spinco Assets and Spinco Businesses; Assumption of Spinco Liabilities.

On the terms and subject to the conditions of this Agreement, and in furtherance of the Restructuring and the Spin-Off:

(a) LMC, by no later than the Effective Time, shall cause all of its (or its Subsidiaries’) rights, title and interest in and to all of the Spinco Assets and Spinco Businesses to be contributed, assigned, transferred, conveyed and delivered, directly or indirectly, to Spinco, and Spinco agrees to accept or cause to be accepted all such rights, title and interest in and to all the Spinco Assets and Spinco Businesses. All Spinco Assets are being transferred on an “as is, where is” basis, without any warranty whatsoever on the part of LMC.

(b) LMC, by no later than the Effective Time, shall cause all of the Spinco Liabilities to be assigned, directly or indirectly, to Spinco, and Spinco agrees to accept, assume, perform, discharge and fulfill all of the Spinco Liabilities in accordance with their respective terms.

(c) Upon completion of the transactions contemplated by Sections 1.2(a) and (b) above: (i) Spinco will own, directly or indirectly, the Spinco Businesses and the Spinco Assets and be subject to the Spinco Liabilities; and (ii) LMC will continue to own, directly or indirectly, the LMC Retained Businesses and the LMC Retained Assets and continue to be subject to the LMC Retained Liabilities.

1.3 Third Party Consents and Government Approvals. To the extent that either Distribution or any step in the Restructuring Plan requires a consent of any third party or a Governmental Authorization, the parties will use commercially reasonable efforts to obtain each such consent and Governmental Authorization at or prior to the time such consent or Governmental Authorization is required in order to lawfully effect the Distribution and each step in the Restructuring Plan.

1.4 Further Actions. From and after the Effective Time, upon the reasonable request of a party hereto, each other party hereto will promptly take, or cause its Subsidiaries to promptly take, all commercially reasonable actions necessary or appropriate to fully accomplish the

Restructuring and to give effect to the transactions provided for in this Agreement, including each step in the Restructuring Plan, in accordance with the purposes hereof.

1.5 Restructuring Documents. All documents and instruments used to effect the Restructuring and otherwise to comply with this Agreement shall be in form satisfactory to LMC, Spinco and any additional signatories hereto.

1.6 Qualification as Reorganization. For U.S. federal income tax purposes, (1) each step of the Restructuring is generally intended to be undertaken in a manner so that no gain or loss is recognized by LMC, Spinco or their respective Subsidiaries, and (2) the Contribution and the Distribution are intended to qualify as a tax-free reorganization under Sections 368(a) and 355 of the Code.

## ARTICLE II THE DISTRIBUTION

### 2.1 The Distribution.

(a) The LMC Board shall have the authority and right: (i) to declare or refrain from declaring the Distribution; (ii) to establish and change the record date for the Distribution (the "Record Date"); (iii) to establish and change the date on which the Distribution and Spin-Off shall be effective (the "Distribution Date"); and (iv) prior to the Distribution Date, to establish and change the procedures for effecting the Distribution; subject, in all cases, to the applicable provisions of the DGCL.

(b) On the Distribution Date, subject to the conditions to the Distribution set forth in Section 2.2, LMC shall cause to be distributed to the holders of record of LMC Common Stock on the Record Date (such holders, the "LMC Record Holders"), as a dividend, all the issued and outstanding shares of Spinco Common Stock on the basis of (i) one share of Series A Common Stock, par value \$.01 per share, of Spinco ("Spinco Series A Common Stock") for each share of LMCA held of record on the Record Date and (ii) one share of Series B Common Stock, par value \$.01 per share, of Spinco ("Spinco Series B Common Stock") and together with the Spinco Series A Common Stock, "Spinco Common Stock") for each share of LMCB held of record on the Record Date.

(c) Immediately prior to the Distribution Date and in accordance with the Restructuring Plan, Spinco shall cause the Spinco Charter to be filed with the Delaware Secretary of State, whereupon the issued and then outstanding shares of Spinco Common Stock (all of which shall be owned by LMC), shall automatically be reclassified into: (i) a number of shares of Spinco Series A Common Stock equal to the number of shares of LMCA outstanding as of the effective time of the Spinco Charter and (ii) a number of shares of Spinco Series B Common Stock equal to the number of shares of LMCB as of the effective time of the Spinco Charter.

(d) LMC will take such action, if any, as may be necessary or appropriate under applicable state and foreign securities and "blue sky" laws to permit the Distribution to be effected in compliance, in all material respects, with such laws.

### 2.2 Conditions to the Distribution and Spin-Off. The Spin-Off and Distribution are subject to the satisfaction of the following conditions:

(a) the LMC Board, or in the case of determining the Record Date, a committee thereof, shall have taken all necessary corporate action to establish the Record Date and to declare the dividends in order to effect the Distribution in accordance with the LMC Charter and bylaws and the DGCL;

(b) LMC shall have received a private letter ruling from the IRS (the "Ruling"), which ruling shall not have been withdrawn, invalidated or modified in an adverse manner, and the opinion of Skadden, Arps, Slate, Meagher & Flom LLP, in each case in form and substance reasonably acceptable to LMC and which opinion will rely upon the continued validity of the Ruling, with each of the Ruling and the opinion providing to the effect that the Spin-Off will qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Code, and that for U.S. federal income tax purposes, (i) no gain or loss will be recognized by LMC upon the distribution of Spinco Common Stock in the Spin-Off, and (ii) no gain or loss will be recognized by, and no amount will be included in the income of, holders of LMC Common Stock upon the receipt of shares of Spinco Common Stock in the Spin-Off;

(c) LMC shall have received a written solvency opinion from a financial advisor, in form and substance acceptable to the LMC Board, regarding the Spin-Off and related transactions, which opinion shall not have been withdrawn or modified;

(d) the Registration Statement on Form 10 with respect to the registration under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of Spinco Common Stock (the "Form 10") shall be effective as of the Distribution Date;

(e) the Spinco Common Stock shall have been approved for listing on Nasdaq; and

(f) any other regulatory or contractual approvals that a committee of the Board determines to obtain shall have been so obtained and be in full force and effect.

The foregoing conditions are for the sole benefit of LMC and shall not in any way limit LMC's right to amend, modify or terminate this Agreement in accordance with Section 6.1. Any of the foregoing conditions may be waived by the LMC Board and any determination made by the LMC Board prior to the Distribution concerning the satisfaction or waiver of any condition set forth in this Section 2.2 shall be final and conclusive.

### 2.3 Treatment of Outstanding Equity Awards.

(a) Certain current and former employees, non-employee directors and consultants of LMC, the Qualifying Subsidiaries and their respective Subsidiaries have been granted options, stock appreciation rights, and restricted shares in respect of LMC Common Stock pursuant to various stock incentive plans of LMC administered by the LMC Board (collectively, "Awards"). LMC and Spinco shall use commercially reasonable efforts to take all actions necessary or appropriate so that Awards that are outstanding immediately prior to the Effective Time are adjusted as set forth in this Section 2.3.

(b) Options. As of the Effective Time, and as determined by the LMC Board pursuant to its authority granted under the applicable stock incentive plan of LMC, the following shall occur:

(i) Except as described below in section (b)(ii), each holder of a LMC Option, whether vested or unvested (each, an "Outstanding LMC Option"), will receive an option to purchase an equivalent number of shares of the corresponding series of Spinco Common Stock (a "Spinco Option") and an adjustment to the exercise price of the Outstanding LMC Option (as so adjusted, an "Adjusted LMC Option") such that the pre-Spin-Off intrinsic value of the Outstanding LMC Option is allocated between the Spinco Option and the Adjusted LMC Option.

(ii) Each holder of an unvested LMC Option who is a current or former direct employee or consultant of Starz, LLC or any of its subsidiaries will receive an adjustment to his or her LMC Option so as to preserve the pre-Spin-Off intrinsic value of the unvested LMC Option.

Except as described herein, all other terms of the Spinco Options and the Adjusted LMC Options (including the vesting terms thereof) will, in all material respects, be the same as those of the corresponding Outstanding LMC Options; *provided*, that the terms and conditions of exercise of the Spinco Options shall in any event be determined in a manner consistent with Section 409A of the Code.

(c) SARs. As of the Effective Time, and as determined by the LMC Board pursuant to its authority granted under the applicable stock incentive plan of LMC, the following shall occur:

(i) Except as described below in section (b)(ii), each holder of a LMC SAR, whether vested or unvested (each, an Outstanding LMC SAR"), will receive a stock appreciation right with respect to an equivalent number of shares of the corresponding series of Spinco Common Stock (a "Spinco SAR") and an adjustment to the base price of the Outstanding LMC SAR (as so adjusted, an "Adjusted LMC SAR") such that the pre-Spin-Off intrinsic value of the Outstanding LMC SAR is allocated between the Spinco SAR and the Adjusted LMC SAR.

(ii) Each holder of an unvested LMC SAR who is a current or former direct employee or consultant of Starz, LLC or any of its subsidiaries will receive an adjustment to his or her LMC SAR so as to preserve the pre-Spin-Off intrinsic value of the unvested LMC SAR.

Except as described herein, all other terms of the Spinco SARs and the Adjusted LMC SARs (including the vesting terms thereof) will, in all material respects, be the same as those of the corresponding Outstanding LMC SARs; *provided*, that the terms and conditions of exercise of the Spinco SARs shall in any event be determined in a manner consistent with Section 409A of the Code.

(d) Restricted Stock. Shares of LMC Common Stock that are subject to a restricted stock award granted under a stock incentive plan of LMC (LMC Restricted Stock) will

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participate in the Distribution in the same manner as other outstanding shares of LMC Common Stock. Except as described herein, shares of Spinco Common Stock received by such holders of LMC Restricted Stock ("Spinco Restricted Stock") will otherwise be subject, in all material respects, to the same terms and conditions (including the vesting terms thereof) as those applicable to such shares of LMC Restricted Stock immediately prior to the Effective Time.

(e) From and after the Effective Time, Spinco Options, Spinco SARs and Spinco Restricted Stock, regardless of by whom held, shall be settled by Spinco pursuant to the terms of the Spinco Transitional Plan. The obligation to deliver (i) shares of Spinco Common Stock upon the exercise of Spinco Options, (ii) cash or shares of Spinco Common Stock in settlement of Spinco SARs or (iii) shares of Spinco Common Stock upon vesting of shares of Spinco Restricted Stock shall be the sole obligation of Spinco, and LMC shall have no Liability in respect thereof.

(f) It is intended that the Spinco Transitional Plan be considered, as to any Spinco Option, Spinco SAR or Spinco Restricted Stock that is issued as part of the adjustment provisions of this Section 2.3, to be a successor plan to the stock incentive plan of LMC pursuant to which the corresponding LMC Option, LMC SAR or LMC Restricted Stock was issued, and Spinco shall be deemed to have assumed the obligations under the applicable stock incentive plans of LMC to make the adjustments to the Awards set forth in this Section 2.3.

(g) With respect to Awards adjusted and any equity awards issued as a result of such adjustments (collectively, "Post Spin Awards"), in each case, pursuant to this Section 2.3, service after the Effective Time as an employee or non-employee director of, or consultant to, LMC, Spinco, any Qualifying Subsidiary or any of their respective Subsidiaries shall be treated as service to LMC and Spinco and their respective Subsidiaries for all purposes under such Post Spin Awards following the Effective Time.

(h) Neither the Effective Time nor any other transaction contemplated by the Restructuring Plan or this Agreement shall be considered a termination of employment for any employee of LMC, Spinco or any of their respective Subsidiaries for purposes of any Post Spin Award.

(i) Spinco agrees that, on and after the Effective Date, it shall use its reasonable efforts to cause to be effective under the Securities Act, on a continuous basis, a registration statement on Form S-8 with respect to shares of Spinco Common Stock issuable upon exercise of Spinco Options or settlement of Spinco SARs.

### ARTICLE III REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Parties. Each party hereto represents and warrants to the other as follows:

(a) Organization and Qualification. Such party is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware, has all requisite corporate power and authority to own, use, lease or operate its properties and assets, and to conduct the business heretofore conducted by it, and is duly qualified to do business and is in

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good standing in each jurisdiction in which the properties owned, used, leased or operated by it or the nature of the business conducted by it requires such qualification, except in such jurisdictions where the failure to be so qualified and in good standing would not have a material adverse effect on its business, financial condition or results of operations or its ability to perform its obligations under this Agreement.

(b) Authorization and Validity of Agreement. Such party has all requisite power and authority to execute, deliver and perform its obligations under this Agreement, the agreements and instruments to which it is to be a party required to effect the Restructuring (the "Restructuring Agreements") and the agreements to be delivered by it at the Closing pursuant to Section 5.3 (the "Other Agreements"). The execution, delivery and performance by such party of this Agreement, the Restructuring Agreements and the Other Agreements and the consummation by it of the transactions contemplated hereby and thereby have been duly and validly authorized by the board of directors, managing members or analogous governing body of such party and, to the extent required by law, its stockholders or members, and no other corporate or other action on its part is necessary to authorize the execution and delivery by such party of this Agreement, the Restructuring Agreements and the Other Agreements, the performance by it of its obligations hereunder and thereunder and the consummation by it of the transactions contemplated hereby and thereby. This Agreement has been, and each of the Restructuring Agreements and each of the Other Agreements, when executed and delivered, will be, duly executed and delivered by such party and each is, or will be, a valid and binding obligation of such party, enforceable in accordance with its terms.

3.2 No Approvals or Notices Required; No Conflict with Instruments. The execution, delivery and performance by such party of this Agreement, the Restructuring Agreements and the Other Agreements, and the consummation of the transactions contemplated hereby and thereby, do not and will not conflict with or result in

a breach or violation of any of the terms or provisions of, constitute a default under, or result in the creation of any lien, charge or encumbrance upon any of its assets pursuant to the terms of, the charter or bylaws (or similar formation or governance instruments) of such party, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it is a party or by which it or any of its assets are bound, or any law, rule, regulation, judgment, order or decree of any court or governmental authority having jurisdiction over it or its properties.

3.3 **No Other Reliance.** In determining to enter into this Agreement, the Restructuring Agreements and the Other Agreements, and to consummate the transactions contemplated hereby and thereby, such party has not relied on any representation, warranty, promise or agreement other than those expressly contained herein or therein, and no other representation, warranty, promise or agreement has been made or will be implied. Except as otherwise expressly set forth herein or in the Restructuring Agreements or the Other Agreements, all Spingo Assets and Spingo Businesses are being transferred on an "as is, where is" basis, at the risk of the transferee, without any warranty whatsoever on the part of the transferor and from and after the Effective Time.

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## ARTICLE IV COVENANTS

### 4.1 Cross-Indemnities.

(a) Spingo hereby covenants and agrees, on the terms and subject to the limitations set forth in this Article IV, from and after the Closing, to indemnify and hold harmless LMC and its current and former directors, officers and employees, and each of the heirs, executors, trustees, administrators, successors and assigns of any of the foregoing (the "LMC Indemnified Parties") from and against any Losses incurred by the LMC Indemnified Parties (in their capacities as such) to the extent arising out of or resulting from any of the following:

- (i) the conduct of the Spingo Businesses (whether before or after the Closing);
- (ii) the Spingo Assets;
- (iii) the Spingo Liabilities (whether incurred before or after the Closing); or

(iv) any breach of, or failure to perform or comply with, any covenant, undertaking or obligation of Spingo or any of its Subsidiaries under this Agreement, any Restructuring Agreement or any Other Agreement.

(b) LMC hereby covenants and agrees, on the terms and subject to the limitations set forth in this Article IV, from and after the Closing, to indemnify and hold harmless Spingo and its current and former directors, officers and employees, and each of the heirs, executors, trustees, administrators, successors and assigns of any of the foregoing (the "Spingo Indemnified Parties") from and against any Losses incurred by the Spingo Indemnified Parties (in their capacities as such) to the extent arising out of or resulting from:

- (i) the conduct of the LMC Retained Businesses (whether before or after the Closing);
- (ii) the LMC Retained Assets;
- (iii) the LMC Retained Liabilities (whether incurred before or after the Closing);
- (iv) the Starz Output Agreements; or

(v) any breach of, or failure to perform or comply with, any covenant, undertaking or obligation of LMC or any of its Subsidiaries (other than the Spingo Entities) under this Agreement, any Restructuring Agreement or any Other Agreement.

(c) The indemnification provisions set forth in Sections 4.1(a) and (b) shall not apply to: (i) any Losses the responsibility for which is expressly covered by a Restructuring Agreement or an Other Agreement, including the Tax Sharing Agreement; (ii) any Losses incurred by any Spingo Entity pursuant to any contractual obligation (other than this Agreement, the

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Restructuring Agreements or the Other Agreements) existing on or after the Closing Date between (x) LMC or any of its Subsidiaries or Affiliates, on the one hand, and (y) Spingo or any of its Subsidiaries or Affiliates, on the other hand; and (iii) any Losses incurred by any LMC Entity pursuant to any contractual obligation (other than this Agreement, the Restructuring Agreements or the Other Agreements) existing on or after the Closing Date between (x) LMC or any of its Subsidiaries or Affiliates, on the one hand, and (y) Spingo or any of its Subsidiaries or Affiliates, on the other hand.

(d) (i) In connection with any indemnification provided for in this Section 4.1, the party seeking indemnification (the "Indemnitee") will give the party from which indemnification is sought (the "Indemnitor") prompt notice whenever it comes to the attention of the Indemnitee that the Indemnitee has suffered or incurred, or may suffer or incur, any Losses for which it is entitled to indemnification under this Section 4.1, and, if and when known, the facts constituting the basis for such claim and the projected amount of such Losses (which shall not be conclusive as to the amount of such Losses), in each case in reasonable detail. Without limiting the generality of the foregoing, in the case of any Action commenced by a third party for which indemnification is being sought (a "Third-Party Claim"), such notice will be given no later than ten business days following receipt by the Indemnitee of written notice of such Third-Party Claim. Failure by any Indemnitee to so notify the Indemnitor will not affect the rights of such Indemnitee hereunder except to the extent that such failure has a material prejudicial effect on the defenses or other rights available to the Indemnitor with respect to such Third Party Claim. The Indemnitee will deliver to the Indemnitor as promptly as practicable, and in any event within five business days after Indemnitee's receipt, copies of all notices, court papers and other documents received by the Indemnitee relating to any Third-Party Claim.

(ii) After receipt of a notice pursuant to Section 4.1(d)(i) with respect to any Third-Party Claim, the Indemnitor will be entitled, if it so elects, to take control of the defense and investigation with respect to such Third-Party Claim and to employ and engage attorneys reasonably satisfactory to the Indemnitee to handle and defend such claim, at the Indemnitor's cost, risk and expense, upon written notice to the Indemnitee of such election, which notice acknowledges the Indemnitor's obligation to provide indemnification under this Agreement with respect to any Losses arising out of or relating to such Third-Party Claim. The Indemnitor will not settle any Third-Party Claim that is the subject of indemnification without the written consent of the Indemnitee, which consent will not be unreasonably withheld, conditioned or delayed; *provided, however*, that, after reasonable notice, the Indemnitor may settle a claim without the Indemnitee's consent if such settlement (A) makes no admission or acknowledgment of Liability or culpability with respect to the Indemnitee, (B) includes a complete release of the Indemnitee and (C) does not seek any relief against the Indemnitee other than the payment of money damages to be borne by the Indemnitor. The Indemnitee will cooperate in all reasonable respects with the Indemnitor and its attorneys in the investigation, trial and defense of any lawsuit or action with respect to such Claim and any appeal arising therefrom (including the filing in the Indemnitee's name of appropriate cross-claims and counterclaims). The Indemnitee may, at its own cost, participate in any investigation, trial and defense of any Third-Party Claim controlled by the Indemnitor and any appeal arising therefrom, including participating in the process with respect to the potential settlement or compromise thereof. If the Indemnitee has been advised by its

counsel that there may be one or more legal defenses available to the Indemnitee that conflict with those available to, or that are not available to, the Indemnitor (“Separate Legal Defenses”),

or that there may be actual or potential differing or conflicting interests between the Indemnitor and the Indemnitee in the conduct of the defense of such Third-Party Claim, the Indemnitee will have the right, at the expense of the Indemnitor, to engage separate counsel reasonably acceptable to the Indemnitor to handle and defend such Third-Party Claim, *provided*, that, if such Third-Party Claim can be reasonably separated between those portion(s) for which Separate Legal Defenses are available (“Separable Claims”) and those for which no Separate Legal Defenses are available, the Indemnitee will instead have the right, at the expense of the Indemnitor, to engage separate counsel reasonably acceptable to the Indemnitor to handle and defend the Separable Claims, and the Indemnitor will not have the right to control the defense or investigation of such Third-Party Claim or such Separable Claims, as the case may be (and, in which latter case, the Indemnitor will have the right to control the defense or investigation of the remaining portion(s) of such Third-Party Claim).

(iii) If, after receipt of a notice pursuant to Section 4.1(d)(i) with respect to any Third-Party Claim as to which indemnification is available hereunder, the Indemnitor does not undertake to defend the Indemnitee against such Third-Party Claim, whether by not giving the Indemnitee timely notice of its election to so defend or otherwise, the Indemnitee may, but will have no obligation to, assume its own defense, at the expense of the Indemnitor (including attorneys fees and costs), it being understood that the Indemnitee’s right to indemnification for such Third Party Claim shall not be adversely affected by its assuming the defense of such Third Party Claim. The Indemnitor will be bound by the result obtained with respect thereto by the Indemnitee; *provided*, that the Indemnitee may not settle any lawsuit or action with respect to which the Indemnitee is entitled to indemnification hereunder without the consent of the Indemnitor, which consent will not be unreasonably withheld, conditioned or delayed; *provided further*, that such consent shall not be required if (i) the Indemnitor had the right under this Section 4.1 to undertake control of the defense of such Third-Party Claim and, after notice, failed to do so within thirty days of receipt of such notice (or such lesser period as may be required by court proceedings in the event of a litigated matter), or (ii) (x) the Indemnitor does not have the right to control the defense of the entirety of such Third-Party Claim pursuant to Section 4.1(d)(ii) or (y) the Indemnitor does not have the right to control the defense of any Separable Claim pursuant to Section 4.1(d)(ii) (in which case such settlement may only apply to such Separable Claims), the Indemnitee provides reasonable notice to Indemnitor of the settlement, and such settlement (A) makes no admission or acknowledgment of Liability or culpability with respect to the Indemnitor, (B) does not seek any relief against the Indemnitor and (C) does not seek any relief against the Indemnitee for which the Indemnitor is responsible other than the payment of money damages.

(e) In no event will the Indemnitor be liable to any Indemnitee for any special, consequential, indirect, collateral, incidental or punitive damages, however caused and on any theory of liability arising in any way out of this Agreement, whether or not such Indemnitor was advised of the possibility of any such damages; *provided*, that the foregoing limitations shall not limit a party’s indemnification obligations for any Losses incurred by an Indemnitee as a result of the assertion of a Third Party Claim.

(f) The Indemnitor and the Indemnitee shall use commercially reasonable efforts to avoid production of confidential information, and to cause all communications among

employees, counsel and others representing any party with respect to a Third Party Claim to be made so as to preserve any applicable attorney-client or work-product privilege.

(g) The Indemnitor shall pay all amounts payable pursuant to this Section 4.1 by wire transfer of immediately available funds, promptly following receipt from an Indemnitee of a bill, together with all accompanying reasonably detailed backup documentation, for any Losses that are the subject of indemnification hereunder, unless the Indemnitor in good faith disputes the amount of such Losses or whether such Losses are covered by the Indemnitor’s indemnification obligation in which event the Indemnitor shall promptly so notify the Indemnitee. In any event, the Indemnitor shall pay to the Indemnitee, by wire transfer of immediately available funds, the amount of any Losses for which it is liable hereunder no later than three (3) days following any final determination of the amount of such Losses and the Indemnitor’s liability therefor. A “final determination” shall exist when (a) the parties to the dispute have reached an agreement in writing or (b) a court of competent jurisdiction shall have entered a final and non-appealable order or judgment.

(h) If the indemnification provided for in this Section 4.1 shall, for any reason, be unavailable or insufficient to hold harmless an Indemnitee in respect of any Losses for which it is entitled to indemnification hereunder, then the Indemnitor shall contribute to the amount paid or payable by such Indemnitee as a result of such Losses, in such proportion as shall be appropriate to reflect the relative benefits received by and the relative fault of the Indemnitor on the one hand and the Indemnitee on the other hand with respect to the matter giving rise to such Losses.

(i) The remedies provided in this Section 4.1 shall be cumulative and shall not preclude assertion by any Indemnitee of any other rights or the seeking of any and all other remedies against an Indemnitor, subject to Section 4.1(e).

(j) The rights and obligations of the LMC Indemnified Persons and the Spinco Indemnified Persons under this Section 4.1 shall survive the Spin-Off.

(k) For the avoidance of doubt, the provisions of this Section 4.1 are not intended to, and shall not, apply to any Loss, claim or Liability to which the provisions of the Tax Sharing Agreement are applicable.

(l) To the fullest extent permitted by applicable law, the Indemnitor will indemnify the Indemnitee against any and all reasonable fees, costs and expenses (including attorneys’ fees), incurred in connection with the enforcement of his, her or its rights under this Section 4.1.

4.2 Further Assurances. At any time before or after the Closing, each party hereto covenants and agrees to make, execute, acknowledge and deliver such instruments, agreements, consents, assurances and other documents, and to take all such other commercially reasonable actions, as any other party may reasonably request and as may reasonably be required in order to carry out the purposes and intent of this Agreement and to implement the terms hereof.

4.3 Specific Performance. Each party hereby acknowledges that the benefits to the other party of the performance by such party of its obligations under this Agreement are unique and that the other party is willing to enter into this Agreement only in reliance that such party will perform such obligations, and agrees that monetary damages may not afford an adequate

remedy for any failure by such party to perform any of such obligations. Accordingly, each party hereby agrees that the other party will have the right to enforce the specific performance of such party’s obligations hereunder and irrevocably waives any requirement for securing or posting of any bond or other undertaking in connection with the obtaining by the other party of any injunctive or other equitable relief to enforce their rights hereunder.

#### 4.4 Access to Information.

(a) Each party will provide to the other party, at any time before or after the Distribution Date, upon written request and promptly after the request therefor (subject in all cases, to any bona fide concerns of attorney-client or work-product privilege that any party may reasonably have and any restrictions contained in any agreements or contracts to which any party or its Subsidiaries is a party (it being understood that each of LMC and Spinco will use its reasonable best efforts to provide any such information in a manner that does not result in a violation of a privilege)), any information in its possession or under its control that the requesting party reasonably needs (i) to comply with reporting, filing or other requirements imposed on the requesting party by a foreign or U.S. federal, state or local judicial, regulatory or administrative authority having jurisdiction over the requesting party or its Subsidiaries, (ii) to enable the requesting party to institute or defend against any action, suit or proceeding in any foreign or U.S. federal, state or local court or (iii) to enable the requesting party to implement the transactions contemplated hereby, including but not limited to performing its obligations under this Agreement, the Restructuring Agreements and the Other Agreements.

(b) Any information belonging to a party that is provided to another party pursuant to Section 4.4(a) will remain the property of the providing party. The parties agree to cooperate in good faith to take all reasonable efforts to maintain any legal privilege that may attach to any information delivered pursuant to this Section 4.4 or which otherwise comes into the receiving party's possession and control pursuant to this Agreement. Nothing contained in this Agreement will be construed as granting or conferring license or other rights in any such information.

(c) The party requesting any information under this Section 4.4 will reimburse the providing party for the reasonable out of pocket costs, if any, of creating, gathering and copying such information, to the extent that such costs are incurred for the benefit of the requesting party. No party will have any Liability to any other party if any information exchanged or provided pursuant to this Agreement that is an estimate or forecast, or is based on an estimate or forecast, is found to be inaccurate, absent willful misconduct or fraud by the party providing such information.

(d) For the avoidance of doubt, the provisions of this Section 4.4 are not intended to, and shall not, apply to any information relating to matters governed by the Tax Sharing Agreement, which shall be subject to the provisions thereof in lieu of this Section 4.4.

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4.5 Confidentiality. Each party will keep confidential for five years following the Closing Date (or for three years following disclosure to such party, whichever is longer), and will use reasonable efforts to cause its officers, directors, members, employees, Affiliates and agents to keep confidential during such period, all Proprietary Information of the other party, in each case to the extent permitted by applicable law.

(a) "Proprietary Information" means any proprietary ideas, plans and information, including information of a technological or business nature, of a party (in this context, the "Disclosing Party") (including all trade secrets, intellectual property, data, summaries, reports or mailing lists, in whatever form or medium whatsoever, including oral communications, and however produced or reproduced), that is marked proprietary or confidential, or that bears a marking of like import, or that the Disclosing Party states is to be considered proprietary or confidential, or that a reasonable and prudent person would consider proprietary or confidential under the circumstances of its disclosure. Without limiting the foregoing, all information of the types referred to in the immediately preceding sentence to the extent used by Spinco or the Spinco Businesses or which constitute Spinco Assets on or prior to the Closing Date will constitute Proprietary Information of Spinco for purposes of this Section 4.5.

(b) Anything contained herein to the contrary notwithstanding, information of a Disclosing Party will not constitute Proprietary Information (and the other party (in this context, the "Receiving Party") will have no obligation of confidentiality with respect thereto), to the extent such information: (i) is in the public domain other than as a result of disclosure made in breach of this Agreement or breach of any other agreement relating to confidentiality between the Disclosing Party and the Receiving Party; (ii) was lawfully acquired by the Disclosing Party from a third party not bound by a confidentiality obligation; (iii) is approved for release by prior written authorization of the Disclosing Party, or (iv) is disclosed in order to comply with a judicial order issued by a court of competent jurisdiction, or to comply with the laws or regulations of any governmental authority having jurisdiction over the Receiving Party, in which event the Receiving Party will give prior written notice to the Disclosing Party of such disclosure as soon as or to the extent practicable and will cooperate with the Disclosing Party in using reasonable efforts to disclose the least amount of such information required and to obtain an appropriate protective order or equivalent, and provided that the information will continue to be Proprietary Information to the extent it is covered by a protective order or equivalent or is not so disclosed.

4.6 Notices Regarding Transferred Assets. Any transferor of an Asset or Liability in the Restructuring that receives a notice or other communication from any third party, or that otherwise becomes aware of any fact or circumstance, after the Restructuring, relating to such Asset or Liability, will use commercially reasonable efforts to promptly forward the notice or other communication to the transferee thereof or give notice to such transferee of such fact or circumstance of which it has become aware. The parties will cause their respective Subsidiaries to comply with this Section 4.6.

4.7 Treatment Of Payments. The parties agree to treat all payments made pursuant to this Agreement in accordance with Section 4.6 of the Tax Sharing Agreement and to increase or reduce any amount paid hereunder if such payment would have been required to be increased or reduced under such section if it was a payment made pursuant to the Tax Sharing Agreement.

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## ARTICLE V CLOSING

5.1 Closing. Unless this Agreement is terminated and the transactions contemplated by this Agreement abandoned pursuant to the provisions of Article VI, and subject to the satisfaction or waiver of all conditions set forth in Sections 2.2 and 5.2 (or the waiver of such conditions), the closing of the Distribution (the "Closing") will take place at the offices of LMC, at 12300 Liberty Boulevard, Englewood, Colorado, at a mutually acceptable time and date to be determined by LMC (the "Closing Date").

#### 5.2 Conditions to Closing

(a) The obligations of the parties to complete the transactions provided for herein are conditioned upon the satisfaction or, if applicable, waiver of the conditions set forth in Section 2.2.

(b) The performance by each party of its obligations hereunder is further conditioned upon:

(i) the performance in all material respects by the other party of its covenants and agreements contained herein to the extent such are required to be performed at or prior to the Closing; and

(ii) the representations and warranties of the other party being true and complete in all material respects as of the Closing Date with the same force and effect as if made at and as of the Closing Date.

#### 5.3 Deliveries at Closing

(a) LMC. At the Closing, LMC will deliver or cause to be delivered to Spinco:

- (i) the Tax Sharing Agreement duly executed by an authorized officer of LMC;
- (ii) the Services Agreement duly executed by an authorized officer of LMC;
- (iii) the Facilities Sharing Agreement duly executed by an authorized officer of LMC;
- (iv) the Lease Agreement duly executed by an authorized officer of [ ] (a Subsidiary of LMC);
- (v) each Aircraft Time Sharing Agreement duly executed by an authorized officer of [ ] (a Subsidiary of LMC);
- (vi) a secretary's certificate certifying that the LMC Board has authorized the execution, delivery and performance by LMC of this Agreement, the Restructuring

Agreements and the Other Agreements, which authorization will be in full force and effect at and as of the Closing; and

- (vii) such other documents and instruments as Spinco may reasonably request.
- (b) Spinco. At the Closing, Spinco will deliver or cause to be delivered to LMC:
- (i) the Tax Sharing Agreement duly executed by an authorized officer of Spinco;
  - (ii) the Services Agreement duly executed by an authorized officer of Spinco;
  - (iii) the Facilities Sharing Agreement duly executed by an authorized officer of Liberty Property Holdings, Inc. (a Subsidiary of Spinco);
  - (iv) the Lease Agreement duly executed by an authorized officer of Liberty Property Holdings, Inc.;
  - (v) each Aircraft Time Sharing Agreement duly executed by an authorized officer of Spinco;
  - (vi) a secretary's certificate certifying that the Spinco Board has authorized the execution, delivery and performance by Spinco of this Agreement, the Restructuring Agreements and the Other Agreements, which authorizations will be in full force and effect at and as of the Closing; and
  - (vii) such other documents and instruments as LMC may reasonably request.

#### ARTICLE VI TERMINATION

6.1 Termination. This Agreement may be terminated and the transactions contemplated hereby may be amended, modified, supplemented or abandoned at any time prior to the Effective Time by and in the sole and absolute discretion of LMC without the approval of Spinco. For the avoidance of doubt, from and after the Effective Time, this Agreement may not be terminated (or any provision hereof modified, amended or waived) without the written agreement of all the parties.

6.2 Effect of Termination. In the event of any termination of this Agreement in accordance with Section 6.1, this Agreement will immediately become void and the parties will have no Liability whatsoever to each other with respect to the transactions contemplated hereby.

#### ARTICLE VII MISCELLANEOUS

##### 7.1 Definitions.

(a) For purposes of this Agreement, the following terms have the corresponding meanings:

“Action” means any demand, action, claim, suit, countersuit, litigation, arbitration, prosecution, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation whether or not commenced, brought, conducted or heard by or before, or otherwise involving, any court, grand jury or other governmental authority or any arbitrator or arbitration panel.

“Affiliates” means with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such first Person; *provided*, that, for any purpose hereunder, in each case both before and after the Effective Time, none of the following shall be deemed to be Affiliates of each other: (i) LMC taken together with its Subsidiaries and any of their respective Investees, (ii) Spinco taken together with its Subsidiaries and any of their respective Investees, and (iii) Liberty Interactive Corporation taken together with its Subsidiaries and their respective Investees.

“Aircraft Time Sharing Agreement” means the Aircraft Time Sharing Agreements to be entered into between [ ] and Spinco, one for each of the two aircraft owned by Spinco, substantially in the form attached hereto as Exhibit A.

“Assets” means assets, properties, interests and rights (including goodwill), wherever located, whether real, personal or mixed, tangible or intangible, movable or immovable, in each case whether or not required by GAAP to be reflected in financial statements or disclosed in the notes thereto.

“Contribution” has the meaning given to such term in the Restructuring Plan.

“Control” means, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through ownership of securities or partnership, membership, limited liability company, or other ownership interests, by contract or otherwise and the terms “Controlling” and “Controlled” have meanings correlative to the foregoing.

“DGCL” means the Delaware General Corporation Law.

“Effective Time” means the time at which the Spin-Off will be effective.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

“Facilities Sharing Agreement” means the Facilities Sharing Agreement to be entered into between Liberty Property Holdings, Inc. and LMC, substantially in the form attached hereto as Exhibit B.

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“GAAP” means generally accepted accounting principles as in effect from time to time in the United States, consistently applied.

“Governmental Authorization” means any authorization, approval, consent, license, certificate or permit issued, granted, or otherwise made available under the authority of any court, governmental or regulatory authority, agency, stock exchange, commission or body.

“IRS” means the Internal Revenue Service.

“Investee” of any Person means any Person in which such first Person owns or control an equity or voting interest.

“Lease Agreement” means the lease agreement with respect to the corporate headquarters of Starz, LLC at 8900 Liberty Circle, Englewood Colorado to be entered into between Liberty Property Holdings, Inc. and [ ].

“Liabilities” means any and all debts, liabilities, commitments and obligations, whether or not fixed, contingent or absolute, matured or unmatured, direct or indirect, liquidated or unliquidated, accrued or unaccrued, known or unknown, and whether or not required by GAAP to be reflected in financial statements or disclosed in the notes thereto (other than taxes).

“LMC Board” means the Board of Directors of LMC or a duly authorized committee thereof.

“LMC Charter” means the Restated Certificate of Incorporation of LMC, as in effect immediately prior to the Distribution Date.

“LMC Entity” or “LMC Entities” means and includes each of LMC and its Subsidiaries (other than the Spinco Entities), after giving effect to the Restructuring.

“LMC Option” means an option to purchase shares of LMC Common Stock pursuant to a stock incentive plan of LMC.

“LMC Retained Assets” means all Assets which are held at the Effective Time by LMC.

“LMC Retained Businesses” means all businesses which are held at the Effective Time by LMC.

“LMC Retained Liabilities” means all Liabilities which are held at the Effective time by LMC.

“LMC SAR” means a stock appreciation right with respect to shares of LMC Common Stock granted under a stock incentive plan of LMC.

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“Losses” means any and all damages, losses, deficiencies, Liabilities, penalties, judgments, settlements, claims, payments, fines, interest, costs and expenses (including the fees and expenses of any and all actions and demands, assessments, judgments, settlements and compromises relating thereto and the costs and expenses of attorneys’, accountants’, consultants’ and other professionals’ fees and expenses incurred in the investigation or defense thereof or the enforcement of rights hereunder), whether in connection with a Third-Party Claim or otherwise.

“Order” means any order, injunction, judgment, decree or ruling of any court, governmental or regulatory authority, agency, commission or body.

“Person” means any individual, corporation, company, partnership, trust, incorporated or unincorporated association, joint venture or other entity of any kind.

“Qualifying Subsidiary” means a former direct or indirect Subsidiary of LMC (or its former parent company Liberty Interactive Corporation), any successor of any such former Subsidiary, and the parent company (directly or indirectly) of any such former Subsidiary or successor, including Spinco, Ascent Capital Group, Inc., DIRECTV, Discovery Communications, Inc. and Liberty Global, Inc.

“Restructuring Plan” means the Plan of Restructuring attached hereto as Schedule 1.1.

“SEC” means the Securities and Exchange Commission.

“SEC Filings” means the Form 10 any amendments or supplements thereto, including any preliminary filings of the same, and any other registration statements or reports filed under the Securities Act or Exchange Act, in connection with the Spin-Off.

“Securities Act” means the Securities Act of 1933, as amended, together with all rules and regulations promulgated thereunder.

“Services Agreement” means the Services Agreement to be entered into between LMC and Spinco, substantially in the form attached hereto as Exhibit C.

“Shares” has the meaning given to such term in the Restructuring Plan.

“Spinco Assets” means all Assets of LMC other than the Assets of Starz, LLC and its Subsidiaries at the Effective Time.

“Spinco Board” means the Board of Directors of Spinco or a duly authorized committee thereof.

“Spinco Businesses” means all of the Businesses of LMC, including Atlanta National League Baseball Club and TruePosition, Inc., other than the businesses of Starz, LLC and its Subsidiaries at the Effective Time.

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“Spinco Charter” means the Restated Certificate of Incorporation of Spinco to be filed with the Delaware Secretary of State immediately prior to the Effective Time, substantially in the form attached hereto as Exhibit D.

“Spinco Entity” or “Spinco Entities” means and includes each of Spinco and its Subsidiaries, after giving effect to the Restructuring.

“Spinco Liabilities” means all Liabilities of LMC, other than the Liabilities of Starz, LLC and its Subsidiaries at the Effective Time.

“Spinco Option” means any option to purchase shares of Spinco Common Stock issued pursuant to the Spinco Transitional Plan.

“Spinco Restricted Stock” means any shares of Spinco Common Stock subject to restricted stock awards issued pursuant to the Spinco Transitional Plan.

“Spinco SARs” means stock appreciation rights with respect to Spinco Common Stock issued pursuant to the Spinco Transitional Plan.

“Spinco Common Stock” means the Series A and Series B common stock, par value \$.01 per share, of Spinco.

“Spinco Transitional Plan” means the 201[2] Liberty Spinco, Inc. Transitional Stock Adjustment Plan.

“Starz Output Agreements” means those studio output agreements to which [Starz, LLC and/or its Subsidiaries] are a party and under which LMC guarantees the obligations of [Starz, LLC and/or such Subsidiaries] at any time prior to or following the Effective Time.

“Subsidiary” when used with respect to any Person, means (i)(A) a corporation a majority in voting power of whose share capital or capital stock with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person, or by such Person and one or more Subsidiaries of such Person, whether or not such power is subject to a voting agreement or similar encumbrance, (B) a partnership or limited liability company in which such Person or a Subsidiary of such Person is, at the date of determination, (1) in the case of a partnership, a general partner of such partnership with the power affirmatively to direct the policies and management of such partnership or (2) in the case of a limited liability company, the managing member or, in the absence of a managing member, a member with the power affirmatively to direct the policies and management of such limited liability company, or (C) any other Person (other than a corporation) in which such Person, one or more Subsidiaries of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination thereof, has or have (1) the power to elect or direct the election of a majority of the members of the governing body of such Person, whether or not such power is subject to a voting agreement or similar encumbrance, or (2) in the absence of such a governing body, at least a majority ownership interest or (ii) any other Person of which an aggregate of

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50% or more of the equity interests are, at the time, directly or indirectly, owned by such Person and/or one or more Subsidiaries of such Person. For purposes of this Agreement, both prior to and after the Effective Time, none of Spinco and its Subsidiaries shall be deemed to be Subsidiaries of LMC or any of its Subsidiaries.

“Tax Sharing Agreement” means the Tax Sharing Agreement to be entered into among LMC, Liberty Media LLC and Spinco, substantially in the form attached hereto as Exhibit E.

“Treasury Regulations” means the Treasury regulations promulgated under the Code.

(b) As used herein, the following terms will have the meanings set forth in the applicable section of this Agreement set forth below:

Agreement	Preamble
Awards	Section 2.3(a)
Closing	Section 5.1
Closing Date	Section 5.1
Code	Recitals
Disclosing Party	Section 4.5(a)
Distribution	Recitals
Effective Time	Section 2.1(a)
FCC	Section 2.2(g)
Form 10	Section 2.2(d)
Indemnitee	Section 4.1(d)(i)
Indemnitator	Section 4.1(d)(i)
LMC	Preamble
LMCA	Recitals
LMCB	Recitals
LMC Indemnified Parties	Section 4.1(a)
LMC Record Holders	Section 2.1(b)
LMC Restricted Stock	Section 2.3(d)
Nasdaq	Section 2.2(f)
Outstanding LMC Option	Section 2.3(b)(i)
Outstanding LMC SAR	Section 2.3(c)(i)
Other Agreements	Section 3.1(b)
Post Spin Awards	Section 2.3(g)
Proprietary Information	Section 4.5(a)
Receiving Party	Section 4.5(b)
Record Date	Section 2.1(a)
Restructuring	Section 1.1(a)
Restructuring Agreements	Section 3.1(b)
Ruling	Section 2.2(c)
Separable Claims	Section 4.1(d)(ii)
Separate Legal Defenses	Section 4.1(d)(ii)
Spinco	Preamble

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Spinco Option	Section 2.3(b)(i)
Spinco SAR	Section 2.3(c)(i)
Spinco Common Stock	Section 2.1(b)
Spinco Indemnified Parties	Section 4.1(b)
Spinco Restricted Stock	Section 2.3(d)
Spinco Series A Common Stock	Section 2.1(b)
Spinco Series B Common Stock	Section 2.1(b)
Spin-Off	Recitals
Third-Party Claim	Section 4.1(d)(i)

7.2 No Third-Party Rights. Except for the indemnification rights of the LMC Indemnified Persons and the Spinco Indemnified Persons pursuant to Section 4.1, nothing expressed or referred to in this Agreement is intended or will be construed to give any Person other than the parties hereto and their respective successors and assigns any legal or equitable right, remedy or claim under or with respect to this Agreement, or any provision hereof, it being the intention of the parties hereto that this Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their respective successors and assigns.

7.3 Notices. All notices and other communications hereunder shall be in writing and shall be delivered in person, by facsimile (with confirming copy sent by one of the other delivery methods specified herein), by overnight courier or sent by certified, registered or express air mail, postage prepaid, and shall be deemed given when so delivered in person, or when so received by facsimile or courier, or, if mailed, three (3) calendar days after the date of mailing, as follows:

*if to any LMC Entity:* Liberty Media Corporation  
12300 Liberty Boulevard  
Englewood, Colorado 80112  
Facsimile (720) 875-5401  
Attention: General Counsel

*if to any Spinco Entity:* Liberty Spinco, Inc.  
12300 Liberty Boulevard  
Englewood, Colorado 80112  
Facsimile (720) 875-5401  
Attention: General Counsel

or to such other address as the party to whom notice is given may have previously furnished to the other party in writing in the manner set forth above.

7.4 Entire Agreement. This Agreement (including the Exhibits and Schedules attached hereto) together with the Restructuring Agreements and the Other Agreements (including the Tax Sharing Agreement and the Services Agreement) embodies the entire understanding among the parties relating to the subject matter hereof and thereof and supersedes

and terminates any prior agreements and understandings among the parties with respect to such subject matter, and no party to this Agreement shall have any right, responsibility or Liability under any such prior agreement or understanding. Any and all prior correspondence, conversations and memoranda are merged herein and shall be without effect hereon. No promises, covenants or representations of any kind, other than those expressly stated herein, have been made to induce either party to enter into this Agreement.

7.5 Binding Effect; Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Except with respect to a merger of a party, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto without the prior written consent of the other parties; *provided, however*, that LMC and Spinco may assign their respective rights, interests, duties, liabilities and obligations under this Agreement to any of their respective wholly-owned Subsidiaries, but such assignment shall not relieve LMC or Spinco, as the assignor, of its obligations hereunder.

7.6 Costs and Expenses. LMC and Spinco will each pay their respective costs and expenses incurred in connection with the Restructuring and the Distribution.

7.7 Governing Law; Jurisdiction. This Agreement and the legal relations among the parties hereto will be governed in all respects, including validity, interpretation and effect, by the laws of the State of Delaware applicable to contracts made and performed wholly therein, without giving effect to any choice or conflict of laws provisions or rules that would cause the application of the laws of any other jurisdiction. Each of the parties hereto irrevocably agrees that any legal action or proceeding with respect to this Agreement, and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement, and the rights and obligations arising hereunder brought by the other party hereto or its successors or assigns, shall be brought and determined exclusively in the Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware (or, if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware). Each of the parties hereto hereby irrevocably submits with regard to any such action or proceeding for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid courts and agrees that it will not bring any action relating to this Agreement or the transactions contemplated hereby in any court other than the aforesaid courts. Each of the parties hereto hereby irrevocably waives, and agrees not to assert as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement (a) any claim that it is not personally subject to the jurisdiction of the above named courts for any reason other than the failure to serve in accordance with Section 7.3 and this Section 7.7, (b) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) to the fullest extent permitted by applicable law, any claim that (i) the suit, action or proceeding in such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper or (iii) this Agreement or the subject matter hereof may not be enforced in or by such courts. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any

such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 7.3 shall be deemed effective service of process on such party.

7.8 Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND, THEREFORE, EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY ACTION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH OR RELATING TO THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF SUCH ACTION, SEEK TO ENFORCE THE

FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.8.

7.9 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Upon a determination that any provision of this Agreement is prohibited or unenforceable in any jurisdiction, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the provisions contemplated hereby are consummated as originally contemplated to the fullest extent possible.

7.10 Amendments; Waivers. Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. Except as otherwise provided herein, the rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by applicable law. Any consent provided under this Agreement must be in writing, signed by the party against whom enforcement of such consent is sought.

7.11 No Strict Construction; Interpretation.

(a) LMC and Spinco each acknowledge that this Agreement has been prepared jointly by the parties hereto and shall not be strictly construed against any party hereto.

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(b) When a reference is made in this Agreement to an Article, Section, Exhibit or Schedule, such reference shall be to an Article of, a Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and references to all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns and references to a party means a party to this Agreement.

7.12 Conflicts with Tax Sharing Agreement. In the event of a conflict between this Agreement and the Tax Sharing Agreement, the provisions of the Tax Sharing Agreement shall prevail.

7.13 Counterparts. This Agreement may be executed in two or more identical counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same agreement. The Agreement may be delivered by facsimile transmission of a signed copy thereof.

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

LIBERTY MEDIA CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

LIBERTY SPINCO, INC.

By: \_\_\_\_\_  
Name:  
Title:

[SIGNATURE PAGE TO REORGANIZATION AGREEMENT]

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**Exhibit A**

Form of Aircraft Time Sharing Agreements

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**Exhibit B**

Form of Facilities Sharing Agreement

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**Exhibit C**

Form of Services Agreement

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**Exhibit D**

Form of Spinco Charter

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**Exhibit E**

Form of Tax Sharing Agreement

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**Exhibit F**

Form of Lease Agreement

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**Schedule 1.1**

Restructuring Plan

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**List of Omitted Exhibits and Schedules**

The following exhibits and schedules to the Reorganization Agreement, dated as of [ ], by and between Liberty Media Corporation and Liberty Spinco, Inc. have not been provided herein:

Exhibit A: Form of Aircraft Usage Agreements (See Exhibit 10.11 to Amendment No. 1 to Form 10 filed herewith)

Exhibit B: Form of Facilities Sharing Agreement (See Exhibit 10.9 to Amendment No. 1 to Form 10 filed herewith)

Exhibit C: Form of Services Agreement (See Exhibit 10.7 to Amendment No. 1 to Form 10 filed herewith)

Exhibit D: Form of Spinco Charter (See Exhibit 3.1 to Form 10) (001—35707)

Exhibit E: Form of Tax Sharing Agreement (See Exhibit 10.5 to Amendment No. 1 to Form 10 filed herewith)

Exhibit F: Form of Lease Agreement (See Exhibit 10.10 to an amendment to Form 10 to be filed at a later date) (001—35707)

Schedule 1.1—Restructuring Plan

The undersigned registrant hereby undertakes to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

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**Form of Opinion of Skadden, Arps, Slate, Meagher & Flom  
regarding certain tax matters**

[            ], 2012

Liberty Media Corporation  
12300 Liberty Boulevard  
Englewood, Colorado 80112

Ladies and Gentlemen:

We have acted as counsel to Liberty Media Corporation (“**Liberty Media**”) with respect to the internal restructuring of certain assets (the “**Contributed Assets**”) owned by Liberty Media and its direct and indirect subsidiaries, the contribution of the Contributed Assets (the “**Contribution**”) by Liberty Media to Liberty Spingo, Inc. (“**Spingo**”), the statutory merger pursuant to which Liberty Media will change its name to Starz (the “**Liberty Media Reorganization**”), the recapitalization pursuant to which Spingo’s outstanding common stock will be recapitalized into Series A common stock (“**Spingo Series A Common Stock**”) and Series B common stock (“**Spingo Series B Common Stock**”) and together with the Spingo Series A Common Stock, the “**Spingo Common Stock**”) and Spingo will change its name to Liberty Media Corporation (collectively, the “**Spingo Recapitalization**”), and the distribution by Liberty Media of (i) Spingo Series A Common Stock to the holders of Series A Liberty Capital common stock (“**Liberty Media Series A Capital Common Stock**”) and (ii) Spingo Series B Common Stock to the holders of Series B Liberty Capital common stock (“**Liberty Media Series B Capital Common Stock**”) and together with the Liberty Media Series A Capital Common Stock, the “**Liberty Media Common Stock**”) (the “**Spin-Off**”). You have requested our opinion (the “**Tax Opinion**”) regarding certain United States federal income tax consequences of the Contribution and the Spin-Off.

**In accordance with Treasury Department Circular 230 and pursuant to your request, you and we have agreed that this Tax Opinion addresses, considers and provides conclusions with respect to only the United States federal income tax matters discussed herein. Additional issues that are not discussed in this Tax Opinion could affect the United States federal income tax**

**treatment of the Contribution and the Spin-Off or the matter that is the subject of this Tax Opinion. This Tax Opinion was not written, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on it with respect to any United States federal income tax issue not expressly discussed in this Tax Opinion.**

In rendering our Tax Opinion, we have examined, and relied upon the accuracy and completeness of all the facts, information, covenants and representations and warranties contained in originals or copies, certified or otherwise identified to our satisfaction, of the (i) request for rulings submitted to the Internal Revenue Service (the “**Service**”) on August 17, 2012, including the exhibits attached thereto (the “**Ruling Request**”), as modified by all supplemental filings and the Ruling (as defined below); (ii) the checklist submitted with the Ruling Request pursuant to Rev. Proc. 96-30(1); (iii) private letter ruling issued by the Service to Liberty Media on [    ] (the “**Ruling**”); (iv) letter by Allen & Company LLC to Liberty Media (the “**Allen Letter**”), dated October 22, 2012; (v) the Registration Statement on Form 10 of Spingo, as filed with the Securities and Exchange Commission (the “**SEC**”), dated October 18, 2012, and the exhibits attached thereto; (vi) all submissions to the SEC related to clause (v); (vii) all agreements listed on Schedule A attached hereto; and (viii) such other documents and records as we have deemed necessary or appropriate as a basis for the Tax Opinion set forth below.

In addition, as to certain facts material to our Tax Opinion, we relied upon (i) certain statements and representations made on behalf of Liberty Media and Spingo, by officers and other representatives of each such entity, as set forth in the officers’ certificates of Liberty Media and Spingo, respectively (and all accompanying exhibits), signed by an officer of Liberty Media and Spingo, respectively, dated the date hereof and attached hereto as Exhibits A and B, respectively (each such certificate, an “**Officer’s Certificate**,” and collectively, the “**Officers’ Certificates**”) and (ii) certain statements and representations made by Mr. John C. Malone (“**Mr. Malone**”), dated the date hereof and attached hereto as Exhibit C (the “**Malone Representation Letter**”). We have assumed such statements and representations are true as of the date hereof and will continue to be true without regard to any qualification as to knowledge, belief or otherwise. Our Tax Opinion is conditioned upon, among other things, the effectiveness and validity of the Ruling and the initial and continuing accuracy and completeness of all the facts, information, representations and warranties made in the Officers’ Certificates and Malone Representation Letter. Any change or inaccuracy in or to such facts, information,

(1) 1996-1 C.B. 696.

representations or warranties (including on account of events occurring subsequent to the effective time of the Spin-Off) could affect one or more of the conclusions as stated herein.

We have also assumed the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, photostatic, electronic or facsimile copies, and the authenticity of the originals of such documents. In rendering our Tax Opinion, we have relied upon applicable provisions of the Internal Revenue Code of 1986, as amended (the “**Code**”), Treasury Regulations promulgated thereunder (the “**Treasury Regulations**”), pertinent judicial authorities, published positions of the Service and such other authorities as we have considered relevant, in each case, as in effect on the date hereof. It should be noted that the Code, the Treasury Regulations, judicial decisions, administrative interpretations and such other authorities are subject to change at any time and, in some circumstances, with retroactive effect. The analysis of the consequences of the transactions considered involves a close evaluation of the applicable legal standards in light of the facts and circumstances related to the Spin-Off Transactions and any related transactions. No assurances can be given that the Service will not assert a position contrary to one or more of the conclusions set forth in our Tax Opinion or that a court will not agree with the Service’s position. A change in any of the authorities upon which our Tax Opinion is based or the occurrence of events subsequent to the effective time of the Transactions could affect one or more of our conclusions as stated herein.

Based solely upon and subject to the foregoing, we are of the Tax Opinion that, under current law, for United States federal income tax purposes:

1. The Contribution and the Spin-off will qualify under Sections 355 and 368(a)(1)(D).
2. No gain or loss will be recognized by Liberty Media upon the distribution of Spingo Common Stock (Sections 355(c)(1) and 361(c)).
3. No gain or loss will be recognized by, and no amount will be included in the income of, holders of Liberty Media Common Stock upon receipt of the Spingo Common Stock in the Spin-Off (Section 355(a)(1)).

Except as expressly set forth above, we express no other Tax Opinion. This Tax Opinion is expressed as of the date hereof, and we disclaim any undertaking to advise of any changes of or to any of the matters stated or assumed herein or of any subsequent changes in or to applicable law. This Tax Opinion is solely for your benefit and is not to be relied upon, used, circulated, quoted or otherwise referred to for any purpose without our prior written consent.

Very yours truly,

Schedule A

1. Reorganization Agreement, by and among, Liberty Media Corporation and Liberty Spinco, Inc., dated as of [            ], and the exhibits attached thereto.
2. Tax Sharing Agreement, by and among, Liberty Media Corporation and Liberty Spinco, Inc., dated as of [            ], and the exhibits attached thereto.
3. Services Agreement, by and among, Liberty Media Corporation and Liberty Spinco, Inc., dated as of [            ].

Exhibit A

Officer's Certificate of Liberty Media Corporation

Exhibit B

Officer's Certificate of Spinco, Inc.

Exhibit C

Representation Letter of Mr. John C. Malone

## FORM OF LIBERTY SPINCO, INC. 2012 INCENTIVE PLAN

## ARTICLE I

## PURPOSE OF PLAN; EFFECTIVE DATE

1.1 *Purpose.* The purpose of the Plan is to promote the success of the Company by providing a method whereby (i) eligible employees of the Company and its Subsidiaries and (ii) independent contractors providing services to the Company and its Subsidiaries may be awarded additional remuneration for services rendered and may be encouraged to invest in capital stock of the Company, thereby increasing their proprietary interest in the Company's businesses, encouraging them to remain in the employ or service of the Company or its Subsidiaries, and increasing their personal interest in the continued success and progress of the Company and its Subsidiaries. The Plan is also intended to aid in (i) attracting Persons of exceptional ability to become officers and employees of the Company and its Subsidiaries and (ii) inducing independent contractors to agree to provide services to the Company and its Subsidiaries.

1.2 *Effective Date.* The Plan shall be effective as of the Distribution Date.

## ARTICLE II

## DEFINITIONS

2.1 *Certain Defined Terms.* Capitalized terms not defined elsewhere in the Plan shall have the following meanings (whether used in the singular or plural):

"Account" has the meaning ascribed thereto in Section 8.2.

"Affiliate" of the Company means any corporation, partnership or other business association that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Company.

"Agreement" means a stock option agreement, stock appreciation rights agreement, restricted shares agreement, restricted stock units agreement, cash award agreement or an agreement evidencing more than one type of Award, specified in Section 10.5, as any such Agreement may be supplemented or amended from time to time.

"Approved Transaction" means any transaction in which the Board (or, if approval of the Board is not required as a matter of law, the stockholders of the Company) shall approve (i) any consolidation or merger of the Company, or binding share exchange, pursuant to which shares of Common Stock of the Company would be changed or converted into or exchanged for cash, securities, or other property, other than any such transaction in which the common stockholders of the Company immediately prior to such transaction have the same proportionate ownership of the Common Stock

of, and voting power with respect to, the surviving corporation immediately after such transaction, (ii) any merger, consolidation or binding share exchange to which the Company is a party as a result of which the Persons who are common stockholders of the Company immediately prior thereto have less than a majority of the combined voting power of the outstanding capital stock of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors immediately following such merger, consolidation or binding share exchange, (iii) the adoption of any plan or proposal for the liquidation or dissolution of the Company, or (iv) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company.

"Award" means a grant of Options, SARs, Restricted Shares, Restricted Stock Units, Performance Awards, Cash Awards and/or cash amounts under the Plan.

"Board" means the Board of Directors of the Company.

"Board Change" means, during any period of two consecutive years, individuals who at the beginning of such period constituted the entire Board cease for any reason to constitute a majority thereof unless the election, or the nomination for election, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

"Cash Award" means an Award made pursuant to Section 9.1 of the Plan to a Holder that is paid solely on account of the attainment of one or more Performance Objectives that have been preestablished by the Committee.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute or statutes thereto. Reference to any specific Code section shall include any successor section.

"Committee" means the committee of the Board appointed pursuant to Section 3.1 to administer the Plan.

"Common Stock" means each or any (as the context may require) series of the Company's common stock.

"Company" means Liberty Media Corporation (f/k/a Liberty Spinco, Inc.), a Delaware corporation.

"Control Purchase" means any transaction (or series of related transactions) in which any person (as such term is defined in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), corporation or other entity (other than the Company, any Subsidiary of the Company or any employee benefit plan sponsored by the Company or any Subsidiary of the Company or any Exempt Person (as defined below)) shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined

voting power of the then outstanding securities of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors (calculated as provided in Rule 13d-3(d) under the Exchange Act in the case of rights to acquire the Company's securities), other than in a transaction (or series of related transactions) approved by the Board. For purposes of this definition, "Exempt Person" means each of (a) the Chairman of the Board, the President and each of the directors of the Company as of the Distribution Date, and (b) the respective family members, estates and heirs of each of the Persons referred to in clause (a) above and any trust or other investment vehicle for the primary benefit of any of such Persons or their respective family members or heirs. As used with respect to any Person, the term "family member" means the spouse, siblings and lineal descendants of such Person.

“Disability” means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

“Distribution” means the distribution by Starz (f/k/a Liberty Media Corporation) to the holders of its common stock of all of the issued and outstanding shares of Common Stock.

“Distribution Date” means the date on which the Distribution occurs.

“Dividend Equivalents” means, with respect to Restricted Stock Units, to the extent specified by the Committee only, an amount equal to all dividends and other distributions (or the economic equivalent thereof) which are payable to stockholders of record during the Restriction Period on a like number and kind of shares of Common Stock. Notwithstanding any provision of the Plan to the contrary, Dividend Equivalents with respect to a Performance Award may only be paid to the extent the Performance Award is actually paid to the Holder.

“Domestic Relations Order” means a domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, or the rules thereunder.

“Equity Security” shall have the meaning ascribed to such term in Section 3(a)(11) of the Exchange Act, and an equity security of an issuer shall have the meaning ascribed thereto in Rule 16a-1 promulgated under the Exchange Act, or any successor Rule.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute or statutes thereto. Reference to any specific Exchange Act section shall include any successor section.

“Fair Market Value” of a share of any series of Common Stock on any day means (i) for Option and SAR exercise transactions effected on any third-party incentive award

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administration system provided by the Company, the current high bid price of a share of any series of Common Stock as reported on the consolidated transaction reporting system on the principal national securities exchange on which shares of such series of Common Stock are listed on such day or if such shares are not then listed on a national securities exchange, then as quoted by Pink OTC Markets Inc., or (ii) for all other purposes under this Plan, the last sale price (or, if no last sale price is reported, the average of the high bid and low asked prices) for a share of such series of Common Stock on such day (or, if such day is not a trading day, on the next preceding trading day) as reported on the consolidated transaction reporting system for the principal national securities exchange on which shares of such series of Common Stock are listed on such day or if such shares are not then listed on a national securities exchange, then as quoted by Pink OTC Markets Inc. If for any day the Fair Market Value of a share of the applicable series of Common Stock is not determinable by any of the foregoing means, then the Fair Market Value for such day shall be determined in good faith by the Committee on the basis of such quotations and other considerations as the Committee deems appropriate.

“Free Standing SAR” has the meaning ascribed thereto in Section 7.1.

“Holder” means a Person who has received an Award under the Plan.

“Option” means a stock option granted under Article VI.

“Performance Award” means an Award made pursuant to Article IX of the Plan to a Holder that is subject to the attainment of one or more Performance Objectives.

“Performance Objective” means a standard established by the Committee to determine in whole or in part whether a Performance Award shall be earned.

“Person” means an individual, corporation, limited liability company, partnership, trust, incorporated or unincorporated association, joint venture or other entity of any kind.

“Plan” means this Liberty Media Corporation 2011 Incentive Plan.

“Restricted Shares” means shares of any series of Common Stock awarded pursuant to Section 8.1.

“Restricted Stock Unit” means a unit evidencing the right to receive in specified circumstances one share of the specified series of Common Stock or the equivalent value in cash, which right is subject to a Restriction Period or forfeiture provisions.

“Restriction Period” means a period of time beginning on the date of each Award of Restricted Shares or Restricted Stock Units and ending on the Vesting Date with respect to such Award.

“Retained Distribution” has the meaning ascribed thereto in Section 8.3.

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“SARs” means stock appreciation rights, awarded pursuant to Article VII, with respect to shares of any specified series of Common Stock.

“Subsidiary” of a Person means any present or future subsidiary (as defined in Section 424(f) of the Code) of such Person or any business entity in which such Person owns, directly or indirectly, 50% or more of the voting, capital or profits interests. An entity shall be deemed a subsidiary of a Person for purposes of this definition only for such periods as the requisite ownership or control relationship is maintained.

“Tandem SARs” has the meaning ascribed thereto in Section 7.1.

“Vesting Date,” with respect to any Restricted Shares or Restricted Stock Units awarded hereunder, means the date on which such Restricted Shares or Restricted Stock Units cease to be subject to a risk of forfeiture, as designated in or determined in accordance with the Agreement with respect to such Award of Restricted Shares or Restricted Stock Units pursuant to Article VIII. If more than one Vesting Date is designated for an Award of Restricted Shares or Restricted Stock Units, reference in the Plan to a Vesting Date in respect of such Award shall be deemed to refer to each part of such Award and the Vesting Date for such part.

## ADMINISTRATION

3.1 *Committee.* The Plan shall be administered by the Compensation Committee of the Board unless a different committee is appointed by the Board. The Committee shall be comprised of not less than two Persons. The Board may from time to time appoint members of the Committee in substitution for or in addition to members previously appointed, may fill vacancies in the Committee and may remove members of the Committee. The Committee shall select one of its members as its chairman and shall hold its meetings at such times and places as it shall deem advisable. A majority of its members shall constitute a quorum and all determinations shall be made by a majority of such quorum. Any determination reduced to writing and signed by all of the members shall be as fully effective as if it had been made by a majority vote at a meeting duly called and held.

3.2 *Powers.* The Committee shall have full power and authority to grant to eligible Persons Options under Article VI of the Plan, SARs under Article VII of the Plan, Restricted Shares under Article VIII of the Plan, Restricted Stock Units under Article VIII of the Plan, Cash Awards under Article IX of the Plan and/or Performance Awards under Article IX of the Plan, to determine the terms and conditions (which need not be identical) of all Awards so granted, to interpret the provisions of the Plan and any Agreements relating to Awards granted under the Plan and to supervise the administration of the Plan. The Committee in making an Award may provide for the granting or issuance of additional, replacement or alternative Awards upon the occurrence of specified events, including the exercise of the original Award. The Committee shall have sole authority in the selection of Persons to whom Awards may be granted under the Plan and in the determination of the timing, pricing and amount of any such Award, subject only

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to the express provisions of the Plan. In making determinations hereunder, the Committee may take into account the nature of the services rendered by the respective employees and independent contractors, their present and potential contributions to the success of the Company and its Subsidiaries, and such other factors as the Committee in its discretion deems relevant.

3.3 *Interpretation.* The Committee is authorized, subject to the provisions of the Plan, to establish, amend and rescind such rules and regulations as it deems necessary or advisable for the proper administration of the Plan and to take such other action in connection with or in relation to the Plan as it deems necessary or advisable. Each action and determination made or taken pursuant to the Plan by the Committee, including any interpretation or construction of the Plan, shall be final and conclusive for all purposes and upon all Persons. No member of the Committee shall be liable for any action or determination made or taken by such member or the Committee in good faith with respect to the Plan.

## ARTICLE IV

### SHARES SUBJECT TO THE PLAN

4.1 *Number of Shares.* Subject to the provisions of this Article IV, the maximum number of shares of Common Stock with respect to which Awards may be granted during the term of the Plan shall be [ ] shares. Shares of Common Stock will be made available from the authorized but unissued shares of the Company or from shares reacquired by the Company, including shares purchased in the open market. The shares of Common Stock subject to (i) any Award granted under the Plan that shall expire, terminate or be cancelled or annulled for any reason without having been exercised (or considered to have been exercised as provided in Section 7.2), (ii) any Award of any SARs granted under the Plan the terms of which provide for settlement in cash, and (iii) any Award of Restricted Shares or Restricted Stock Units that shall be forfeited prior to becoming vested (provided that the Holder received no benefits of ownership of such Restricted Shares or Restricted Stock Units other than voting rights and the accumulation of Retained Distributions and unpaid Dividend Equivalents that are likewise forfeited) shall again be available for purposes of the Plan. Notwithstanding the foregoing, the following shares of Common Stock may not again be made available for issuance as Awards under the Plan: (a) shares of Common Stock not issued or delivered as a result of the net settlement of an outstanding Option or SAR, (b) shares of Common Stock used to pay the purchase price or withholding taxes related to an outstanding Award, or (c) shares of Common Stock repurchased on the open market with the proceeds of an Option purchase price. Except for Awards described in Section 10.1, no Person may be granted in any calendar year Awards covering more than [ ] shares of Common Stock (as such amount may be adjusted from time to time as provided in Section 4.2). No Person shall receive payment for Cash Awards during any calendar year aggregating in excess of \$10 million.

4.2 *Adjustments.*

(a) If the Company subdivides its outstanding shares of any series of Common Stock into a greater number of shares of such series of Common Stock (by stock dividend, stock split, reclassification, or otherwise) or combines its outstanding shares of any series of Common Stock into a smaller number of shares of such series of

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Common Stock (by reverse stock split, reclassification, or otherwise) or if the Committee determines that any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, stock redemption, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase such series of Common Stock or other similar corporate event (including mergers or consolidations other than those which constitute Approved Transactions, adjustments with respect to which shall be governed by Section 10.1(b)) affects any series of Common Stock so that an adjustment is required to preserve the benefits or potential benefits intended to be made available under the Plan, then the Committee, in such manner as the Committee, in its sole discretion, deems equitable and appropriate, shall make such adjustments to any or all of (i) the number and kind of shares of stock which thereafter may be awarded, optioned or otherwise made subject to the benefits contemplated by the Plan, (ii) the number and kind of shares of stock subject to outstanding Awards, and (iii) the purchase or exercise price and the relevant appreciation base with respect to any of the foregoing, *provided, however*, that the number of shares subject to any Award shall always be a whole number. The Committee may, if deemed appropriate, provide for a cash payment to any Holder of an Award in connection with any adjustment made pursuant to this Section 4.2.

(b) Notwithstanding any provision of the Plan to the contrary, in the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Committee shall be authorized, in its discretion, (i) to provide, prior to the transaction, for the acceleration of the vesting and exercisability of, or lapse of restrictions with respect to, the Award and, if the transaction is a cash merger, provide for the termination of any portion of the Award that remains unexercised at the time of such transaction, or (ii) to cancel any such Awards and to deliver to the Holders cash in an amount that the Committee shall determine in its sole discretion is equal to the fair market value of such Awards on the date of such event, which in the case of Options or SARs shall be the excess of the Fair Market Value (as determined in sub-section (ii) of the definition of such term) of Common Stock on such date over the purchase price of the Options or the base price of the SARs, as applicable.

(c) No adjustment or substitution pursuant to this Section 4.2 shall be made in a manner that results in noncompliance with the requirements of Section 409A of the Code, to the extent applicable.

## ARTICLE V

### ELIGIBILITY

5.1 *General.* The Persons who shall be eligible to participate in the Plan and to receive Awards under the Plan shall, subject to Section 5.2, be such Persons

who are employees (including officers and directors) of or independent contractors providing services to the Company or its Subsidiaries as the Committee shall select. Awards may be made to employees or independent contractors who hold or have held Awards under the Plan or any similar or other awards under any other plan of the Company or any of its Affiliates.

5.2 *Ineligibility.* No member of the Committee, while serving as such, shall be eligible to receive an Award.

## ARTICLE VI

### STOCK OPTIONS

6.1 *Grant of Options.* Subject to the limitations of the Plan, the Committee shall designate from time to time those eligible Persons to be granted Options, the time when each Option shall be granted to such eligible Persons, the series and number of shares of Common Stock subject to such Option, and, subject to Section 6.2, the purchase price of the shares of Common Stock subject to such Option.

6.2 *Option Price.* The price at which shares may be purchased upon exercise of an Option shall be fixed by the Committee and may be no less than the Fair Market Value of the shares of the applicable series of Common Stock subject to the Option as of the date the Option is granted.

6.3 *Term of Options.* Subject to the provisions of the Plan with respect to death, retirement and termination of employment, the term of each Option shall be for such period as the Committee shall determine as set forth in the applicable Agreement; provided that such term may not exceed ten years.

6.4 *Exercise of Options.* An Option granted under the Plan shall become (and remain) exercisable during the term of the Option to the extent provided in the applicable Agreement and the Plan and, unless the Agreement otherwise provides, may be exercised to the extent exercisable, in whole or in part, at any time and from time to time during such term; *provided, however,* that subsequent to the grant of an Option, the Committee, at any time before complete termination of such Option, may accelerate the time or times at which such Option may be exercised in whole or in part (without reducing the term of such Option).

6.5 *Manner of Exercise.*

(a) *Form of Payment.* An Option shall be exercised by written notice to the Company upon such terms and conditions as the Agreement may provide and in accordance with such other procedures for the exercise of Options as the Committee may establish from time to time. The method or methods of payment of the purchase price for the shares to be purchased upon exercise of an Option and of any amounts required by Section 10.9 shall be determined by the Committee and may consist of (i) cash, (ii) check, (iii) promissory note (subject to applicable law), (iv) whole shares of any series of Common Stock, (v) the withholding of shares of the applicable series of Common Stock issuable upon such exercise of the Option, (vi) the delivery, together with a properly executed exercise notice, of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the purchase price, or (vii) any combination of the foregoing methods of payment, or such other consideration and method of payment as may be permitted for the issuance of shares under the Delaware General Corporation Law. The permitted method or methods

of payment of the amounts payable upon exercise of an Option, if other than in cash, shall be set forth in the applicable Agreement and may be subject to such conditions as the Committee deems appropriate.

(b) *Value of Shares.* Unless otherwise determined by the Committee and provided in the applicable Agreement, shares of any series of Common Stock delivered in payment of all or any part of the amounts payable in connection with the exercise of an Option, and shares of any series of Common Stock withheld for such payment, shall be valued for such purpose at their Fair Market Value as of the exercise date.

(c) *Issuance of Shares.* The Company shall effect the transfer of the shares of Common Stock purchased under the Option as soon as practicable after the exercise thereof and payment in full of the purchase price therefor and of any amounts required by Section 10.9, and within a reasonable time thereafter, such transfer shall be evidenced on the books of the Company. Unless otherwise determined by the Committee and provided in the applicable Agreement, (i) no Holder or other Person exercising an Option shall have any of the rights of a stockholder of the Company with respect to shares of Common Stock subject to an Option granted under the Plan until due exercise and full payment has been made, and (ii) no adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such due exercise and full payment.

6.6 *Nontransferability.* Unless otherwise determined by the Committee and provided in the applicable Agreement, Options shall not be transferable other than by will or the laws of descent and distribution or pursuant to a Domestic Relations Order, and, except as otherwise required pursuant to a Domestic Relations Order, Options may be exercised during the lifetime of the Holder thereof only by such Holder (or his or her court-appointed legal representative).

## ARTICLE VII

### SARS

7.1 *Grant of SARs.* Subject to the limitations of the Plan, SARs may be granted by the Committee to such eligible Persons in such numbers, with respect to any specified series of Common Stock, and at such times during the term of the Plan as the Committee shall determine. A SAR may be granted to a Holder of an Option (hereinafter called a "related Option") with respect to all or a portion of the shares of Common Stock subject to the related Option (a "Tandem SAR") or may be granted separately to an eligible employee (a "Free Standing SAR"). Subject to the limitations of the Plan, SARs shall be exercisable in whole or in part upon notice to the Company upon such terms and conditions as are provided in the Agreement.

7.2 *Tandem SARs.* A Tandem SAR may be granted either concurrently with the grant of the related Option or at any time thereafter prior to the complete exercise, termination, expiration or cancellation of such related Option. Tandem SARs shall be exercisable only at the time and to the extent that the related Option is exercisable (and may be subject to such additional limitations on exercisability as the Agreement may provide) and in no event after the complete termination or full exercise of the related Option. Upon the exercise or termination of the related Option, the Tandem SARs with respect thereto shall be canceled automatically to the

extent of the number of shares of Common Stock with respect to which the related Option was so exercised or terminated. Subject to the limitations of the Plan, upon the exercise of a Tandem SAR and unless otherwise determined by the Committee and provided in the applicable Agreement, (i) the Holder thereof shall be entitled to receive

from the Company, for each share of the applicable series of Common Stock with respect to which the Tandem SAR is being exercised, consideration (in the form determined as provided in Section 7.4) equal in value to the excess of the Fair Market Value of a share of the applicable series of Common Stock with respect to which the Tandem SAR was granted on the date of exercise over the related Option purchase price per share, and (ii) the related Option with respect thereto shall be canceled automatically to the extent of the number of shares of Common Stock with respect to which the Tandem SAR was so exercised.

7.3 *Free Standing SARs.* Free Standing SARs shall be exercisable at the time, to the extent and upon the terms and conditions set forth in the applicable Agreement. The base price of a Free Standing SAR may be no less than the Fair Market Value of the applicable series of Common Stock with respect to which the Free Standing SAR was granted as of the date the Free Standing SAR is granted. Subject to the limitations of the Plan, upon the exercise of a Free Standing SAR and unless otherwise determined by the Committee and provided in the applicable Agreement, the Holder thereof shall be entitled to receive from the Company, for each share of the applicable series of Common Stock with respect to which the Free Standing SAR is being exercised, consideration (in the form determined as provided in Section 7.4) equal in value to the excess of the Fair Market Value of a share of the applicable series of Common Stock with respect to which the Free Standing SAR was granted on the date of exercise over the base price per share of such Free Standing SAR. The term of a Free Standing SAR may not exceed ten years.

7.4 *Consideration.* The consideration to be received upon the exercise of a SAR by the Holder shall be paid in cash, shares of the applicable series of Common Stock with respect to which the SAR was granted (valued at Fair Market Value on the date of exercise of such SAR), a combination of cash and such shares of the applicable series of Common Stock or such other consideration, in each case, as provided in the Agreement. No fractional shares of Common Stock shall be issuable upon exercise of a SAR, and unless otherwise provided in the applicable Agreement, the Holder will receive cash in lieu of fractional shares. Unless the Committee shall otherwise determine, to the extent a Free Standing SAR is exercisable, it will be exercised automatically for cash on its expiration date.

7.5 *Limitations.* The applicable Agreement may provide for a limit on the amount payable to a Holder upon exercise of SARs at any time or in the aggregate, for a limit on the number of SARs that may be exercised by the Holder in whole or in part for cash during any specified period, for a limit on the time periods during which a Holder may exercise SARs, and for such other limits on the rights of the Holder and such other terms and conditions of the SAR, including a condition that the SAR may be exercised only in accordance with rules and regulations adopted from time to time, as the Committee may determine. Unless otherwise so provided in the applicable Agreement, any such limit relating to a Tandem SAR shall not restrict the exercisability of the related Option. Such rules and regulations may govern the right to exercise SARs granted prior to the adoption or amendment of such rules and regulations as well as SARs granted thereafter.

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7.6 *Exercise.* For purposes of this Article VII, the date of exercise of a SAR shall mean the date on which the Company shall have received notice from the Holder of the exercise of such SAR (unless otherwise determined by the Committee and provided in the applicable Agreement).

7.7 *Nontransferability.* Unless otherwise determined by the Committee and provided in the applicable Agreement, (i) SARs shall not be transferable other than by will or the laws of descent and distribution or pursuant to a Domestic Relations Order, and (ii) except as otherwise required pursuant to a Domestic Relations Order, SARs may be exercised during the lifetime of the Holder thereof only by such Holder (or his or her court-appointed legal representative).

## ARTICLE VIII

### RESTRICTED SHARES AND RESTRICTED STOCK UNITS

8.1 *Grant of Restricted Shares.* Subject to the limitations of the Plan, the Committee shall designate those eligible Persons to be granted Awards of Restricted Shares, shall determine the time when each such Award shall be granted, and shall designate (or set forth the basis for determining) the Vesting Date or Vesting Dates for each Award of Restricted Shares, and may prescribe other restrictions, terms and conditions applicable to the vesting of such Restricted Shares in addition to those provided in the Plan. The Committee shall determine the price, if any, to be paid by the Holder for the Restricted Shares; *provided, however*, that the issuance of Restricted Shares shall be made for at least the minimum consideration necessary to permit such Restricted Shares to be deemed fully paid and nonassessable. All determinations made by the Committee pursuant to this Section 8.1 shall be specified in the Agreement.

8.2 *Issuance of Restricted Shares.* An Award of Restricted Shares shall be registered in a book entry account (the "Account") in the name of the Holder to whom such Restricted Shares shall have been awarded. During the Restriction Period, the Account, any certificates representing the Restricted Shares that may be issued during the Restriction Period and any securities constituting Retained Distributions shall bear a restrictive legend to the effect that ownership of the Restricted Shares (and such Retained Distributions), and the enjoyment of all rights appurtenant thereto, are subject to the restrictions, terms and conditions provided in the Plan and the applicable Agreement. Any such certificates shall remain in the custody of the Company or its designee, and the Holder shall deposit with the custodian stock powers or other instruments of assignment, each endorsed in blank, so as to permit retransfer to the Company of all or any portion of the Restricted Shares and any securities constituting Retained Distributions that shall be forfeited or otherwise not become vested in accordance with the Plan and the applicable Agreement.

8.3 *Restrictions with Respect to Restricted Shares.* During the Restriction Period, Restricted Shares shall constitute issued and outstanding shares of the applicable series of Common Stock for all corporate purposes. The Holder will have the right to vote such Restricted Shares, to receive and retain such dividends and distributions, as the Committee may designate, paid or distributed on such Restricted Shares, and to exercise all other rights, powers and privileges of a Holder of shares of the applicable series of Common Stock with respect to such Restricted Shares; *except, that*, unless otherwise determined by the Committee and provided

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in the applicable Agreement, (i) the Holder will not be entitled to delivery of the stock certificate or certificates representing such Restricted Shares until the Restriction Period shall have expired and unless all other vesting requirements with respect thereto shall have been fulfilled or waived; (ii) the Company or its designee will retain custody of the stock certificate or certificates representing the Restricted Shares during the Restriction Period as provided in Section 8.2; (iii) other than such dividends and distributions as the Committee may designate, the Company or its designee will retain custody of all distributions ("Retained Distributions") made or declared with respect to the Restricted Shares (and such Retained Distributions will be subject to the same restrictions, terms and vesting, and other conditions as are applicable to the Restricted Shares) until such time, if ever, as the Restricted Shares with respect to which such Retained Distributions shall have been made, paid or declared shall have become vested, and such Retained Distributions shall not bear interest or be segregated in a separate account; (iv) the Holder may not sell, assign, transfer, pledge, exchange, encumber or dispose of the Restricted Shares or any Retained Distributions or such Holder's interest in any of them during the Restriction Period; and (v) a breach of any restrictions, terms or conditions provided in the Plan or established by the Committee with respect to any Restricted Shares or Retained Distributions will cause a forfeiture of such Restricted Shares and any Retained Distributions with respect thereto.

8.4 *Grant of Restricted Stock Units.* Subject to the limitations of the Plan, the Committee shall designate those eligible Persons to be granted Awards of Restricted Stock Units, the value of which is based, in whole or in part, on the Fair Market Value of the shares of any specified series of Common Stock. Subject to the provisions of the Plan, including any rules established pursuant to Section 8.5, Awards of Restricted Stock Units shall be subject to such terms, restrictions, conditions, vesting requirements and payment rules as the Committee may determine in its discretion, which need not be identical for each Award. Such Awards may provide for the payment of cash consideration by the Person to whom such Award is granted or provide that the Award, and any shares of Common Stock to be issued in connection therewith, if applicable, shall be delivered without the payment of cash consideration; *provided, however*, that the issuance of any shares of Common Stock in connection with an Award of Restricted Stock Units shall be for at least the minimum consideration necessary to permit such shares to be deemed fully paid and nonassessable. The determinations made by the Committee pursuant to this Section 8.4 shall be specified in the applicable Agreement.

8.5 *Restrictions with Respect to Restricted Stock Units.* Any Award of Restricted Stock Units, including any shares of Common Stock which are part of an Award of Restricted Stock Units, may not be assigned, sold, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued or, if later, the date provided by the Committee at the time of the Award. A breach of any restrictions, terms or conditions provided in the Plan or established by the Committee with respect to any Award of Restricted Stock Units will cause a forfeiture of such Restricted Stock Units and any Dividend Equivalents with respect thereto.

8.6 *Issuance of Restricted Stock Units.* Restricted Stock Units shall be issued at the beginning of the Restriction Period, shall not constitute issued and outstanding shares of the applicable series of Common Stock, and the Holder shall not have any of the rights of a stockholder with respect to the shares of Common Stock covered by such an Award of Restricted Stock Units, in each case until such shares shall have been issued to the Holder at the end of the

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Restriction Period. If and to the extent that shares of Common Stock are to be issued at the end of the Restriction Period, the Holder shall be entitled to receive Dividend Equivalents with respect to the shares of Common Stock covered thereby either (i) during the Restriction Period or (ii) in accordance with the rules applicable to Retained Distributions, as the Committee may specify in the Agreement.

8.7 *Cash Payments.* In connection with any Award of Restricted Shares or Restricted Stock Units, an Agreement may provide for the payment of a cash amount to the Holder of such Awards at any time after such Awards shall have become vested. Such cash amounts shall be payable in accordance with such additional restrictions, terms and conditions as shall be prescribed by the Committee in the Agreement and shall be in addition to any other salary, incentive, bonus or other compensation payments which such Holder shall be otherwise entitled or eligible to receive from the Company.

8.8 *Completion of Restriction Period.* On the Vesting Date with respect to each Award of Restricted Shares or Restricted Stock Units and the satisfaction of any other applicable restrictions, terms and conditions, (i) all or the applicable portion of such Restricted Shares or Restricted Stock Units shall become vested, (ii) any Retained Distributions with respect to such Restricted Shares and any unpaid Dividend Equivalents with respect to such Restricted Stock Units shall become vested to the extent that the Award related thereto shall have become vested, and (iii) any cash amount to be received by the Holder with respect to such Restricted Shares or Restricted Stock Units shall become payable, all in accordance with the terms of the applicable Agreement. Any such Restricted Shares, Restricted Stock Units, Retained Distributions and any unpaid Dividend Equivalents that shall not become vested shall be forfeited to the Company, and the Holder shall not thereafter have any rights (including dividend and voting rights) with respect to such Restricted Shares, Restricted Stock Units, Retained Distributions and any unpaid Dividend Equivalents that shall have been so forfeited. The Committee may, in its discretion, provide that the delivery of any Restricted Shares, Restricted Stock Units, Retained Distributions and unpaid Dividend Equivalents that shall have become vested, and payment of any related cash amounts that shall have become payable under this Article VIII, shall be deferred until such date or dates as the recipient may elect. Any election of a recipient pursuant to the preceding sentence shall be filed in writing with the Committee in accordance with such rules and regulations, including any deadline for the making of such an election, as the Committee may provide, and shall be made in compliance with Section 409A of the Code.

## ARTICLE IX

### CASH AWARDS AND PERFORMANCE AWARDS

9.1 *Cash Awards.* In addition to granting Options, SARs, Restricted Shares and Restricted Stock Units, the Committee shall, subject to the limitations of the Plan, have authority to grant to eligible Persons Cash Awards. Each Cash Award shall be subject to such terms and conditions, restrictions and contingencies, if any, as the Committee shall determine. Restrictions and contingencies limiting the right to receive a cash payment pursuant to a Cash Award shall be based upon the achievement of single or multiple Performance Objectives over a performance period established by the Committee. The determinations made by the Committee pursuant to this Section 9.1 shall be specified in the applicable Agreement.

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9.2 *Designation as a Performance Award.* The Committee shall have the right to designate any Award of Options, SARs, Restricted Shares or Restricted Stock Units as a Performance Award. All Cash Awards shall be designated as Performance Awards.

9.3 *Performance Objectives.* The grant or vesting of a Performance Award shall be subject to the achievement of Performance Objectives over a performance period established by the Committee based upon one or more of the following business criteria that apply to the Holder, one or more business units, divisions or Subsidiaries of the Company or the applicable sector of the Company, the Company as a whole, or any entity or entities to which the Company or Subsidiaries of the Company are providing services, and if so desired by the Committee, by comparison with a peer group of companies: increased revenue; net income measures (including income after capital costs and income before or after taxes); stock price measures (including growth measures and total stockholder return); price per share of Common Stock; market share; earnings per share (actual or targeted growth); earnings before interest, taxes, depreciation and amortization (EBITDA); operating income before depreciation and amortization (OIBDA); economic value added (or an equivalent metric); market value added; debt to equity ratio; cash flow measures (including cash flow return on capital, cash flow return on tangible capital, net cash flow and net cash flow before financing activities); return measures (including return on equity, return on average assets, return on capital, risk-adjusted return on capital, return on investors' capital and return on average equity); operating measures (including operating income, funds from operations, cash from operations, after-tax operating income, sales volumes, production volumes and production efficiency); expense measures (including overhead cost and general and administrative expense); margins; stockholder value; total stockholder return; proceeds from dispositions; total market value and corporate values measures (including ethics compliance, environmental and safety). Unless otherwise stated, such a Performance Objective need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria). The Committee shall have the authority to determine whether the Performance Objectives and other terms and conditions of the Award are satisfied, and the Committee's determination as to the achievement of Performance Objectives relating to a Performance Award shall be made in writing.

9.4 *Section 162(m) of the Code.* Notwithstanding the foregoing provisions, if the Committee intends for a Performance Award to be granted and administered in a manner designed to preserve the deductibility of the compensation resulting from such Award in accordance with Section 162(m) of the Code, then the Performance Objectives for such particular Performance Award relative to the particular period of service to which the Performance Objectives relate shall be established by the Committee in writing (i) no later than 90 days after the beginning of such period and (ii) prior to the completion of 25% of such period.

9.5 *Waiver of Performance Objectives.* The Committee shall have no discretion to modify or waive the Performance Objectives or conditions to the grant or vesting of a Performance Award unless such Award is not intended to qualify as qualified performance-based compensation under Section 162(m) of the Code and the relevant Agreement provides for such discretion.

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## ARTICLE X

10.1 *Acceleration of Awards.*

(a) *Death or Disability.* If a Holder's employment shall terminate by reason of death or Disability, notwithstanding any contrary waiting period, installment period, vesting schedule or Restriction Period in any Agreement or in the Plan, unless the applicable Agreement provides otherwise: (i) in the case of an Option or SAR, each outstanding Option or SAR granted under the Plan shall immediately become exercisable in full in respect of the aggregate number of shares covered thereby; (ii) in the case of Restricted Shares, the Restriction Period applicable to each such Award of Restricted Shares shall be deemed to have expired and all such Restricted Shares and any related Retained Distributions shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement; and (iii) in the case of Restricted Stock Units, the Restriction Period applicable to each such Award of Restricted Stock Units shall be deemed to have expired and all such Restricted Stock Units and any unpaid Dividend Equivalents shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement.

(b) *Approved Transactions; Board Change; Control Purchase.* In the event of any Approved Transaction, Board Change or Control Purchase, notwithstanding any contrary waiting period, installment period, vesting schedule or Restriction Period in any Agreement or in the Plan, unless the applicable Agreement provides otherwise: (i) in the case of an Option or SAR, each such outstanding Option or SAR granted under the Plan shall become exercisable in full in respect of the aggregate number of shares covered thereby; (ii) in the case of Restricted Shares, the Restriction Period applicable to each such Award of Restricted Shares shall be deemed to have expired and all such Restricted Shares and any related Retained Distributions shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement; and (iii) in the case of Restricted Stock Units, the Restriction Period applicable to each such Award of Restricted Stock Units shall be deemed to have expired and all such Restricted Stock Units and any unpaid Dividend Equivalents shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement, in each case effective upon the Board Change or Control Purchase or immediately prior to consummation of the Approved Transaction. The effect, if any, on a Cash Award of an Approved Transaction, Board Change or Control Purchase shall be prescribed in the applicable Agreement. Notwithstanding the foregoing, unless otherwise provided in the applicable Agreement, the Committee may, in its discretion, determine that any or all outstanding Awards of any or all types granted pursuant to the Plan will not vest or become exercisable on an accelerated basis in connection with an Approved Transaction if effective provision has been made for the taking of such action which, in the opinion of the Committee, is equitable and appropriate to substitute a new Award for such Award or to assume such Award and to make such new or assumed Award, as

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nearly as may be practicable, equivalent to the old Award (before giving effect to any acceleration of the vesting or exercisability thereof), taking into account, to the extent applicable, the kind and amount of securities, cash or other assets into or for which the applicable series of Common Stock may be changed, converted or exchanged in connection with the Approved Transaction.

10.2 *Termination of Employment.*

(a) *General.* If a Holder's employment shall terminate prior to an Option or SAR becoming exercisable or being exercised (or deemed exercised, as provided in Section 7.2) in full, or during the Restriction Period with respect to any Restricted Shares or any Restricted Stock Units, then such Option or SAR shall thereafter become or be exercisable, and the Holder's rights to any unvested Restricted Shares, Retained Distributions and related cash amounts and any unvested Restricted Stock Units, unpaid Dividend Equivalents and related cash amounts shall thereafter vest, in each case solely to the extent provided in the applicable Agreement; *provided, however,* that, unless otherwise determined by the Committee and provided in the applicable Agreement, (i) no Option or SAR may be exercised after the scheduled expiration date thereof; (ii) if the Holder's employment terminates by reason of death or Disability, the Option or SAR shall remain exercisable for a period of at least one year following such termination (but not later than the scheduled expiration of such Option or SAR); and (iii) any termination of the Holder's employment for cause will be treated in accordance with the provisions of Section 10.2(b). The effect on a Cash Award of the termination of a Holder's employment for any reason, other than for cause, shall be prescribed in the applicable Agreement.

(b) *Termination for Cause.* If a Holder's employment with the Company or a Subsidiary of the Company shall be terminated by the Company or such Subsidiary for "cause" during the Restriction Period with respect to any Restricted Shares or Restricted Stock Units or prior to any Option or SAR becoming exercisable or being exercised in full or prior to the payment in full of any Cash Award (for these purposes, "cause" shall have the meaning ascribed thereto in any employment agreement to which such Holder is a party or, in the absence thereof, shall include insubordination, dishonesty, incompetence, moral turpitude, other misconduct of any kind and the refusal to perform such Holder's duties and responsibilities for any reason other than illness or incapacity; *provided, however,* that if such termination occurs within 12 months after an Approved Transaction or Control Purchase or Board Change, termination for "cause" shall mean only a felony conviction for fraud, misappropriation, or embezzlement), then, unless otherwise determined by the Committee and provided in the applicable Agreement, (i) all Options and SARs and all unpaid Cash Awards held by such Holder shall immediately terminate, and (ii) such Holder's rights to all Restricted Shares, Restricted Stock Units, Retained Distributions, any unpaid Dividend Equivalents and any related cash amounts shall be forfeited immediately.

(c) *Miscellaneous.* The Committee may determine whether any given leave of absence constitutes a termination of employment; *provided, however,* that for purposes of the Plan, (i) a leave of absence, duly authorized in writing by the Company for military

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service or sickness, or for any other purpose approved by the Company if the period of such leave does not exceed 90 days, and (ii) a leave of absence in excess of 90 days, duly authorized in writing by the Company provided the employee's right to reemployment is guaranteed either by statute or contract, shall not be deemed a termination of employment. Unless otherwise determined by the Committee and provided in the applicable Agreement, Awards made under the Plan shall not be affected by any change of employment so long as the Holder continues to be an employee of the Company.

10.3 *Right of Company to Terminate Employment.* Nothing contained in the Plan or in any Award, and no action of the Company or the Committee with respect thereto, shall confer or be construed to confer on any Holder any right to continue in the employ of the Company or any of its Subsidiaries or interfere in any way with the right of the Company or any Subsidiary of the Company to terminate the employment of the Holder at any time, with or without cause, subject, however, to the provisions of any employment agreement between the Holder and the Company or any Subsidiary of the Company.

10.4 *Nonalienation of Benefits.* Except as set forth herein, no right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, garnishment, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, garnish, encumber or charge the same shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities or torts of the Person entitled to such benefits.

10.5 *Written Agreement.* Each Award under the Plan shall be evidenced by a written agreement, in such form as the Committee shall approve from time to time in its discretion, specifying the terms and provisions of such Award which may not be inconsistent with the provisions of the Plan; *provided, however,* that if more than one type of Award is made to the same Holder, such Awards may be evidenced by a single Agreement with such Holder. Each grantee of an Option, SAR, Restricted Shares, Restricted Stock Units or Performance Award (including a Cash Award) shall be notified promptly of such grant, and a written Agreement shall be promptly delivered by the

Company. Any such written Agreement may contain (but shall not be required to contain) such provisions as the Committee deems appropriate (i) to insure that the penalty provisions of Section 4999 of the Code will not apply to any stock or cash received by the Holder from the Company or (ii) to provide cash payments to the Holder to mitigate the impact of such penalty provisions upon the Holder. Any such Agreement may be supplemented or amended from time to time as approved by the Committee as contemplated by Section 10.7(b).

10.6 *Designation of Beneficiaries.* Each Person who shall be granted an Award under the Plan may designate a beneficiary or beneficiaries and may change such designation from time to time by filing a written designation of beneficiary or beneficiaries with the Committee on a form to be prescribed by it, provided that no such designation shall be effective unless so filed prior to the death of such Person.

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10.7 *Termination and Amendment.*

(a) *General.* Unless the Plan shall theretofore have been terminated as hereinafter provided, no Awards may be made under the Plan on or after the fifth anniversary of the Effective Date. The Plan may be terminated at any time prior to such date and may, from time to time, be suspended or discontinued or modified or amended if such action is deemed advisable by the Committee.

(b) *Modification.* No termination, modification or amendment of the Plan may, without the consent of the Person to whom any Award shall theretofore have been granted, adversely affect the rights of such Person with respect to such Award. No modification, extension, renewal or other change in any Award granted under the Plan shall be made after the grant of such Award, unless the same is consistent with the provisions of the Plan. With the consent of the Holder and subject to the terms and conditions of the Plan (including Section 10.7(a)), the Committee may amend outstanding Agreements with any Holder, including any amendment which would (i) accelerate the time or times at which the Award may be exercised and/or (ii) extend the scheduled expiration date of the Award. Without limiting the generality of the foregoing, the Committee may, but solely with the Holder's consent unless otherwise provided in the Agreement, agree to cancel any Award under the Plan and grant a new Award in substitution therefor, provided that the Award so substituted shall satisfy all of the requirements of the Plan as of the date such new Award is made. Nothing contained in the foregoing provisions of this Section 10.7(b) shall be construed to prevent the Committee from providing in any Agreement that the rights of the Holder with respect to the Award evidenced thereby shall be subject to such rules and regulations as the Committee may, subject to the express provisions of the Plan, adopt from time to time or impair the enforceability of any such provision.

10.8 *Government and Other Regulations.* The obligation of the Company with respect to Awards shall be subject to all applicable laws, rules and regulations and such approvals by any governmental agencies as may be required, including the effectiveness of any registration statement required under the Securities Act of 1933, and the rules and regulations of any securities exchange or association on which the Common Stock may be listed or quoted. For so long as any series of Common Stock are registered under the Exchange Act, the Company shall use its reasonable efforts to comply with any legal requirements (i) to maintain a registration statement in effect under the Securities Act of 1933 with respect to all shares of the applicable series of Common Stock that may be issuable, from time to time, to Holders under the Plan and (ii) to file in a timely manner all reports required to be filed by it under the Exchange Act.

10.9 *Withholding.* The Company's obligation to deliver shares of Common Stock or pay cash in respect of any Award under the Plan shall be subject to applicable federal, state and local tax withholding requirements. Federal, state and local withholding tax due at the time of an Award, upon the exercise of any Option or SAR or upon the vesting of, or expiration of restrictions with respect to, Restricted Shares or Restricted Stock Units or the satisfaction of the Performance Objectives applicable to a Performance Award, as appropriate, may, in the discretion of the Committee, be paid in shares of Common Stock already owned by the Holder or through the withholding of shares otherwise issuable to such Holder, upon such terms and conditions (including the conditions referenced in Section 6.5) as the Committee shall determine. If the Holder shall fail to pay, or make arrangements satisfactory to the Committee for the

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payment to the Company of, all such federal, state and local taxes required to be withheld by the Company, then the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to such Holder an amount equal to any federal, state or local taxes of any kind required to be withheld by the Company with respect to such Award.

10.10 *Nonexclusivity of the Plan.* The adoption of the Plan by the Board shall not be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including the granting of stock options and the awarding of stock and cash otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

10.11 *Exclusion from Pension and Profit-Sharing Computation.* By acceptance of an Award, unless otherwise provided in the applicable Agreement, each Holder shall be deemed to have agreed that such Award is special incentive compensation that will not be taken into account, in any manner, as salary, compensation or bonus in determining the amount of any payment under any pension, retirement or other employee benefit plan, program or policy of the Company or any Subsidiary of the Company. In addition, each beneficiary of a deceased Holder shall be deemed to have agreed that such Award will not affect the amount of any life insurance coverage, if any, provided by the Company on the life of the Holder which is payable to such beneficiary under any life insurance plan covering employees of the Company or any Subsidiary of the Company.

10.12 *Unfunded Plan.* Neither the Company nor any Subsidiary of the Company shall be required to segregate any cash or any shares of Common Stock which may at any time be represented by Awards, and the Plan shall constitute an "unfunded" plan of the Company. Except as provided in Article VIII with respect to Awards of Restricted Shares and except as expressly set forth in an Agreement, no employee shall have voting or other rights with respect to the shares of Common Stock covered by an Award prior to the delivery of such shares. Neither the Company nor any Subsidiary of the Company shall, by any provisions of the Plan, be deemed to be a trustee of any shares of Common Stock or any other property, and the liabilities of the Company and any Subsidiary of the Company to any employee pursuant to the Plan shall be those of a debtor pursuant to such contract obligations as are created by or pursuant to the Plan, and the rights of any employee, former employee or beneficiary under the Plan shall be limited to those of a general creditor of the Company or the applicable Subsidiary of the Company, as the case may be. In its sole discretion, the Board may authorize the creation of trusts or other arrangements to meet the obligations of the Company under the Plan, *provided, however,* that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

10.13 *Governing Law.* The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware.

10.14 *Accounts.* The delivery of any shares of Common Stock and the payment of any amount in respect of an Award shall be for the account of the Company or the applicable Subsidiary of the Company, as the case may be, and any such delivery or payment shall not be made until the recipient shall have paid or made satisfactory arrangements for the payment of any applicable withholding taxes as provided in Section 10.9.

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10.15 *Legends.* Any certificate evidencing shares of Common Stock subject to an Award shall bear such legends as the Committee deems necessary or appropriate to reflect or refer to any terms, conditions or restrictions of the Award applicable to such shares, including any to the effect that the shares represented thereby may not be disposed of unless the Company has received an opinion of counsel, acceptable to the Company, that such disposition will not violate any federal or state securities laws.

10.16 *Company's Rights.* The grant of Awards pursuant to the Plan shall not affect in any way the right or power of the Company to make reclassifications, reorganizations or other changes of or to its capital or business structure or to merge, consolidate, liquidate, sell or otherwise dispose of all or any part of its business or assets.

10.17 *Section 409A.* It is the intent of the Company that Awards under this Plan comply with the requirements of, or be exempt from the application of, Section 409A of the Code and related regulations and United States Department of the Treasury pronouncements ("Section 409A"), and the provisions of this Plan will be administered, interpreted and construed accordingly. Notwithstanding anything in this Plan to the contrary, if any Plan provision or Award under the Plan would result in the imposition of an additional tax under Section 409A, that Plan provision or Award will be construed or reformed to avoid imposition of the applicable tax and no action taken to comply with Section 409A shall be deemed to adversely affect the Holder's rights to an Award.

**FORM OF LIBERTY SPINCO, INC.  
2012 NONEMPLOYEE DIRECTOR INCENTIVE PLAN**

ARTICLE I

PURPOSE OF PLAN

1.1 *Purpose.* The purpose of the Plan is to provide a method whereby eligible Nonemployee Directors of the Company may be awarded additional remuneration for services rendered and encouraged to invest in capital stock of the Company, thereby increasing their proprietary interest in the Company's businesses and increasing their personal interest in the continued success and progress of the Company. The Plan is also intended to aid in attracting Persons of exceptional ability to become Nonemployee Directors of the Company.

ARTICLE II

DEFINITIONS

2.1 *Certain Defined Terms.* Capitalized terms not defined elsewhere in the Plan shall have the following meanings (whether used in the singular or plural):

"Account" has the meaning ascribed thereto in Section 8.2.

"Affiliate" of the Company means any corporation, partnership, or other business association that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Company.

"Agreement" means a stock option agreement, stock appreciation rights agreement, restricted shares agreement, restricted stock units agreement, or an agreement evidencing more than one type of Award, specified in Section 10.4, as any such Agreement may be supplemented or amended from time to time.

"Approved Transaction" means any transaction in which the Board (or, if approval of the Board is not required as a matter of law, the stockholders of the Company) shall approve (i) any consolidation or merger of the Company, or binding share exchange, pursuant to which shares of Common Stock of the Company would be changed or converted into or exchanged for cash, securities, or other property, other than any such transaction in which the common stockholders of the Company immediately prior to such transaction have the same proportionate ownership of the Common Stock of, and voting power with respect to, the surviving corporation immediately after such transaction, (ii) any merger, consolidation, or binding share exchange to which the Company is a party as a result of which the Persons who are common stockholders of the

Company immediately prior thereto have less than a majority of the combined voting power of the outstanding capital stock of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors immediately following such merger, consolidation, or binding share exchange, (iii) the adoption of any plan or proposal for the liquidation or dissolution of the Company, or (iv) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company.

"Award" means a grant of Options, SARs, Restricted Shares, Restricted Stock Units and/or cash under this Plan.

"Board" means the Board of Directors of the Company.

"Board Change" means, during any period of two consecutive years, individuals who at the beginning of such period constituted the entire Board cease for any reason to constitute a majority thereof unless the election, or the nomination for election, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute or statutes thereto. Reference to any specific Code section shall include any successor section.

"Common Stock" means each or any (as the context may require) series of the Company's common stock.

"Company" means Liberty Media Corporation (f/k/a Liberty Spinco, Inc.), a Delaware corporation.

"Control Purchase" means any transaction (or series of related transactions) in which any person (as such term is defined in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), corporation, or other entity (other than the Company, any Subsidiary of the Company, or any employee benefit plan sponsored by the Company or any Subsidiary of the Company or any Exempt Person (as defined below)) shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the then outstanding securities of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors (calculated as provided in Rule 13d-3(d) under the Exchange Act in the case of rights to acquire the Company's securities), other than in a transaction (or series of related transactions) approved by the Board. For purposes of this definition, "Exempt Person" means each of (a) the Chairman of the Board, the President and each of the directors of the Company as of the Distribution Date, and (b) the respective family members, estates, and heirs of each of the Persons referred to in clause (a) above and any trust or other investment vehicle for the primary benefit of any of such Persons or their

respective family members or heirs. As used with respect to any Person, the term "family member" means the spouse, siblings and lineal descendants of such Person.

"Director Compensation" means the annual retainer and meeting fees, and any other regular cash compensation payable by the Company to a Nonemployee Director for service on the Board.

"Disability" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

"Distribution" means the distribution by Starz (f/k/a Liberty Media Corporation) to the holders of its common stock of all of the issued and outstanding shares of Common Stock.

“Distribution Date” means the date on which the Distribution occurs.

“Dividend Equivalents” means, with respect to Restricted Stock Units, to the extent specified by the Board only, an amount equal to all dividends and other distributions (or the economic equivalent thereof) which are payable to stockholders of record during the Restriction Period on a like number and kind of shares of Common Stock.

“Domestic Relations Order” means a domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, or the rules thereunder.

“Effective Date” means the Distribution Date.

“Equity Security” shall have the meaning ascribed to such term in Section 3(a)(11) of the Exchange Act, and an equity security of an issuer shall have the meaning ascribed thereto in Rule 16a-1 promulgated under the Exchange Act, or any successor Rule.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute or statutes thereto. Reference to any specific Exchange Act section shall include any successor section.

“Fair Market Value” of a share of any series of Common Stock on any day means (i) for Option and SAR exercise transactions effected on any third-party incentive award administration system provided by the Company, the current high bid price of a share of any series of Common Stock as reported on the consolidated transaction reporting system on the principal national securities exchange on which shares of such series of Common Stock are listed on such day or if such shares are not then listed on a national securities exchange, then as quoted by Pink OTC Markets Inc., or (ii) for all other

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purposes under this Plan, the last sale price (or, if no last sale price is reported, the average of the high bid and low asked prices) for a share of such series of Common Stock on such day (or, if such day is not a trading day, on the next preceding trading day) as reported on the consolidated transaction reporting system for the principal national securities exchange on which shares of such series of Common Stock are listed on such day or if such shares are not then listed on a national securities exchange, then as quoted by Pink OTC Markets Inc. If for any day the Fair Market Value of a share of the applicable series of Common Stock is not determinable by any of the foregoing means, then the Fair Market Value for such day shall be determined in good faith by the Board on the basis of such quotations and other considerations as the Board deems appropriate.

“Free Standing SAR” has the meaning ascribed thereto in Section 7.1.

“Holder” means a Person who has received an Award under this Plan.

“Nonemployee Director” means an individual who is a member of the Board and who is not an employee of the Company or any Subsidiary.

“Option” means a stock option granted under Article VI.

“Person” means an individual, corporation, limited liability company, partnership, trust, incorporated or unincorporated association, joint venture or other entity of any kind.

“Plan” means this Liberty Media Corporation 201[ ] Nonemployee Director Incentive Plan.

“Restricted Shares” means shares of any series of Common Stock awarded pursuant to Section 8.1.

“Restricted Stock Unit” means a unit evidencing the right to receive in specified circumstances one share of the specified series of Common Stock or the equivalent value in cash, which right is subject to a Restriction Period or forfeiture provisions.

“Restriction Period” means a period of time beginning on the date of each Award of Restricted Shares or Restricted Stock Units and ending on the Vesting Date with respect to such Award.

“Retained Distribution” has the meaning ascribed thereto in Section 8.3.

“SARs” means stock appreciation rights, awarded pursuant to Article VII, with respect to shares of any specified series of Common Stock.

“Subsidiary” of a Person means any present or future subsidiary (as defined in Section 424(f) of the Code) of such Person or any business entity in which such Person owns, directly or indirectly, 50% or more of the voting, capital, or profits interests. An

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entity shall be deemed a subsidiary of a Person for purposes of this definition only for such periods as the requisite ownership or control relationship is maintained.

“Tandem SARs” has the meaning ascribed thereto in Section 7.1.

“Vesting Date,” with respect to any Restricted Shares or Restricted Stock Units awarded hereunder, means the date on which such Restricted Shares or Restricted Stock Units cease to be subject to a risk of forfeiture, as designated in or determined in accordance with the Agreement with respect to such Award of Restricted Shares or Restricted Stock Units pursuant to Article VIII. If more than one Vesting Date is designated for an Award of Restricted Shares or Restricted Stock Units, reference in the Plan to a Vesting Date in respect of such Award shall be deemed to refer to each part of such Award and the Vesting Date for such part.

### ARTICLE III

#### ADMINISTRATION

3.1 *Administration.* The Plan shall be administered by the Board, provided that it may delegate to employees of the Company certain administrative or ministerial duties in carrying out the purposes of the Plan.

3.2 *Powers.* The Board shall have full power and authority to grant to eligible Persons Options under Article VI of the Plan, SARs under Article VII of the Plan, Restricted Shares under Article VIII of the Plan, and/or Stock Units under Article IX of the Plan, to determine the terms and conditions (which need not be identical) of

all Awards so granted, to interpret the provisions of the Plan and any Agreements relating to Awards granted under the Plan, and to supervise the administration of the Plan. The Board in making an Award may provide for the granting or issuance of additional, replacement, or alternative Awards upon the occurrence of specified events, including the exercise of the original Award. The Board shall have sole authority in the selection of Persons to whom Awards may be granted under the Plan and in the determination of the timing, pricing, and amount of any such Award, subject only to the express provisions of the Plan. In making determinations hereunder, the Board may take into account such factors as the Board in its discretion deems relevant.

3.3 *Interpretation.* The Board is authorized, subject to the provisions of the Plan, to establish, amend, and rescind such rules and regulations as it deems necessary or advisable for the proper administration of the Plan and to take such other action in connection with or in relation to the Plan as it deems necessary or advisable. Each action and determination made or taken pursuant to the Plan by the Board, including any interpretation or construction of the Plan, shall be final and conclusive for all purposes and upon all Persons. No member of the Board shall be liable for any action or determination made or taken by such member or the Board in good faith with respect to the Plan.

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#### ARTICLE IV

##### SHARES SUBJECT TO THE PLAN

4.1 *Number of Shares.* Subject to the provisions of this Article IV, the maximum number of shares of Common Stock (i) which may be issued in lieu of Director Compensation pursuant to Section 9.1 and (ii) with respect to which Awards may be granted during the term of the Plan shall be [ ] shares. Shares of Common Stock will be made available from the authorized but unissued shares of the Company or from shares reacquired by the Company, including shares purchased in the open market. The shares of Common Stock subject to (i) any Award granted under the Plan that shall expire, terminate or be cancelled or annulled for any reason without having been exercised (or considered to have been exercised as provided in Section 7.2), (ii) any Award of any SARs granted under the Plan the terms of which provide for settlement in cash, and (iii) any Award of Restricted Shares or Restricted Stock Units that shall be forfeited prior to becoming vested (provided that the Holder received no benefits of ownership of such Restricted Shares or Restricted Stock Units other than voting rights and the accumulation of Retained Distributions and unpaid Dividend Equivalents that are likewise forfeited) shall again be available for purposes of the Plan. Notwithstanding the foregoing, the following shares of Common Stock may not again be made available for issuance as Awards under the Plan: (a) shares of Common Stock not issued or delivered as a result of the net settlement of an outstanding Option or SAR, (b) shares of Common Stock used to pay the purchase price or withholding taxes related to an outstanding Award, or (c) shares of Common Stock repurchased on the open market with the proceeds of an Option purchase price.

4.2 *Adjustments.*

(a) If the Company subdivides its outstanding shares of any series of Common Stock into a greater number of shares of such series of Common Stock (by stock dividend, stock split, reclassification, or otherwise) or combines its outstanding shares of any series of Common Stock into a smaller number of shares of such series of Common Stock (by reverse stock split, reclassification, or otherwise) or if the Board determines that any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, stock redemption, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase such series of Common Stock or other similar corporate event (including mergers or consolidations other than those which constitute Approved Transactions, adjustments with respect to which shall be governed by Section 10.1(b)) affects any series of Common Stock so that an adjustment is required to preserve the benefits or potential benefits intended to be made available under the Plan, then the Board, in such manner as the Board, in its sole discretion, deems equitable and appropriate, shall make such adjustments to any or all of (i) the number and kind of shares of stock which thereafter may be awarded, optioned or otherwise made subject to the benefits contemplated by the Plan, (ii) the number and kind of shares of stock subject to outstanding Awards, and (iii) the purchase or exercise price and the relevant appreciation base with respect to any of the foregoing, *provided, however*, that the number of shares subject to any Award shall always be a whole number. The Board

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may, if deemed appropriate, provide for a cash payment to any Holder of an Award in connection with any adjustment made pursuant to this Section 4.2.

(b) Notwithstanding any provision of the Plan to the contrary, in the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Board shall be authorized, in its discretion, (i) to provide, prior to the transaction, for the acceleration of the vesting and exercisability of, or lapse of restrictions with respect to, the Award and, if the transaction is a cash merger, provide for the termination of any portion of the Award that remains unexercised at the time of such transaction, or (ii) to cancel any such Awards and to deliver to the Holders cash in an amount that the Board shall determine in its sole discretion is equal to the fair market value of such Awards on the date of such event, which in the case of Options or SARs shall be the excess of the Fair Market Value (as determined in sub-section (ii) of the definition of such term) of Common Stock on such date over the purchase price of the Options or the base price of the SARs, as applicable.

(c) No adjustment or substitution pursuant to this Section 4.2 shall be made in a manner that results in noncompliance with the requirements of Section 409A of the Code, to the extent applicable.

#### ARTICLE V

##### ELIGIBILITY

5.1 *General.* The Persons who shall be eligible to participate in the Plan and to receive Awards under the Plan shall, subject to Section 5.2, be such Persons who are Nonemployee Directors as the Board shall select. Awards may be made to Nonemployee Directors who hold or have held Awards under this Plan or any similar or other awards under any other plan of the Company or any of its Affiliates.

5.2 *Ineligibility.* No Person who is not a Nonemployee Director shall be eligible to receive an Award.

#### ARTICLE VI

##### STOCK OPTIONS

6.1 *Grant of Options.* Subject to the limitations of the Plan, the Board shall designate from time to time those eligible Persons to be granted Options, the time when each Option shall be granted to such eligible Persons, the series and number of shares of Common Stock subject to such Option, and, subject to Section 6.2, the purchase price of the shares of Common Stock subject to such Option.

6.2 *Option Price.* The price at which shares may be purchased upon exercise of an Option shall be fixed by the Board and may be no less than the Fair Market Value of the shares

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of the applicable series of Common Stock subject to the Option as of the date the Option is granted.

6.3 *Term of Options.* Subject to the provisions of the Plan with respect to death, retirement and termination of service, the term of each Option shall be for such period as the Board shall determine as set forth in the applicable Agreement; provided that such term may not exceed ten years.

6.4 *Exercise of Options.* An Option granted under the Plan shall become (and remain) exercisable during the term of the Option to the extent provided in the applicable Agreement and this Plan and, unless the Agreement otherwise provides, may be exercised to the extent exercisable, in whole or in part, at any time and from time to time during such term; *provided, however*, that subsequent to the grant of an Option, the Board, at any time before complete termination of such Option, may accelerate the time or times at which such Option may be exercised in whole or in part (without reducing the term of such Option).

6.5 *Manner of Exercise.*

(a) *Form of Payment.* An Option shall be exercised by written notice to the Company upon such terms and conditions as the Agreement may provide and in accordance with such other procedures for the exercise of Options as the Board may establish from time to time. The method or methods of payment of the purchase price for the shares to be purchased upon exercise of an Option and of any amounts required by Section 10.8 shall be determined by the Board and may consist of (i) cash, (ii) check, (iii) promissory note (subject to applicable law), (iv) whole shares of any series of Common Stock, (v) the withholding of shares of the applicable series of Common Stock issuable upon such exercise of the Option, (vi) the delivery, together with a properly executed exercise notice, of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the purchase price, or (vii) any combination of the foregoing methods of payment, or such other consideration and method of payment as may be permitted for the issuance of shares under the Delaware General Corporation Law. The permitted method or methods of payment of the amounts payable upon exercise of an Option, if other than in cash, shall be set forth in the applicable Agreement and may be subject to such conditions as the Board deems appropriate.

(b) *Value of Shares.* Unless otherwise determined by the Board and provided in the applicable Agreement, shares of any series of Common Stock delivered in payment of all or any part of the amounts payable in connection with the exercise of an Option, and shares of any series of Common Stock withheld for such payment, shall be valued for such purpose at their Fair Market Value as of the exercise date.

(c) *Issuance of Shares.* The Company shall effect the transfer of the shares of Common Stock purchased under the Option as soon as practicable after the exercise thereof and payment in full of the purchase price therefor and of any amounts required by Section 10.8, and within a reasonable time thereafter, such transfer shall be evidenced on

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the books of the Company. Unless otherwise determined by the Board and provided in the applicable Agreement, (i) no Holder or other Person exercising an Option shall have any of the rights of a stockholder of the Company with respect to shares of Common Stock subject to an Option granted under the Plan until due exercise and full payment has been made, and (ii) no adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such due exercise and full payment.

6.6 *Nontransferability.* Unless otherwise determined by the Board and provided in the applicable Agreement, Options shall not be transferable other than by will or the laws of descent and distribution or pursuant to a Domestic Relations Order, and, except as otherwise required pursuant to a Domestic Relations Order, Options may be exercised during the lifetime of the Holder thereof only by such Holder (or his or her court-appointed legal representative).

## ARTICLE VII

### SARS

7.1 *Grant of SARs.* Subject to the limitations of the Plan, SARs may be granted by the Board to such eligible Persons in such numbers, with respect to any specified series of Common Stock, and at such times during the term of the Plan as the Board shall determine. A SAR may be granted to a Holder of an Option (hereinafter called a "related Option") with respect to all or a portion of the shares of Common Stock subject to the related Option (a "Tandem SAR") or may be granted separately to an eligible Nonemployee Director (a "Free Standing SAR"). Subject to the limitations of the Plan, SARs shall be exercisable in whole or in part upon notice to the Company upon such terms and conditions as are provided in the Agreement.

7.2 *Tandem SARs.* A Tandem SAR may be granted either concurrently with the grant of the related Option or at any time thereafter prior to the complete exercise, termination, expiration, or cancellation of such related Option. Tandem SARs shall be exercisable only at the time and to the extent that the related Option is exercisable (and may be subject to such additional limitations on exercisability as the Agreement may provide) and in no event after the complete termination or full exercise of the related Option. Upon the exercise or termination of the related Option, the Tandem SARs with respect thereto shall be canceled automatically to the extent of the number of shares of Common Stock with respect to which the related Option was so exercised or terminated. Subject to the limitations of the Plan, upon the exercise of a Tandem SAR and unless otherwise determined by the Board and provided in the applicable Agreement, (i) the Holder thereof shall be entitled to receive from the Company, for each share of the applicable series of Common Stock with respect to which the Tandem SAR is being exercised, consideration (in the form determined as provided in Section 7.4) equal in value to the excess of the Fair Market Value of a share of the applicable series of Common Stock with respect to which the Tandem SAR was granted on the date of exercise over the related Option purchase price per share, and (ii) the related Option with respect thereto shall be canceled automatically to the extent of the number of shares of Common Stock with respect to which the Tandem SAR was so exercised.

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7.3 *Free Standing SARs.* Free Standing SARs shall be exercisable at the time, to the extent and upon the terms and conditions set forth in the applicable Agreement. The base price of a Free Standing SAR may be no less than the Fair Market Value of the applicable series of Common Stock with respect to which the Free Standing SAR was granted as of the date the Free Standing SAR is granted. Subject to the limitations of the Plan, upon the exercise of a Free Standing SAR and unless otherwise determined by the Board and provided in the applicable Agreement, the Holder thereof shall be entitled to receive from the Company, for each share of the applicable series of Common Stock with respect to which the Free Standing SAR is being exercised, consideration (in the form determined as provided in Section 7.4) equal in value to the excess of the Fair Market Value of a share of the applicable series of Common Stock with respect to which the Free Standing SAR was granted on the date of exercise over the base price per share of such Free Standing SAR. The term of a Free Standing SAR may not exceed ten years.

7.4 *Consideration.* The consideration to be received upon the exercise of a SAR by the Holder shall be paid in cash, shares of the applicable series of Common Stock with respect to which the SAR was granted (valued at Fair Market Value on the date of exercise of such SAR), a combination of cash and such shares of the applicable series of Common Stock or such other consideration, in each case, as provided in the Agreement. No fractional shares of Common Stock shall be issuable upon exercise of a SAR, and unless otherwise provided in the applicable Agreement, the Holder will receive cash in lieu of fractional shares. Unless the Board shall otherwise determine, to the extent a Free Standing SAR is exercisable, it will be exercised automatically for cash on its expiration date.

7.5 *Limitations.* The applicable Agreement may provide for a limit on the amount payable to a Holder upon exercise of SARs at any time or in the aggregate, for a limit on the number of SARs that may be exercised by the Holder in whole or in part for cash during any specified period, for a limit on the time periods during which a Holder may exercise SARs, and for such other limits on the rights of the Holder and such other terms and conditions of the SAR, including a condition that the SAR may be exercised only in accordance with rules and regulations adopted from time to time, as the Board may determine. Unless otherwise so provided in the applicable Agreement, any such limit relating to a Tandem SAR shall not restrict the exercisability of the related Option. Such rules and regulations may govern the right to exercise SARs granted prior to the adoption or amendment of such rules and regulations as well as SARs granted thereafter.

7.6 *Exercise.* For purposes of this Article VII, the date of exercise of a SAR shall mean the date on which the Company shall have received notice from the Holder of the SAR of the exercise of such SAR (unless otherwise determined by the Board and provided in the applicable Agreement).

7.7 *Nontransferability.* Unless otherwise determined by the Board and provided in the applicable Agreement, (i) SARs shall not be transferable other than by will or the laws of descent and distribution or pursuant to a Domestic Relations Order, and (ii) except as otherwise required pursuant to a Domestic Relations Order, SARs may be exercised during the lifetime of the Holder thereof only by such Holder (or his or her court-appointed legal representative).

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## ARTICLE VIII

### RESTRICTED SHARES AND RESTRICTED STOCK UNITS

8.1 *Grant of Restricted Shares.* Subject to the limitations of the Plan, the Board shall designate those eligible Persons to be granted Awards of Restricted Shares, shall determine the time when each such Award shall be granted, and shall designate (or set forth the basis for determining) the Vesting Date or Vesting Dates for each Award of Restricted Shares, and may prescribe other restrictions, terms and conditions applicable to the vesting of such Restricted Shares in addition to those provided in the Plan. The Board shall determine the price, if any, to be paid by the Holder for the Restricted Shares; *provided, however*, that the issuance of Restricted Shares shall be made for at least the minimum consideration necessary to permit such Restricted Shares to be deemed fully paid and nonassessable. All determinations made by the Board pursuant to this Section 8.1 shall be specified in the Agreement.

8.2 *Issuance of Restricted Shares.* An Award of Restricted Shares shall be registered in a book entry account (the "Account") in the name of the Holder to whom such Restricted Shares shall have been awarded. During the Restriction Period, the Account, any certificates representing the Restricted Shares that may be issued during the Restriction Period and any securities constituting Retained Distributions shall bear a restrictive legend to the effect that ownership of the Restricted Shares (and such Retained Distributions), and the enjoyment of all rights appurtenant thereto, are subject to the restrictions, terms, and conditions provided in the Plan and the applicable Agreement. Any such certificates shall remain in the custody of the Company or its designee, and the Holder shall deposit with the custodian stock powers or other instruments of assignment, each endorsed in blank, so as to permit retransfer to the Company of all or any portion of the Restricted Shares and any securities constituting Retained Distributions that shall be forfeited or otherwise not become vested in accordance with the Plan and the applicable Agreement.

8.3 *Restrictions with respect to Restricted Shares.* During the Restriction Period, Restricted Shares shall constitute issued and outstanding shares of the applicable series of Common Stock for all corporate purposes. The Holder will have the right to vote such Restricted Shares, to receive and retain such dividends and distributions, as the Board may designate, paid or distributed on such Restricted Shares, and to exercise all other rights, powers, and privileges of a Holder of shares of the applicable series of Common Stock with respect to such Restricted Shares; *except, that*, unless otherwise determined by the Board and provided in the applicable Agreement, (a) the Holder will not be entitled to delivery of the stock certificate or certificates representing such Restricted Shares until the Restriction Period shall have expired and unless all other vesting requirements with respect thereto shall have been fulfilled or waived; (b) the Company or its designee will retain custody of the stock certificate or certificates representing the Restricted Shares during the Restriction Period as provided in Section 8.2; (c) other than such dividends and distributions as the Board may designate, the Company or its designee will retain custody of all distributions ("Retained Distributions") made or declared with respect to the Restricted Shares (and such Retained Distributions will be subject to the same restrictions, terms and vesting, and other conditions as are applicable to the Restricted Shares)

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until such time, if ever, as the Restricted Shares with respect to which such Retained Distributions shall have been made, paid, or declared shall have become vested, and such Retained Distributions shall not bear interest or be segregated in a separate account; (d) the Holder may not sell, assign, transfer, pledge, exchange, encumber, or dispose of the Restricted Shares or any Retained Distributions or such Holder's interest in any of them during the Restriction Period; and (e) a breach of any restrictions, terms, or conditions provided in the Plan or established by the Board with respect to any Restricted Shares or Retained Distributions will cause a forfeiture of such Restricted Shares and any Retained Distributions with respect thereto.

8.4 *Grant of Restricted Stock Units.* Subject to the limitations of the Plan, the Board shall designate those eligible Persons to be granted Awards of Restricted Stock Units, the value of which is based, in whole or in part, on the Fair Market Value of the shares of any specified series of Common Stock. Subject to the provisions of the Plan, including any rules established pursuant to Section 8.5, Awards of Restricted Stock Units shall be subject to such terms, restrictions, conditions, vesting requirements and payment rules as the Board may determine in its discretion, which need not be identical for each Award. Such Awards may provide for the payment of cash consideration by the Person to whom such Award is granted or provide that the Award, and any shares of Common Stock to be issued in connection therewith, if applicable, shall be delivered without the payment of cash consideration; *provided, however*, that the issuance of any shares of Common Stock in connection with an Award of Restricted Stock Units shall be for at least the minimum consideration necessary to permit such shares to be deemed fully paid and nonassessable. The determinations made by the Board pursuant to this Section 8.4 shall be specified in the applicable Agreement.

8.5 *Restrictions with Respect to Restricted Stock Units.* Any Award of Restricted Stock Units, including any shares of Common Stock which are part of an Award of Restricted Stock Units, may not be assigned, sold, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued or, if later, the date provided by the Board at the time of the Award. A breach of any restrictions, terms or conditions provided in the Plan or established by the Board with respect to any Award of Restricted Stock Units will cause a forfeiture of such Restricted Stock Units and any Dividend Equivalents with respect thereto.

8.6 *Issuance of Restricted Stock Units.* Restricted Stock Units shall be issued at the end of the Restriction Period, shall not constitute issued and outstanding shares of the applicable series of Common Stock, and the Holder shall not have any of the rights of a stockholder with respect to the shares of Common Stock covered by such an Award of Restricted Stock Units, in each case until such shares shall have been issued to the Holder at the end of the Restriction Period. If and to the extent that shares of Common Stock are to be issued at the end of the Restriction Period, the Holder shall be entitled to receive Dividend Equivalents with respect to the shares of Common Stock covered thereby either (i) during the Restriction Period or (ii) in accordance with the rules applicable to Retained Distributions, as the Board may specify in the Agreement.

8.7 *Cash Payments.* In connection with any Award of Restricted Shares or Restricted Stock Units, an Agreement may provide for the payment of a cash amount to the Holder of such Awards at any time after such Awards shall have become vested. Such cash amounts shall be payable in accordance with such additional restrictions, terms, and conditions as shall be

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prescribed by the Board in the Agreement and shall be in addition to any other compensation payments which such Holder shall be otherwise entitled or eligible to receive from the Company.

8.8 *Completion of Restriction Period.* On the Vesting Date with respect to each Award of Restricted Shares or Restricted Stock Units and the satisfaction of any other applicable restrictions, terms, and conditions, (a) all or the applicable portion of such Restricted Shares or Restricted Stock Units shall become vested, (b) any Retained Distributions with respect to such Restricted Shares and any unpaid Dividend Equivalents with respect to such Restricted Stock Units shall become vested to the extent that the Awards related thereto shall have become vested, and (c) any cash amount to be received by the Holder with respect to such Restricted Shares or Restricted Stock Units shall become payable, all in accordance with the terms of the applicable Agreement. Any such Restricted Shares, Restricted Stock Units, Retained Distributions, and any unpaid Dividend Equivalents that shall not become vested shall be forfeited to the Company, and the Holder shall not thereafter have any rights (including dividend and voting rights) with respect to such Restricted Shares, Restricted Stock Units, Retained Distributions, and any unpaid Dividend Equivalents that shall have been so forfeited. The Board may, in its discretion, provide that the delivery of any Restricted Shares, Restricted Stock Units, Retained Distributions, and unpaid Dividend Equivalents that shall have become vested, and payment of any related cash amounts that shall have become payable under this Article VIII, shall be deferred until such date or dates as the recipient may elect. Any election of a recipient pursuant to the preceding sentence shall be filed in writing with the Board in accordance with such rules and regulations, including any deadline for the making of such an election, as the Board may provide, and shall be made in compliance with Section 409A of the Code.

## ARTICLE IX

### STOCK AWARDS IN LIEU OF CASH DIRECTOR FEES

9.1 *General.* Each Nonemployee Director shall have the option to elect to receive shares of one or more series of Common Stock, as prescribed by the Board, in lieu of all or part of the Director Compensation otherwise payable by the Company during each calendar quarter. Subject to any applicable Purchase Restriction as described in Section 9.3, to the extent a Nonemployee Director has elected in writing to receive stock in lieu of Director Compensation, such Nonemployee Director will receive shares of Common Stock on the last day of the calendar quarter for which the Director Compensation was earned. The Director Compensation shall be converted to a number of shares of Common Stock equal in value to such Director Compensation based on the Fair Market Value of such shares on the last day of the calendar quarter for which the Director Compensation would otherwise be payable to the Nonemployee Director, with any fractional shares paid in cash. For this purpose, if the last day of the calendar quarter is not a trading day, then Fair Market Value shall be determined as of the next succeeding trading day. Any shares issued in lieu of Director Compensation shall be issued free of all restrictions except as required by law.

9.2 *Timing of Election.* A Nonemployee Director's election pursuant to Section 9.1 must be made no later than the 30th calendar day (or such other day as the Board may prescribe) prior to the end of the calendar quarter to which the election applies in accordance with the

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procedures established by the Board. Once an election is made with respect to a particular calendar quarter, it may not be withdrawn or substituted unless the Board determines, in its sole discretion, that the withdrawal or substitution is occasioned by an extraordinary or unanticipated event.

9.3 *Election Void During Restricted Period.* If, on the date shares would be purchased pursuant to an election under Section 9.1, there is in place any restriction under applicable law (including a blackout period under the Sarbanes-Oxley Act of 2002) or the rules of the principal national securities exchange on which shares of the applicable series of Common Stock are traded (a "Purchase Restriction") which would prohibit the Nonemployee Director from making such a purchase, then such shares shall be purchased on the first trading day following the lapse or removal of the Purchase Restriction based on the Fair Market Value of the shares on such trading day.

9.4 *Conditions.* Nothing contained herein shall preclude the Board, in its sole discretion, from imposing conditions on any election made under Section 9.1, including the conditions described in Section 9.3.

## ARTICLE X

### GENERAL PROVISIONS

#### 10.1 *Acceleration of Awards.*

(a) *Death or Disability.* If a Holder's service shall terminate by reason of death or Disability, notwithstanding any contrary waiting period, installment period, vesting schedule, or Restriction Period in any Agreement or in the Plan, unless the applicable Agreement provides otherwise: (i) in the case of an Option or SAR, each outstanding Option or SAR granted under the Plan shall immediately become exercisable in full in respect of the aggregate number of shares covered thereby; (ii) in the case of Restricted Shares, the Restriction Period applicable to each such Award of Restricted Shares shall be deemed to have expired and all such Restricted Shares and any related Retained Distributions shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement; and (iii) in the case of Restricted Stock Units, the Restriction Period applicable to each such Award of Restricted Stock Units shall be deemed to have expired and all such Restricted Stock Units and any unpaid Dividend Equivalents shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement.

(b) *Approved Transactions; Board Change; Control Purchase.* In the event of any Approved Transaction, Board Change or Control Purchase, notwithstanding any contrary waiting period, installment period, vesting schedule, or Restriction Period in any Agreement or in the Plan, unless the applicable Agreement provides otherwise: (i) in the case of an Option or SAR, each such outstanding Option or SAR granted under the Plan

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shall become exercisable in full in respect of the aggregate number of shares covered thereby; (ii) in the case of Restricted Shares, the Restriction Period applicable to each such Award of Restricted Shares shall be deemed to have expired and all such Restricted Shares and any related Retained Distributions shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement; and (iii) in the case of Restricted Stock Units, the Restriction Period applicable to each such Award of Restricted Stock Units shall be deemed expired and all such Restricted Stock Units and any unpaid Dividend Equivalents shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement, in each case effective upon the Board Change or Control Purchase or immediately prior to consummation of the Approved Transaction. Notwithstanding the foregoing, unless otherwise provided in the applicable Agreement, the Board may, in its discretion, determine that any or all outstanding Awards of any or all types granted pursuant to the Plan will not vest or become exercisable on an accelerated basis in connection with an Approved Transaction if effective provision has been made for the taking of such action which, in the opinion of the Board, is equitable and appropriate to substitute a new Award for such Award or to assume such Award and to make such new or assumed Award, as nearly as may be practicable, equivalent to the old Award (before giving effect to any acceleration of the vesting or exercisability thereof), taking into account, to the extent applicable, the kind and amount of securities, cash, or other assets into or for which the applicable series of Common Stock may be changed, converted, or exchanged in connection with the Approved Transaction.

## 10.2 Termination of Service.

(a) *General.* If a Holder's service shall terminate prior to an Option or SAR becoming exercisable or being exercised (or deemed exercised, as provided in Section 7.2), in full, or during the Restriction Period with respect to any Restricted Shares or any Restricted Stock Units, then such Option or SAR shall thereafter become or be exercisable, and the Holder's rights to any unvested Restricted Shares, Retained Distributions and related cash amounts and any unvested Restricted Stock Units, unpaid Dividend Equivalents and related cash amounts shall thereafter vest, in each case solely to the extent provided in the applicable Agreement; *provided, however,* that, unless otherwise determined by the Board and provided in the applicable Agreement, (i) no Option or SAR may be exercised after the scheduled expiration date thereof; (ii) if the Holder's service terminates by reason of death or Disability, the Option or SAR shall remain exercisable for a period of at least one year following such termination (but not later than the scheduled expiration of such Option or SAR); and (iii) any termination of the Holder's service for cause will be treated in accordance with the provisions of Section 10.2(b).

(b) *Termination for Cause.* If a Holder's service on the Board shall be terminated by the Company during the Restriction Period with respect to any Restricted Shares or Restricted Stock Units, or prior to any Option or SAR becoming exercisable or being exercised in full, for "cause" (for these purposes, cause shall include, but not be

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limited to, insubordination, dishonesty, incompetence, moral turpitude, other misconduct of any kind, and the refusal to perform such Holder's duties and responsibilities for any reason other than illness or incapacity; *provided, however,* that if such termination occurs within 12 months after an Approved Transaction or Control Purchase or Board Change, termination for cause shall mean only a felony conviction for fraud, misappropriation, or embezzlement), then, unless otherwise determined by the Board and provided in the applicable Agreement, (i) all Options and SARs held by such Holder shall immediately terminate and (ii) such Holder's rights to all Restricted Shares, Restricted Stock Units, Retained Distributions, any unpaid Dividend Equivalents and any related cash amounts shall be forfeited immediately.

10.3 *Nonalienation of Benefits.* Except as set forth herein, no right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities, or torts of the Person entitled to such benefits.

10.4 *Written Agreement.* Each Award under the Plan shall be evidenced by a written agreement, in such form as the Board shall approve from time to time in its discretion, specifying the terms and provisions of such Award which may not be inconsistent with the provisions of the Plan; *provided, however,* that if more than one type of Award is made to the same Holder, such Awards may be evidenced by a single Agreement with such Holder. Each grantee of an Option, SAR, Restricted Shares or Restricted Stock Units shall be notified promptly of such grant, and a written Agreement shall be promptly delivered by the Company. Any such written Agreement may contain (but shall not be required to contain) such provisions as the Board deems appropriate (i) to insure that the penalty provisions of Section 4999 of the Code will not apply to any stock or cash received by the Holder from the Company or (ii) to provide cash payments to the Holder to mitigate the impact of such penalty provisions upon the Holder. Any such Agreement may be supplemented or amended from time to time as approved by the Board as contemplated by Section 10.6(b).

10.5 *Designation of Beneficiaries.* Each Person who shall be granted an Award under the Plan may designate a beneficiary or beneficiaries and may change such designation from time to time by filing a written designation of beneficiary or beneficiaries with the Board on a form to be prescribed by it, provided that no such designation shall be effective unless so filed prior to the death of such Person.

## 10.6 Termination and Amendment.

(a) *General.* Unless the Plan shall theretofore have been terminated as hereinafter provided, no Awards may be made under the Plan on or after the fifth anniversary of the Effective Date. The Plan may be terminated at any time prior to such date and may, from time to time, be suspended or discontinued or modified or amended if such action is deemed advisable by the Board.

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(b) *Modification.* No termination, modification or amendment of the Plan may, without the consent of the Person to whom any Award shall theretofore have been granted, adversely affect the rights of such Person with respect to such Award. No modification, extension, renewal, or other change in any Award granted under the Plan shall be made after the grant of such Award, unless the same is consistent with the provisions of the Plan. With the consent of the Holder and subject to the terms and conditions of the Plan (including Section 10.6(a)), the Board may amend outstanding Agreements with any Holder, including any amendment which would (i) accelerate the time or times at which the Award may be exercised and/or (ii) extend the scheduled expiration date of the Award. Without limiting the generality of the foregoing, the Board may, but solely with the Holder's consent unless otherwise provided in the Agreement, agree to cancel any Award under the Plan and grant a new Award in substitution therefor, provided that the Award so substituted shall satisfy all of the requirements of the Plan as of the date such new Award is made. Nothing contained in the foregoing provisions of this Section 10.6(b) shall be construed to prevent the Board from providing in any Agreement that the rights of the Holder with respect to the Award evidenced thereby shall be subject to such rules and regulations as the Board may, subject to the express provisions of the Plan, adopt from time to time or impair the enforceability of any such provision.

10.7 *Government and Other Regulations.* The obligation of the Company with respect to Awards shall be subject to all applicable laws, rules, and regulations and such approvals by any governmental agencies as may be required, including the effectiveness of any registration statement required under the Securities Act of 1933, and the rules and regulations of any securities exchange or association on which the Common Stock may be listed or quoted. For so long as any series of Common Stock are registered under the Exchange Act, the Company shall use its reasonable efforts to comply with any legal requirements (i) to maintain a registration statement in effect under the Securities Act of 1933 with respect to all shares of the applicable series of Common Stock that may be issuable, from time to time, to Holders under the Plan and (ii) to file in a timely manner all reports required to be filed by it under the Exchange Act.

10.8 *Withholding.* The Company's obligation to deliver shares of Common Stock or pay cash in respect of any Award under the Plan shall be subject to applicable federal, state, and local tax withholding requirements. Federal, state, and local withholding tax due at the time of an Award, upon the exercise of any Option or SAR or upon the vesting of, or expiration of restrictions with respect to, Restricted Shares or Restricted Stock Units, as appropriate, may, in the discretion of the Board, be paid in shares of Common Stock already owned by the Holder or through the withholding of shares otherwise issuable to such Holder, upon such terms and conditions (including the conditions referenced in Section 6.5) as the Board shall determine. If the Holder shall fail to pay, or make arrangements satisfactory to the Board for the payment to the Company of, all such federal, state and local taxes required to be withheld by the Company, then the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to such Holder an amount equal to any federal, state, or local taxes of any kind required to be withheld by the Company with respect to such Award.

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10.9 *Nonexclusivity of the Plan.* The adoption of the Plan by the Board shall not be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including the granting of stock options and the awarding of stock and cash otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

10.10 *Exclusion from Other Plans.* By acceptance of an Award, unless otherwise provided in the applicable Agreement, each Holder shall be deemed to have agreed that such Award is special incentive compensation that will not be taken into account, in any manner, as compensation or bonus in determining the amount of any payment under any pension, retirement or other benefit plan, program, or policy of the Company or any Subsidiary of the Company. In addition, each beneficiary of a deceased Holder shall be deemed to have agreed that such Award will not affect the amount of any life insurance coverage, if any, provided by the Company on the life of the Holder which is payable to such beneficiary under any life insurance plan of the Company or any Subsidiary of the Company. Director Compensation elected to be received in the form of stock in lieu of cash shall be treated as regular compensation for purposes of any Director retirement or life insurance plan.

10.11 *Unfunded Plan.* Neither the Company nor any Subsidiary of the Company shall be required to segregate any cash or any shares of Common Stock which may at any time be represented by Awards, and the Plan shall constitute an “unfunded” plan of the Company. Except as provided in Article VIII with respect to Awards of Restricted Shares and except as expressly set forth in an Agreement, no Holder shall have voting or other rights with respect to the shares of Common Stock covered by an Award prior to the delivery of such shares. Neither the Company nor any Subsidiary of the Company shall, by any provisions of the Plan, be deemed to be a trustee of any shares of Common Stock or any other property, and the liabilities of the Company and any Subsidiary of the Company to any Holder pursuant to the Plan shall be those of a debtor pursuant to such contract obligations as are created by or pursuant to the Plan, and shall be limited to those of a general creditor of the Company or the applicable Subsidiary of the Company, as the case may be. In its sole discretion, the Board may authorize the creation of trusts or other arrangements to meet the obligations of the Company under the Plan, *provided, however*, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

10.12 *Governing Law.* The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware.

10.13 *Accounts.* The delivery of any shares of Common Stock and the payment of any amount in respect of an Award shall be for the account of the Company or the applicable Subsidiary of the Company, as the case may be, and any such delivery or payment shall not be made until the recipient shall have paid or made satisfactory arrangements for the payment of any applicable withholding taxes as provided in Section 10.8.

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10.14 *Legends.* Any certificate evidencing shares of Common Stock subject to an Award shall bear such legends as the Board deems necessary or appropriate to reflect or refer to any terms, conditions, or restrictions of the Award applicable to such shares, including any to the effect that the shares represented thereby may not be disposed of unless the Company has received an opinion of counsel, acceptable to the Company, that such disposition will not violate any federal or state securities laws.

10.15 *Company's Rights.* The grant of Awards pursuant to the Plan shall not affect in any way the right or power of the Company to make reclassifications, reorganizations, or other changes of or to its capital or business structure or to merge, consolidate, liquidate, sell, or otherwise dispose of all or any part of its business or assets.

10.16 *Section 409A.* It is the intent of the Company that Awards under this Plan comply with the requirements of, or be exempt from the application of, Section 409A of the Code and related regulations and United States Department of the Treasury pronouncements (“Section 409A”), and the provisions of this Plan will be administered, interpreted and construed accordingly. Notwithstanding anything in this Plan to the contrary, if any Plan provision or Award under the Plan would result in the imposition of an additional tax under Section 409A, that Plan provision or Award will be construed or reformed to avoid imposition of the applicable tax and no action taken to comply with Section 409A shall be deemed to adversely affect the Holder’s rights to an Award.

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## FORM OF TAX SHARING AGREEMENT

BETWEEN

STARZ

AND

LIBERTY MEDIA CORPORATION

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**TAX SHARING AGREEMENT**

THIS TAX SHARING AGREEMENT (this “Agreement”) is entered into as of [ ], between Starz, a Delaware corporation formerly known as Liberty Media Corporation (“Distributing”), and Liberty Media Corporation, a Delaware corporation formerly known as Liberty Spinco, Inc. (“Spinco”). Unless otherwise indicated, all “Section” references in this Agreement are to sections of this Agreement.

**RECITALS**

WHEREAS, Spinco is a wholly owned subsidiary of Distributing;

WHEREAS, the Board of Directors of Distributing has determined that it would be appropriate and desirable for Distributing to separate the Spinco Business from the Distributing Business;

WHEREAS, the Board of Directors of Spinco has approved such transaction;

WHEREAS, following the Contribution, Distributing intends to distribute its entire interest in the stock of Spinco to the holders of Liberty Capital Common Stock in what is intended to qualify as a tax-free transaction described under Sections 368(a), 355 and 361 of the Code (the “Distribution”);

WHEREAS, the parties set forth in the Reorganization Agreement the principal arrangements between them regarding the separation of the Spinco Business from the Distributing Business; and

WHEREAS, the parties desire to provide for and agree upon the allocation between the parties of liabilities for Taxes and credits for Tax Benefits arising prior to, as a result of, and subsequent to the Distribution, and to provide for and agree upon other matters relating to Taxes.

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth below, and intending to be legally bound hereby, Distributing and Spinco hereby agree as follows:

**SECTION 1. Definition of Terms.** For purposes of this Agreement (including the recitals hereof), the following terms have the following meanings:

“Affiliate” means with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such first Person. For the avoidance of doubt, (x) no member of the Spinco Group will be treated as an Affiliate of any member of the Distributing Group, and (y) no member of the Distributing Group will be treated as an Affiliate of any member of the Spinco Group.

“Agreement” has the meaning set forth in the preamble hereof.

“Ascent” means Ascent Capital Group, Inc., a Delaware corporation.

“business day” means any day other than a Saturday, Sunday or a day on which banking institutions in New York City, New York or London, England are authorized or required by law or executive order to close.

“Code” means the U.S. Internal Revenue Code of 1986, as amended from time to time, or any successor law.

“Combined Return” means (i) with respect to any Tax Return for a Tax Year beginning on or before the Distribution Date, any Tax Return that includes Tax Items of both the Distributing Business and the Spinco Business, determined in accordance with the allocation rules of Section 2.2, and (ii) with respect to any Tax Return for a Tax Year beginning after the Distribution Date, any Tax Return that includes one or more members of the Distributing Group and one or more members of the Spinco Group.

“Company” means Distributing or Spinco, as the context requires.

“Compensatory Equity Interests” means stock, equity interests, options, stock appreciation rights, or other similar rights with respect to the equity of any entity granted prior to the Distribution in connection with employee, independent contractor or director compensation (including, for the avoidance of doubt, stock, equity interests, options, stock appreciation rights, or other similar rights issued in substitution for any of the foregoing by reason of the Distribution or any subsequent transaction).

“Consolidated Group” means a group filing (or required to file) consolidated federal income Tax Returns for any Tax Year (or portion thereof), within the meaning of Treasury Regulations Section 1.1502-1(h).

“Contribution” has the meaning given to such term in the Reorganization Agreement.

“Control” means, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through ownership of securities or partnership, membership, limited liability company, or other ownership interests, by contract or otherwise and the terms “Controlling” and “Controlled” have meanings correlative to the foregoing.

“Conversion Tax Materials” means the representation letters and any other materials delivered by Distributing to Baker Botts L.L.P. in connection with the delivery of the Starz Conversion Opinion.

“Conversion Tax-Related Losses” means any Losses resulting from the failure of the Starz Conversion to qualify (i) as a tax-free transaction described under Section 368(a)(1)(E) of the Code (except with respect to cash received in lieu of fractional shares), or (ii) in whole for nonrecognition of income, gain and loss for U.S. federal income tax purposes to Distributing, each of its Subsidiaries at the effective time

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of the Starz Conversion and the holders of Liberty Starz Common Stock (except with respect to cash received in lieu of fractional shares).

“Conversion Transaction Taxes” means any Taxes resulting from the Starz Conversion.

“Disclosing Party” has the meaning set forth in Section 6.3.

“Discovery” means Discovery Communications, Inc., a Delaware corporation.

“Distributing” has the meaning set forth in the preamble hereof.

“Distributing Acquired Subsidiary” has the meaning set forth in Section 2.2(j).

“Distributing Business” means, (i) with respect to any Tax Year (or portion thereof) ending at or before the Effective Time, the assets, liabilities, and businesses of, and any equity or debt interests in, Starz, LLC, Starz Entertainment LLC, Starz Media, and each of their respective Subsidiaries; and (ii) with respect to any Tax Year (or portion thereof) beginning after the Effective Time, the assets, liabilities, and businesses of the Distributing Group during such Tax Year (or portion thereof).

“Distributing Consolidated Group” means a Consolidated Group of which Distributing is the common parent, within the meaning of Section 1504(a)(1) of the Code.

“Distributing Group” means, with respect to any Tax Year (or portion thereof) beginning after the Effective Time, Distributing and each Subsidiary of Distributing (but only while such Subsidiary is a Subsidiary of Distributing).

“Distributing Indemnitees” has the meaning set forth in Section 7.3.

“Distributing Section 355(e) Event” means the application of Section 355(e) of the Code to the Distribution as a result of the Distribution being “part of a plan (or series of related transactions) pursuant to which 1 or more persons acquire directly or indirectly stock representing a 50-percent or greater interest” in Distributing or any successor corporation (within the meaning of Section 355(e) of the Code).

“Distributing Section 355(e) Split-off Event” means the application of Section 355(e) of the Code to the Split-off as a result of the Split-off being “part of a plan (or series of related transactions) pursuant to which 1 or more persons acquire directly or indirectly stock representing a 50-percent or greater interest” in Distributing or any successor corporation (within the meaning of Section 355(e) of the Code).

“Distribution” has the meaning set forth in the recitals hereof.

“Distribution Date” means the date on which the Distribution occurs.

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“DTV” means DIRECTV, a Delaware corporation.

“Due Date” has the meaning set forth in Section 4.4.

“Effective Time” means the time at which the Distribution is effected on the Distribution Date.

“Employing Party” means the Company whose Group includes any entity that is required under applicable Tax law to satisfy any Tax reporting obligations with respect to any employee, independent contractor or director compensation attributable to any Compensatory Equity Interests; provided, however, that if an entity in both Groups is permitted under applicable Tax Law to satisfy such Tax reporting obligations, then the Employing Party shall mean the Company to which the Taxes and Tax Items arising with respect to such employee, independent contractor or director compensation are allocated pursuant to Section 2.2(h).

“Final Determination” means a determination within the meaning of Section 1313 of the Code or any similar provision of state or local Tax Law.

“Group” means the Distributing Group or the Spinco Group, as the context requires.

“Interest Rate” means the Rate determined below, as adjusted as of each Interest Rate Determination Date. The “Rate,” means, with respect to each period between two consecutive Interest Rate Determination Dates, a rate determined at approximately 11:00 a.m., London time, two London business days before the earlier Interest Rate Determination Date equal to the greater of: (x) the sum of (i) the six month dollar LIBOR rate as displayed on page “LR” of Bloomberg (or such other appropriate page as may replace such page), plus (ii) 2%, and (y) the interest rate that would be applicable at such time to a “large corporate underpayment” (within the meaning of Section 6621(c) of the Code) under Sections 6601 and 6621 of the Code. Interest will be calculated on the basis of a year of 365 days and the actual number of days for which due.

“Interest Rate Determination Date” means the Due Date and each March 31, June 30, September 30 and December 31 thereafter.

“IRS” means the Internal Revenue Service.

“IRS Submissions” means the Ruling Request, each supplemental submission and any other correspondence or supplemental materials submitted to the IRS in connection with obtaining the Ruling.

“issuing corporation” has the meaning set forth in Section 3.4(f).

“Joint Claim” means any pending or threatened Tax Contest, claim, action, suit, investigation or proceeding brought by a third party relating to (w) any Transaction Taxes or any Transaction Tax-Related Losses, (x) any Conversion

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Transaction Taxes or any Conversion Tax-Related Losses, (y) any Split-off Transaction Taxes, any Split-off Tax-Related Losses or any Split-off TSA Liabilities arising from any Split-off Transaction Taxes or Split-off Tax-Related Losses, or (z) any Tracking Stock Taxes and Losses, in each case for which one Company is or may be indemnified by the other Company under Section 7.

“LGI” means Liberty Global, Inc., a Delaware corporation.

“Liberty Capital Common Stock” means Distributing’s Series A Liberty Capital common stock, par value \$.01 per share, and Series B Liberty Capital common stock, par value \$.01 per share.

“Liberty Interactive” means Liberty Interactive Corporation, a Delaware corporation formerly known as Liberty Media Corporation.

“Liberty Interactive Common Stock” means Liberty Interactive’s Series A Liberty Interactive common stock, par value \$.01 per share, and Series B Liberty Interactive common stock, par value \$.01 per share.

“Liberty Interactive’s Liberty Starz Common Stock” means Liberty Interactive’s Series A Liberty Starz common stock, par value \$.01 per share, and Series B Liberty Starz common stock, par value \$.01 per share. For the avoidance of doubt, such term does not include Liberty Interactive’s Series A Liberty Entertainment common stock, par value \$.01 per share, or Series B Liberty Entertainment common stock, par value \$.01 per share.

“Liberty Interactive LLC” means Liberty Interactive LLC, a Delaware limited liability company formerly known as Liberty Media LLC and Liberty Media Corporation.

“Liberty Starz Common Stock” means Distributing’s Series A Liberty Starz common stock, par value \$.01 per share, and Series B Liberty Starz common stock, par value \$.01 per share.

“Losses” means any and all damages, losses, deficiencies, liabilities, obligations, penalties, judgments, settlements, claims, payments, fines, interest, costs and expenses (including, without limitation, the fees and expenses of any and all actions and demands, assessments, judgments, settlements and compromises relating thereto and the costs and expenses of attorneys’, accountants’, consultants’ and other professionals’ fees and expenses incurred in the investigation or defense thereof or the enforcement of rights hereunder); provided, however, that “Losses” shall exclude any special or punitive damages; provided, further, that the foregoing proviso will not be interpreted to limit indemnification for Losses incurred as a result of the assertion by a claimant (other than the parties hereto and their successors and assigns) in a third-party claim for special or punitive damages.

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“Non-Preparer” means the Company that is not responsible for the preparation and filing of the Combined Return or Separate Return, as applicable, pursuant to Section 3.

“Payment Date” means (x) with respect to any U.S. federal income tax return, the due date for any required installment of estimated taxes determined under Section 6655 of the Code, the due date (determined without regard to extensions) for filing the return determined under Section 6072 of the Code, and the date the return is filed, and (y) with respect to any other Tax Return, the corresponding dates determined under the applicable Tax Law.

“Person” means any individual, corporation, company, partnership, trust, incorporated or unincorporated association, joint venture or other entity of any kind.

“Post-Distribution Period” means all taxable periods (or portions thereof) beginning after the Effective Time.

“Pre-Distribution Period” means all taxable periods (or portions thereof) ending before or at the Effective Time.

“Preparer” means the Company that is responsible for the preparation and filing of the Combined Return or Separate Return, as applicable, pursuant to Section 3.

“Receiving Party” has the meaning set forth in Section 6.3.

“Reorganization Agreement” means the Reorganization Agreement between Distributing and Spinco dated [     ].

“Requesting Party” has the meaning set forth in Section 5.2.

“Restructuring” has the meaning assigned to such term in the Reorganization Agreement.

“Ruling” means PLR [     ] that was issued to Distributing on [     ].

“Ruling Request” means the request for rulings, dated August 17, 2012, filed by Distributing with the IRS in connection with the Distribution, as the same shall have been amended or supplemented.

“Separate Return” means any Tax Return that is not a Combined Return.

“Spinco” has the meaning set forth in the preamble hereof.

“Spinco Acquired Subsidiary” has the meaning set forth in Section 2.2(j).

“Spinco Business” means: (i) with respect to any Tax Year (or portion thereof) ending at or before the effective time of the Split-off, the assets, liabilities and businesses of Liberty Interactive (or its predecessor, Liberty Interactive LLC) and its

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Subsidiaries, other than (x) the Distributing Business, (y) the assets, liabilities and businesses that were tracked during such Tax Year (or portion thereof), and only for so long as so tracked, by the Liberty Interactive Common Stock (including any equity or debt interests in any entities so tracked), and (z) with respect to any Tax Year (or portion thereof) ending prior to May 9, 2006, any assets, liabilities, and businesses of, and any equity or debt interests in, QVC, Inc., Provide Commerce, Inc., and each of their

respective Subsidiaries; (ii) with respect to any Tax Year (or portion thereof) beginning after the effective time of the Split-off and ending at or before the Effective Time, the assets, liabilities and businesses of Distributing and its Subsidiaries, other than the Distributing Business; and (iii) with respect to any Tax Year (or portion thereof) beginning after the Effective Time, the assets, liabilities, and businesses of the Spinco Group during such Tax Year (or portion thereof).

“Spinco Claim” means any pending or threatened Tax Contest, claim, action, suit, investigation or proceeding brought by a third party relating to any Split-off TSA Liabilities (other than any Split-off TSA Liabilities arising from any Split-off Transaction Taxes or Split-off Tax-Related Losses) or Split-off TSA Benefits.

“Spinco Consolidated Group” means a Consolidated Group of which Spinco is the common parent, within the meaning of Section 1504(a)(1) of the Code.

“Spinco Group” means, with respect to any Tax Year (or portion thereof) beginning after the Effective Time, Spinco and each Subsidiary of Spinco (but only while such Subsidiary is a Subsidiary of Spinco).

“Spinco Indemnitees” has the meaning set forth in Section 7.2.

“Spinco Stock” means Spinco’s Series A common stock, par value \$.01 per share, Series B common stock, par value \$.01 per share, and if and when issued, Series C common stock, par value \$.01 per share, and any series or class of stock into which Spinco’s Series A, Series B, or Series C common stock is redesignated, reclassified, converted or exchanged following the Effective Time.

“Split-off” means the distribution effected on September 23, 2011 by Liberty Interactive of all of the stock of Distributing to the holders of Liberty Interactive’s Liberty Capital and Liberty Starz tracking stocks in complete redemption of Liberty Interactive’s Liberty Capital and Liberty Starz tracking stocks.

“Split-off IRS Submissions” means the Split-off Ruling Request, each supplemental submission and any other correspondence or supplemental materials submitted to the IRS in connection with obtaining the Split-off Ruling and any request, supplemental submission and any other correspondence or supplemental materials submitted to the IRS in connection with obtaining any private letter ruling which supplements or otherwise modifies the Split-off Ruling.

“Split-off Opinion” means the opinion delivered by Baker Botts L.L.P. to Liberty Interactive in connection with the Split-off, which relies on the continued validity of the Split-off Ruling as to the matters covered by the Split-off Ruling, to the effect that,

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under applicable U.S. federal income tax law, (i) the Split-off Transaction will qualify as a tax-free transaction described under Sections 355 and 368(a)(1)(D) of the Code, (ii) no gain or loss will be recognized by Liberty Interactive upon the distribution of Distributing stock in the Split-off, (iii) no gain or loss will be recognized by, and no amount will be included in the income of, holders of Liberty Interactive stock upon the exchange of their shares of Liberty Interactive stock for shares of Liberty Capital Common Stock and Liberty Starz Common Stock in the Split-off, (iv) the Liberty Capital Common Stock and Liberty Starz Common Stock issued in the Split-off will be treated as stock of Distributing for U.S. federal income tax purposes, and (v) the Liberty Capital Common Stock and Liberty Starz Common Stock issued in the Split-off will not constitute Section 306 stock within the meaning of Section 306(c) of the Code.

“Split-off Ruling” means PLR 201135025 that was issued to Liberty Interactive on March 3, 2011.

“Split-off Ruling Request” means the request for rulings, dated July 28, 2010, filed by Liberty Interactive with the IRS in connection with the Split-off, as the same shall have been amended or supplemented.

“Split-off Tax Materials” means (i) the Split-off Ruling and any supplemental private letter ruling which supplements or otherwise modifies the Split-off Ruling, (ii) each Split-off IRS Submission, (iii) the representation letters delivered to Baker Botts L.L.P. in connection with the delivery of the Split-off Opinion, and (iv) any other materials delivered by Liberty Interactive or Distributing in connection with the rendering by Baker Botts L.L.P. of the Split-off Opinion or the issuance by the IRS of the Split-off Ruling.

“Split-off Tax-Related Losses” means any Losses resulting from the Split-off Transaction as a result of (i) the failure of the Split-off Transaction to qualify as a tax-free transaction described under Sections 368(a), 355 and 361 of the Code; (ii) the failure of the Split-off Transaction to qualify in whole for nonrecognition of income, gain and loss for U.S. federal income tax purposes to Liberty Interactive, Distributing, each of their respective Subsidiaries at the effective time of the Split-off, and the holders of Liberty Interactive stock that received Liberty Capital Common Stock and Liberty Starz Common Stock in the Split-off; (iii) the Liberty Capital Common Stock or Liberty Starz Common Stock not being treated as stock of Distributing, or being treated as Section 306 stock within the meaning of Section 306(c) of the Code, for U.S. federal income tax purposes, or (iv) any of Liberty Interactive’s tracking stocks not being treated as stock of Liberty Interactive, or being treated as Section 306 stock within the meaning of Section 306(c) of the Code, for U.S. federal income tax purposes.

“Split-off Tax Sharing Agreement” means the Tax Sharing Agreement dated as of September 23, 2011, by and among Liberty Interactive, Liberty Interactive LLC and Distributing.

“Split-off Transaction” means the “Contribution” and the “Split-off,” in each case as such terms are defined in the Split-off Ruling.

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“Split-off Transaction Taxes” means any Taxes resulting from the Split-off Transaction, other than any Taxes attributable to “deferred intercompany transactions” or “excess loss accounts” (as those terms are defined by Treasury Regulations) that are triggered as a result of the Split-off.

“Split-off TSA Benefits” means any right to receive any payment (including any indemnification payment) from Liberty Interactive, Liberty Interactive LLC, or any member of the Distributing Group (as defined in the Split-off Tax Sharing Agreement) pursuant to the terms of the Split-off Tax Sharing Agreement (and any Taxes and Tax Items arising therefrom).

“Split-off TSA Liabilities” means any obligation or liability to make any payment (including any indemnification payment) to Liberty Interactive, Liberty Interactive LLC, any member of the Distributing Group (as defined in the Split-off Tax Sharing Agreement), or any Distributing Indemnitee (as defined in the Split-off Tax Sharing Agreement) pursuant to the terms of the Split-off Tax Sharing Agreement (and any Taxes, Tax Items, and Losses arising therefrom).

“Starz Conversion” means the conversion of all of Distributing’s Liberty Starz Common Stock into Liberty Capital Common Stock that was effected on November 28, 2011.

“Starz Conversion Opinion” means the tax opinion delivered by Baker Botts L.L.P. to Distributing in connection with the Starz Conversion.

“Starz Entities” means Starz, LLC, Starz Entertainment LLC, Starz Media, and each of their respective Subsidiaries and any Person acquired directly or indirectly by Distributing following the Distribution.

“Starz Media” means Starz Media Group, LLC, a Delaware limited liability company.

“Starz Media Losses” means (x) the capital loss recognized upon the sale by Starz, LLC of 25% of its equity interests in Starz Media to The Weinstein Company LLC and (y) the capital loss recognized under Section 331 with respect to Starz, LLC’s equity interest in Starz Media resulting from the deemed liquidation of Starz Media for U.S. federal income tax purposes on March 31, 2012.

“Subsidiary” when used with respect to any Person, means (i)(A) a corporation a majority in voting power of whose share capital or capital stock with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person, or by such Person and one or more Subsidiaries of such Person, whether or not such power is subject to a voting agreement or similar encumbrance, (B) a partnership or limited liability company in which such Person or a Subsidiary of such Person is, at the date of determination, (1) in the case of a partnership, a general partner of such partnership with the power affirmatively to direct the policies and management of such partnership or (2) in the case of a limited liability company, the managing member or, in the absence of a

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managing member, a member with the power affirmatively to direct the policies and management of such limited liability company, or (C) any other Person (other than a corporation) in which such Person, one or more Subsidiaries of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination thereof, has or have (1) the power to elect or direct the election of a majority of the members of the governing body of such Person, whether or not such power is subject to a voting agreement or similar encumbrance, or (2) in the absence of such a governing body, at least a majority voting interest or (ii) any other Person of which an aggregate of 50% or more of the equity interests are, at the time, directly or indirectly, owned by such Person and/or one or more Subsidiaries of such Person.

“Supplemental IRS Submissions” means any request for a Supplemental Ruling, each supplemental submission and any other correspondence or supplemental materials submitted to the IRS in connection with obtaining any Supplemental Ruling.

“Supplemental Ruling” means any private letter ruling obtained by Distributing or Spinco from the IRS which supplements or otherwise modifies the Ruling.

“Tax” or “Taxes” means any income, gross income, gross receipts, profits, capital stock, franchise, withholding, payroll, social security, workers compensation, employment, unemployment, Medicare, disability, property, ad valorem, stamp, excise, severance, occupation, service, sales, use, license, lease, transfer, import, export, value added, alternative minimum, estimated or other similar tax (including any fee, assessment, or other charge in the nature of or in lieu of any tax) imposed by any Tax Authority and any interest, penalties, additions to tax, or additional amounts in respect of the foregoing.

“Tax Authority” means, with respect to any Tax, the governmental entity or political subdivision, agency, commission or authority thereof that imposes such Tax, and the agency, commission or authority (if any) charged with the assessment, determination or collection of such Tax for such entity or subdivision.

“Tax Benefit” means a Tax Item which decreases the Tax liability of a taxpayer, including a Tax Refund.

“Tax Contest” means an audit, review, examination, or any other administrative or judicial proceeding with the purpose, potential or effect of redetermining Taxes of any member of either Group (including any administrative or judicial review of any claim for refund).

“Tax Counsel” means Skadden, Arps, Slate, Meagher & Flom LLP.

“Tax Item” means, with respect to any Tax, any item of income, gain, loss, deduction, credit or other attribute that may have the effect of increasing or decreasing any Tax.

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“Tax Law” means the law of any governmental entity or political subdivision thereof, and any controlling judicial or administrative interpretations of such law, relating to any Tax.

“Tax Materials” means (i) the Ruling and each Supplemental Ruling issued by the IRS in connection with the Distribution, (ii) each IRS Submission and Supplemental IRS Submission, (iii) the representation letters delivered to Tax Counsel in connection with the delivery of the Tax Opinion, and (iv) any other materials delivered or deliverable by Distributing, Spinco and others in connection with the rendering by Tax Counsel of the Tax Opinion or the issuance by the IRS of the Ruling and any Supplemental Ruling.

“Tax Opinion” means the opinion to be delivered by Tax Counsel to Distributing in connection with the Distribution, which will rely on the continued validity of the Ruling as to the matters covered by the Ruling, to the effect that, under applicable U.S. federal income tax law, (i) the Contribution and the Distribution will qualify as a tax-free transaction described under Sections 355 and 368(a)(1)(D) of the Code, (ii) no gain or loss will be recognized by Distributing upon the distribution of Spinco Stock in the Distribution, and (iii) no gain or loss will be recognized by, and no amount will be included in the income of, holders of Liberty Capital Common Stock upon the receipt of Spinco Stock in the Distribution.

“Tax Records” means Tax Returns, Tax Return work papers, documentation relating to any Tax Contests, and any other books of account or records required to be maintained under applicable Tax Laws (including but not limited to Section 6001 of the Code) or under any record retention agreement with any Tax Authority.

“Tax Refund” means a refund of Taxes previously paid and any overpayment interest within the meaning of Section 6611 of the Code or any similar provision under applicable Tax Law (whether paid by way of a refund or credited against any liability for related Taxes).

“Tax Return” means any report of Taxes due, any claims for refund of Taxes paid, any information return with respect to Taxes, or any other similar report, statement, declaration, or document filed or required to be filed (by paper, electronically or otherwise) under any applicable Tax Law, including any attachments, exhibits, or other materials submitted with any of the foregoing, and including any amendments or supplements to any of the foregoing.

“Tax Year” means, with respect to any Tax, the year, or shorter period, if applicable, for which the Tax is reported as provided under applicable Tax Law.

“Tracking Stock Taxes and Losses” means any Taxes and Losses resulting from (i) the treatment of the Liberty Capital Common Stock or the Liberty Starz Common Stock as other than stock of Distributing, or as Section 306 stock within the meaning of Section 306(c) of the Code, for any Pre-Distribution Period, or (ii) the actual

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or deemed disposition of any assets caused by the issuance of the Liberty Capital Common Stock or the Liberty Starz Common Stock during any Pre-Distribution Period.

“Transaction Taxes” means any Taxes resulting from the Contribution and the Distribution, other than (i) Transfer Taxes, and (ii) any Taxes attributable to “deferred intercompany transactions” or “excess loss accounts” (as those terms are defined by Treasury Regulations) that are triggered as a result of the Contribution and the Distribution.

“Transaction Tax-Related Losses” means any Losses resulting from the Contribution and the Distribution as a result of (i) the failure of the Contribution and Distribution to qualify as a tax-free transaction described under Sections 368(a), 355 and 361 of the Code; or (ii) the failure of the Contribution and Distribution to qualify in whole for nonrecognition of income, gain and loss for U.S. federal income tax purposes to Distributing, Spinco, each of their respective Subsidiaries at the Effective Time, and the holders of Liberty Capital Common Stock that receive Spinco Stock in the Distribution. For the avoidance of doubt, “Transaction Tax-Related Losses” shall not include any (i) Transfer Taxes, or (ii) any Taxes attributable to “deferred intercompany transactions” or “excess loss accounts” (as those terms are defined by Treasury Regulations) that are triggered as a result of the Contribution and the Distribution.

“Transfer Taxes” means all U.S. federal, state, local or foreign sales, use, privilege, transfer, documentary, gains, stamp, duties, recording, and similar Taxes and fees (including any penalties, interest or additions thereto) imposed upon any party hereto or any of its Affiliates in connection with the Restructuring or the Distribution.

“Treasury Regulations” means the regulations promulgated from time to time under the Code as in effect for the relevant Tax Year.

## **SECTION 2. Allocation of Tax Liabilities, Tax Benefits and Certain Losses.**

2.1 Liability for and the Payment of Taxes. Except as provided in Section 3.4(f) (Withholding and Reporting) and Section 7.5 (Notices) and in accordance with Section 4:

(a) *Distributing Liabilities and Payments.* For any Tax Year (or portion thereof), Distributing shall (i) be liable for the Taxes (determined without regard to Tax Benefits) allocated to it by this Section 2, reduced by any Tax Benefits allocated to Distributing or Spinco that are allowable under applicable Tax Law to reduce such Taxes, (ii) pay such Taxes, as so reduced, either to the applicable Tax Authority or to Spinco as required by Section 4, and (iii) pay Spinco for any Tax Benefits allocated to Spinco by this Section 2 that Distributing uses to reduce Taxes payable by it pursuant to clause (ii) of this Section 2.1(a).

(b) *Spinco Liabilities and Payments.* For any Tax Year (or portion thereof), Spinco shall (i) be liable for the Taxes (determined without regard to Tax Benefits) allocated to it by this Section 2, reduced by any Tax Benefits allocated to

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Distributing or Spinco that are allowable under applicable Tax Law to reduce such Taxes, (ii) pay such Taxes, as so reduced, either to the applicable Tax Authority or to Distributing as required by Section 4, and (iii) pay Distributing for any Tax Benefits allocated to Distributing by this Section 2 that Spinco uses to reduce Taxes payable by it pursuant to clause (ii) of this Section 2.1(b).

(c) *Use of Tax Benefits.* For purposes of Section 2.1(a)(i), (x) Distributing shall reduce Taxes allocated to it with any Tax Benefits allocated to Distributing that are allowable under applicable Tax Law in the same Tax Year prior to reducing such Taxes with any Tax Benefits allocated to Spinco, and (y) Distributing shall reduce Taxes allocated to it by Tax Benefits allocated to Spinco only to the extent such Tax Benefits are not taken into account by Spinco pursuant to Section 2.1(b)(i) in the same Tax Year. For purposes of Section 2.1(b)(i), (x) Spinco shall reduce Taxes allocated to it with any Tax Benefits allocated to Spinco that are allowable under applicable Tax Law in the same Tax Year prior to reducing such Taxes with any Tax Benefits allocated to Distributing, and (y) Spinco shall reduce Taxes allocated to it by Tax Benefits allocated to Distributing only to the extent such Tax Benefits are not taken into account by Distributing pursuant to Section 2.1(a)(i) in the same Tax Year.

2.2 Allocation Rules. For purposes of Section 2.1:

(a) *General Rule.* Except as otherwise provided in this Section 2.2, Taxes (determined without regard to Tax Benefits) for any Tax Year (or portion thereof) shall be allocated between Spinco and Distributing in proportion to the taxable income or other applicable items attributable to or arising from the respective Spinco Business and Distributing Business (as so defined for such Tax Year or portion thereof) that contribute to such Taxes, and Tax Benefits for any Tax Year (or portion thereof) shall be allocated between Spinco and Distributing in proportion to the losses, credits, or other applicable items attributable to or arising from the respective Spinco Business and Distributing Business (as so defined for such Tax Year or portion thereof) that contribute to such Tax Benefits.

(b) *Transaction Taxes and Transaction Tax-Related Losses.*

(i) Spinco shall be allocated all Transaction Taxes and Transaction Tax-Related Losses other than any Transaction Taxes and Transaction Tax-Related Losses allocated to Distributing pursuant to clause (ii) of this Section 2.2(b).

(ii) Distributing shall be allocated any Transaction Taxes and Transaction Tax-Related Losses that (x) result primarily from, individually or in the aggregate, any breach by Distributing of any of its covenants set forth in Section 7.1 hereof, or (y) result from a Distributing Section 355(e) Event.

(c) *Conversion Transaction Taxes and Conversion Tax-Related Losses.*

(i) Spinco shall be allocated all Conversion Transaction Taxes and Conversion Tax-Related Losses other than any Conversion

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Transaction Taxes and Conversion Tax-Related Losses allocated to Distributing pursuant to clause (ii) of this Section 2.2(c).

(ii) Distributing shall be allocated any Conversion Transaction Taxes and Conversion Tax-Related Losses that result primarily from, individually or in the aggregate, any breach by Distributing of any of its covenants set forth in Section 7.1 hereof.

(d) *Split-off Transaction Taxes and Split-off Tax-Related Losses.*

(i) Spinco shall be allocated all Split-off Transaction Taxes and Split-off Tax-Related Losses other than any Split-off Transaction Taxes and Split-off Tax-Related Losses allocated to Distributing pursuant to clause (ii) of this Section 2.2(d).

(ii) Distributing shall be allocated any Split-off Transaction Taxes and Split-off Tax-Related Losses that (x) result primarily from, individually or in the aggregate, any breach by Distributing of any of its covenants set forth in Section 7.1 hereof, or (y) result from a Distributing Section 355(e) Split-off

Event.

(e) *Taxes and Losses with Respect to Tracking Stock.*

(i) Spinco shall be allocated all Tracking Stock Taxes and Losses other than any Tracking Stock Taxes and Losses allocated to Distributing pursuant to clause (ii) of this Section 2.2(e).

(ii) Distributing shall be allocated any Tracking Stock Taxes and Losses that (x) result primarily from, individually or in the aggregate, any breach by Distributing of any of its covenants set forth in Section 7.1 hereof, or (y) result from “deferred intercompany transactions” or “excess loss accounts” (as those terms are defined by Treasury Regulations) that are triggered by the actual or deemed disposition of any assets referred to in clause (ii) of the definition of “Tracking Stock Taxes and Losses” and would otherwise be allocated to Distributing, but for clause (i) of this Section 2.2(e).

(f) *Carryovers or Carrybacks of Tax Benefits.* If any Tax Item allocable to the Spinco Business in a Tax Year is carried forward or back and utilized as a Tax Benefit in another Tax Year, then, except as provided in Section 2.2(g), the resulting Tax Benefit shall be allocated to Spinco. If any Tax Item allocable to the Distributing Business in a Tax Year is carried forward or back and utilized as a Tax Benefit in another Tax Year, the resulting Tax Benefit shall be allocated to Distributing.

(g) *Spinco Carrybacks from Post-Distribution Period.* If, pursuant to Section 3.4(e), any Tax Item allocable to Spinco in a Tax Year beginning in the Post-Distribution Period is carried back and generates a Tax Benefit on a Combined Return filed with respect to a Tax Year beginning in the Pre-Distribution Period, then,

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notwithstanding Section 2.2(f), any resulting Tax Benefit shall be allocated to Distributing to the extent, if any, that the carryback of such Tax Item increases the Taxes otherwise allocable to Distributing or reduces the amount of Tax Benefits allocable to Distributing that otherwise could be used with respect to such Tax Year.

(h) *Employee Compensation and Employee Benefits.*

(i) *Pre-Distribution Period.* For any Pre-Distribution Period: (x) Taxes and Tax Items arising from the issuance, vesting, exercise or settlement of any Compensatory Equity Interests with respect to any series of Liberty Starz Common Stock or any series of Liberty Interactive’s Liberty Starz Common Stock or in any Starz Entity shall be allocated to Distributing; (y) Taxes and Tax Items arising from the issuance, vesting, exercise or settlement of any Compensatory Equity Interests with respect to any series of Liberty Capital Common Stock or any class or series of Liberty Interactive’s stock (other than any series of Liberty Interactive Common Stock or Liberty Interactive’s Liberty Starz Common Stock) or in any Person (including DTV, Discovery, LGI, and Ascent) other than Distributing or any Starz Entity shall be allocated to Spinco, and (z) any other Taxes or Tax Items related to employee, independent contractor or director compensation or employee benefits shall be allocated to Distributing to the extent that the Distributing Business is or was responsible for the underlying obligation and to Spinco to the extent that the Spinco Business is or was responsible for the underlying obligation.

(ii) *Post-Distribution Period.* For any Post-Distribution Period: (x) Taxes and Tax Items arising from the issuance, vesting, exercise or settlement of any Compensatory Equity Interests with respect to any class or series of Distributing stock or in any member of the Distributing Group or any Starz Entity shall be allocated to Distributing; (y) Taxes and Tax Items arising from the issuance, vesting, exercise or settlement of any Compensatory Equity Interests with respect to any class or series of Spinco stock or in any member of the Spinco Group or any Person (including DTV, Discovery, LGI, and Ascent) other than Distributing, any member of the Distributing Group, or any Starz Entity shall be allocated to Spinco, and (z) any other Taxes or Tax Items related to employee, independent contractor or director compensation or employee benefits shall be allocated to Distributing to the extent that the Distributing Business is or was responsible for the underlying obligation and to Spinco to the extent that the Spinco Business is or was responsible for the underlying obligation.

(i) *Alternative Minimum Tax Credit.* Any credit arising in any Tax Year (or portion thereof) from the payment of any alternative minimum consolidated federal tax liability on any Combined Return shall be allocated between Distributing and Spinco in a manner that offsets the excess of the net payment or payments previously made by each Company pursuant to this Agreement in respect of such Combined Return over the net payment or payments that would have been made by such Company pursuant to this Agreement in respect of such Combined Return if no alternative minimum consolidated federal tax liability had been owed with respect to such Combined Return. For purposes of this Section 2.2(i), net payments received shall be treated as a negative amount of net payments made.

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(j) *Acquired Subsidiaries.* If any Person becomes a Subsidiary of any member of the Spinco Group in any transaction after the Distribution (and such Person was not a member of the Spinco Group or the Distributing Group prior to such transaction) (a “Spinco Acquired Subsidiary”), then any Taxes and Tax Items of such Spinco Acquired Subsidiary for any Tax Year (or portion thereof) ending on or prior to the date of such transaction shall be allocated to Spinco. If any Person becomes a Subsidiary of any member of the Distributing Group in any transaction after the Distribution (and such Person was not a member of the Spinco Group or the Distributing Group prior to such transaction) (a “Distributing Acquired Subsidiary”), then any Taxes and Tax Items of such Distributing Acquired Subsidiary for any Tax Year (or portion thereof) ending on or prior to the date of such transaction shall be allocated to Distributing.

(k) *Starz Media Losses.* Spinco shall be allocated any Tax Benefit resulting from the Starz Media Losses.

(l) *Transfer Taxes.* All Transfer Taxes shall be allocated 50% to Distributing and 50% to Spinco.

(m) *Split-off Tax Sharing Agreement.*

(i) Spinco shall be allocated all Split-off TSA Liabilities and Split-off TSA Benefits, other than any Split-off TSA Liabilities and Split-off TSA Benefits allocated to Distributing pursuant to clause (ii) of this Section 2.2(m).

(ii) Distributing shall be allocated (x) any Split-off TSA Liabilities and Split-off TSA Benefits that are attributable to (1) the Distributing Business, or (2) any Taxes, Tax Items, or Losses (including any Split-off Transaction Taxes and Split-off Tax-Related Losses) that are specially allocated to Distributing under this Section 2.2; and (y) any Split-off TSA Liabilities that result primarily from, individually or in the aggregate, any breach by Distributing of any of its covenants set forth in Section 7.1 hereof.

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3.1 Combined Returns. Distributing shall be responsible for preparing and filing (or causing to be prepared and filed) all Combined Returns for any Tax Year.

3.2 Separate Returns.

(a) *Tax Returns to be Prepared by Distributing.* Distributing shall be responsible for preparing and filing (or causing to be prepared and filed) (i) all Separate Returns for a Tax Year beginning on or before the Distribution Date that include Tax Items of the Distributing Business, determined in accordance with the allocation rules of Section 2.2, and (ii) all Separate Returns for a Tax Year beginning after the Distribution Date that include one or more members of the Distributing Group.

(b) *Tax Returns to be Prepared by Spinco.* Spinco shall be responsible for preparing and filing (or causing to be prepared and filed) (i) all Separate Returns for a Tax Year beginning on or before the Distribution Date that include Tax Items of the Spinco Business, determined in accordance with the allocation rules of Section 2.2, and (ii) all Separate Returns for a Tax Year beginning after the Distribution Date that include one or more members of the Spinco Group.

3.3 Provision of Information.

(a) Distributing shall provide to Spinco, and Spinco shall provide to Distributing, any information about members of the Distributing Group or the Spinco Group, respectively, that the Preparer needs to determine the amount of Taxes due on any Payment Date with respect to a Tax Return for which the Preparer is responsible pursuant to Section 3.1 or 3.2 and to properly and timely file all such Tax Returns.

(b) If a member of the Spinco Group supplies information to a member of the Distributing Group, or a member of the Distributing Group supplies information to a member of the Spinco Group, and an officer of the requesting member intends to sign a statement or other document under penalties of perjury in reliance upon the accuracy of such information, then a duly authorized officer of the member supplying such information shall certify, to the best of such officer's knowledge, the accuracy of the information so supplied.

3.4 Special Rules Relating to the Preparation of Tax Returns.

(a) *General Rule.* Except as otherwise provided in this Agreement, and subject to Sections 3.4(b) through (e), the Company responsible for preparing and filing (or causing to be prepared and filed) a Tax Return pursuant to Sections 3.1 or 3.2 shall have the right with respect to such Tax Return to determine (i) the manner in which such Tax Return shall be prepared and filed, including the elections, methods of accounting, positions, conventions and principles of taxation to be used and the manner in which any Tax Item shall be reported, (ii) whether any extensions may be requested, (iii) whether an amended Tax Return shall be filed, (iv) whether any claims for refund shall be made, (v) whether any refunds shall be paid by way of refund or credited

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against any liability for the related Tax and (vi) whether to retain outside firms to prepare or review such Tax Return.

(b) *Spinco Consent to Combined Returns.* Notwithstanding any provision of this Section 3:

(i) Distributing shall provide to Spinco a copy of a substantially completed draft of any Combined Return at least forty-five business days prior to its due date (taking into account any extensions), or in the case of a Combined Return with a due date (taking into account any extensions) within forty-five business days following the Distribution Date, as soon as is reasonably practicable before such due date. Spinco shall thereafter have the right to review and consent (which consent shall not be unreasonably withheld or delayed) to the treatment in such Combined Return of any Tax Items, Taxes, or Tax Benefits allocated to Spinco pursuant to Section 2.2, to the extent such treatment is not otherwise within the sole discretion of Distributing pursuant to Sections 3.4(d) or (e). Distributing shall provide to Spinco any information relating to any Combined Return that is reasonably necessary for Spinco to be able to provide its consent pursuant to this Section 3.4(b).

(ii) In the case of any Combined Return that is an amended Tax Return, except as required by applicable Tax Law, Distributing shall not, without the prior written consent of Spinco (which consent shall not be unreasonably withheld or delayed), file, or cause to be filed, any such Combined Return to the extent that such Combined Return, if accepted, is likely to increase the Tax liability of, or give rise to a payment under this Agreement, by Spinco for any Tax Year (or portion thereof).

(c) *Spinco Tax Returns.* With respect to any Separate Return for which Spinco is responsible pursuant to Section 3.2(b), Spinco may not take (and shall cause the members of the Spinco Group not to take) any positions that it knows, or reasonably should know, would adversely affect any member of the Distributing Group, except to the extent that the failure to take such position would be contrary to applicable Tax Law; and Spinco and the other members of the Spinco Group must (x) allocate Tax Items between any Separate Return for which Spinco is responsible and any related Combined Return that is filed with respect to the same Tax Year in a manner that is consistent with the reporting of such Tax Items on such related Combined Return and (y) make any applicable elections required under applicable Tax Law (including, without limitation, under Treasury Regulations Section 1.1502-76(b)(2)), necessary to effect such allocation.

(d) *Election to File Consolidated, Combined or Unitary Tax Returns.* Distributing shall have the sole discretion of filing any Tax Return on a consolidated, combined or unitary basis, if such Tax Return would include at least one member of each Group and the filing of such Tax Return is elective under applicable Tax Law.

(e) *Filing Claims for Carrybacks.* If a Tax Item allocable to Spinco is carried back from a Tax Year beginning in the Post-Distribution Period and

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generates a Tax Benefit on a Combined Return filed with respect to a Tax Year beginning in the Pre-Distribution Period, then, upon the request of Spinco, Distributing may, in its sole discretion, file a claim for refund arising from such Tax Benefit. Any resulting Tax Benefit shall be allocated to Spinco pursuant to Section 2.2(f), except as otherwise provided by Section 2.2(g).

(f) *Withholding and Reporting.* Following the Effective Time, in the event any Compensatory Equity Interests are settled (whether by issuance, exercise, vesting or otherwise) by the corporation that is the issuer or obligor under the Compensatory Equity Interest (the "issuing corporation") or by another member of the Group to which the issuing corporation belongs, and the issuing corporation is not a member of the same Group as the Employing Party, the Company whose Group includes the issuing corporation shall promptly remit to the Employing Party an amount of cash equal to the amount required to be withheld in respect of any withholding Taxes, and in the application of this Agreement, the Employing Party shall not be liable for such withholding Taxes or for failure to remit to the applicable Tax Authority any amount required to have been withheld from the recipient of the Compensatory Equity Interest in connection with such issuance, exercise, vesting or settlement, except to the extent that the Company whose Group includes the issuing corporation shall have remitted such amount to the Employing Party or to the applicable Tax Authority. Distributing shall promptly notify Spinco, and Spinco shall promptly notify Distributing, regarding the exercise of any option or the issuance, vesting, exercise or settlement of any other Compensatory Equity Interest to the extent that, as a result of such issuance, exercise, vesting or settlement, any other party may be entitled to a Tax Benefit or required to pay any Tax, or such information otherwise may be relevant to the preparation of any Tax Return or payment of any Tax by such other party or parties.

#### **SECTION 4. Tax Payments.**

4.1 Payment of Taxes to Tax Authority. Distributing shall be responsible for remitting to the proper Tax Authority the Tax shown on any Tax Return for which it is responsible for the preparation and filing pursuant to Section 3.1 or Section 3.2(a), and Spinco shall be responsible for remitting to the proper Tax Authority the Tax shown on any Tax Return for which it is responsible for the preparation and filing pursuant to Section 3.2(b).

#### 4.2 Indemnification Payments.

(a) *Tax Payments Made by the Distributing Group.* If any member of the Distributing Group is required to make a payment to a Tax Authority for Taxes allocated to Spinco under this Agreement, Spinco shall pay the amount of Taxes allocated to it to Distributing not later than the later of (i) five business days after receiving notification requesting such amount, and (ii) one business day prior to the date such payment is required to be made to such Tax Authority.

(b) *Tax Payments Made by the Spinco Group.* If any member of the Spinco Group is required to make a payment to a Tax Authority for Taxes

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allocated to Distributing under this Agreement, Distributing shall pay the amount of Taxes allocated to it to Spinco not later than the later of (i) five business days after receiving notification requesting such amount, and (ii) one business day prior to the date such payment is required to be made to such Tax Authority.

#### 4.3 Payments for Tax Refunds and Tax Benefits.

(a) *Tax Refund or Tax Benefit Received by Distributing Group.* If a member of the Distributing Group receives a Tax Refund with respect to Taxes for which Spinco is liable hereunder or uses a Tax Benefit for which Spinco is entitled to reimbursement pursuant to clause (iii) of Section 2.1(a), Distributing shall pay to Spinco, within five business days following the receipt of the Tax Refund or the use of such Tax Benefit, an amount equal to such Tax Refund or Tax Benefit.

(b) *Tax Refund or Tax Benefit Received by Spinco Group.* If a member of the Spinco Group receives a Tax Refund with respect to Taxes for which Distributing is liable hereunder or uses a Tax Benefit for which Distributing is entitled to reimbursement pursuant to clause (iii) of Section 2.1(b), Spinco shall pay to Distributing, within five business days following the receipt of the Tax Refund or the use of such Tax Benefit, an amount equal to such Tax Refund or Tax Benefit.

(c) *Rules Regarding Tax Benefits.* For purposes of this Agreement, a Tax Benefit (other than a Tax Refund) shall be considered used or received (i) at the time the Tax Return is filed with respect to such Tax Benefit, or (ii) if no Tax Return is filed, (x) at the time a Tax Refund generated by use of such Tax Benefit is received or (y) if no Tax Refund is received, at the time the Tax would have been due in the absence of such Tax Benefit. The amount of such Tax Benefit shall be the amount by which Taxes are actually reduced by such Tax Benefit.

4.4 Interest on Late Payments. Payments pursuant to this Agreement that are not made by the date prescribed in this Agreement or, if no such date is prescribed, not later than five business days after demand for payment is made (the "Due Date") shall bear interest for the period from and including the date immediately following the Due Date through and including the date of payment at the Interest Rate. Such interest will be payable at the same time as the payment to which it relates.

4.5 Initial Determinations and Subsequent Adjustments. The initial determination of the amount of any payment that one Company is required to make to another under this Agreement shall be made on the basis of the Tax Return as filed, or, if the Tax to which the payment relates is not reported in a Tax Return, on the basis of the amount of Tax initially paid to the Tax Authority. The amounts paid under this Agreement shall be redetermined, and additional payments relating to such redetermination shall be made, as appropriate, if as a result of an audit by a Tax Authority or for any other reason (w) additional Taxes to which such determination relates are subsequently paid, (x) a Tax Refund or a Tax Benefit relating to such Taxes is received or used, (y) the amount or character of any Tax Item is adjusted or redetermined, or (z) a Tax Benefit allocable to Distributing that is reduced in one Tax Year by reason of the

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carryback of a Tax Item allocable to the Spinco Business, resulting in an allocation to Distributing of a Tax Benefit pursuant to Section 2.2(g), is used by Distributing in a subsequent Tax Year. Each payment required by the immediately preceding sentence (i) as a result of a payment of additional Taxes will be due five business days after the date on which the additional Taxes were paid or, if later, five business days after the date of a request from the other Company for the payment, (ii) as a result of the receipt or use of a Tax Refund or Tax Benefit will be due five business days after the Tax Refund or Tax Benefit was received or used, or (iii) as a result of an adjustment or redetermination of the amount or character of a Tax Item will be due five business days after the date on which the final action resulting in such adjustment or redetermination is taken by a Tax Authority or either Company or any of their Subsidiaries. If a payment is made as a result of an audit by a Tax Authority which does not conclude the matter, further adjusting payments will be made, as appropriate, to reflect the outcome of subsequent administrative or judicial proceedings.

4.6 Tax Consequences of Payments. For all Tax purposes and to the extent permitted by applicable Tax Law, the parties hereto shall treat any payment made pursuant to this Agreement as a capital contribution or a distribution between Distributing and Spinco, as the case may be, immediately prior to the Distribution. If the receipt or accrual of any payment under this Agreement causes, directly or indirectly, an increase in the taxable income of the recipient under one or more applicable Tax Laws, such payment shall be increased so that, after the payment of any Taxes with respect to the payment, the recipient thereof shall have realized the same net amount it would have realized had the payment not resulted in taxable income. To the extent that Taxes for which any party hereto (the indemnifying party) is required to pay another party (the indemnified party) pursuant to this Agreement may be deducted or credited in determining the amount of any other Taxes required to be paid by the indemnified party (for example, state Taxes which are permitted to be deducted in determining federal Taxes), the amount of any payment made to the indemnified party by the indemnifying party shall be decreased by taking into account any resulting reduction in other Taxes of the indemnified party. If such a reduction in Taxes of the indemnified party occurs following the payment made to the indemnified Party with respect to the relevant indemnified Taxes, the indemnified party shall promptly repay the indemnifying party the amount of such reduction when actually realized. If the Tax Benefit arising from the foregoing reduction of Taxes described in this Section 4.6 is subsequently decreased or eliminated, then the indemnifying party shall promptly pay the indemnified party the amount of the decrease in such Tax Benefit.

#### **SECTION 5. Assistance and Cooperation.**

5.1 Cooperation. In addition to the obligations enumerated in Sections 3.3 and 7.7, Distributing and Spinco shall cooperate (and shall cause their respective Subsidiaries and Affiliates to cooperate) with each other and with each other's agents, including accounting firms and legal counsel, in connection with Tax matters, including provision of relevant documents and information in their possession and making available to each other, as reasonably requested and available, personnel (including officers, directors, employees and agents of the parties or their respective Subsidiaries or

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Affiliates) responsible for preparing, maintaining, and interpreting information and documents relevant to Taxes, and personnel reasonably required as witnesses or for purposes of providing information or documents in connection with any administrative or judicial proceedings relating to Taxes.

## 5.2 Supplemental Rulings

(a) Each of the Companies agrees that, at the reasonable request of the other Company (the "Requesting Party"), each Company shall (and shall cause their respective Subsidiaries and Affiliates to) cooperate and use reasonable best efforts to obtain, as expeditiously as reasonably practicable, a Supplemental Ruling from the IRS. The Requesting Party shall reimburse the other parties for all reasonable out-of-pocket costs and expenses incurred by such parties or their Subsidiaries or Affiliates in connection with obtaining or requesting such Supplemental Ruling within five business days after receiving an invoice from such party therefor.

(b) Distributing shall provide Spinco with a reasonable opportunity to review and comment on each Supplemental IRS Submission to be filed by Distributing prior to the filing of such Supplemental IRS Submission with the IRS, and Spinco shall provide Distributing with a reasonable opportunity to review and comment on each Supplemental IRS Submission to be filed by Spinco prior to the filing of such Supplemental IRS Submission with the IRS. No Supplemental IRS Submission shall be filed by Spinco with the IRS unless, prior to such filing Distributing shall have agreed as to the contents of such Supplemental IRS Submission to the extent that the Supplemental IRS Submission (i) includes statements or representations relating to facts that are or will be under the control of any member of the Distributing Group or any of its Affiliates or (ii) is relevant to, or creates, any actual or potential obligations of, or limitations on, any member of the Distributing Group or any of their Affiliates; provided, however, that if the IRS requests same-day filing of a Supplemental IRS Submission that does not include any material issue or statement, then Spinco is required only to make a good faith effort to notify Distributing's representatives and to give such representatives an opportunity to review and comment on such Supplemental IRS Submission prior to filing it with the IRS. No Supplemental IRS Submission shall be filed by Distributing with the IRS unless, prior to the filing, Spinco shall have agreed as to the contents of such Supplemental IRS Submission to the extent that the Supplemental IRS Submission (i) includes statements or representations relating to facts that are or will be under the control of any member of the Spinco Group or any of its Affiliates or (ii) is relevant to, or creates, any actual or potential obligations of, or limitations on, any member of the Spinco Group or any of their Affiliates; provided, however, that if the IRS requests same-day filing of a Supplemental IRS Submission that does not include any material issue or statement, then Distributing is required only to make a good faith effort to notify Spinco's representatives and to give such representatives an opportunity to review and comment on such Supplemental IRS Submission prior to filing it with the IRS. Prior to filing any Supplemental IRS Submission that includes any material issue or statement, each Company shall represent to the other Company that (i) it has reviewed the Supplemental IRS Submission, and (ii) all information and representations, if any, relating to such Company, each member of its Group, and their respective Affiliates that

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are contained in the Supplemental IRS Submission are true, correct and complete in all material respects. Each Company (or its representatives) shall provide the other Company (or its representatives) with copies of each Supplemental IRS Submission filed with the IRS promptly following the filing thereof.

(c) Neither Company nor its representatives shall conduct any substantive communications with the IRS regarding any material issue arising with respect to any Supplemental Ruling, including meetings or conferences with IRS personnel, whether telephonically, in person or otherwise, without first notifying the other Company (or its representatives) and giving the other Company (or its representatives) a reasonable opportunity to participate, and a reasonable number of such Company's representatives shall have an opportunity to participate in all conferences or meetings with IRS personnel that take place in person, regardless of the nature of the issues expected to be discussed; provided, however, that in the case of communications concerning a Supplemental Ruling that occur during an unscheduled conference initiated by the IRS or a conference initiated by a Company or its representatives for a purpose unrelated to a Supplemental Ruling in connection with which it is not reasonably practicable to provide to the other Company or its representatives advance notice and an opportunity to participate, such Company (or its representatives) shall promptly update the other Company and its representatives as to the content of such communications. Each Company shall promptly provide the other Company (or its representatives) with copies of any correspondence received by such Company (or its representatives) from the IRS relating to any Supplemental Ruling.

## **SECTION 6. Tax Records.**

6.1 Retention of Tax Records. Each of Distributing and Spinco shall preserve, and shall cause their respective Subsidiaries to preserve, all Tax Records that are in their possession, and that could affect the liability of any member of the other Group for Taxes, for as long as the contents thereof may become material in the administration of any matter under applicable Tax Law, but in any event until the later of (x) the expiration of any applicable statutes of limitation, as extended, and (y) seven years after the Distribution Date.

6.2 Access to Tax Records. Spinco shall make available, and cause its Subsidiaries to make available, to members of the Distributing Group for inspection and copying (x) all Tax Records in their possession that relate to a Pre-Distribution Period, and (y) the portion of any Tax Record in their possession that relates to a Post-Distribution Period and which is reasonably necessary for the preparation of a Tax Return by a member of the Distributing Group or any of their Affiliates or with respect to any audit, litigation or other proceeding by a Tax Authority relating to such return. Distributing shall make available, and cause its Subsidiaries to make available, to members of the Spinco Group for inspection and copying (x) all Tax Records in their possession that relate to a Pre-Distribution Period, and (y) the portion of any Tax Record in their possession that relates to a Post-Distribution Period and which is reasonably necessary for the preparation of a Tax Return by a member of the Spinco Group or any of

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their Affiliates or with respect to any audit, litigation or other proceeding by a Tax Authority relating to such return.

6.3 Confidentiality. Each party hereby agrees that it will hold, and shall use its reasonable best efforts to cause its officers, directors, employees, accountants, counsel, consultants, advisors and agents to hold, in confidence all records and information prepared and shared by and among the parties in carrying out the intent of this Agreement, except as may otherwise be necessary in connection with the filing of Tax Returns or any administrative or judicial proceedings relating to Taxes or unless disclosure is compelled by a governmental authority. Information and documents of one party (the "Disclosing Party") shall not be deemed to be confidential for purposes of this Section 6.3 to the extent such information or document (i) is previously known to or in the possession of the other party or parties (the "Receiving Party") and is not otherwise subject to a requirement to be kept confidential, (ii) becomes publicly available by means other than unauthorized disclosure under this Agreement by the Receiving Party or (iii) is received from a third party without, to the knowledge of the Receiving Party after reasonable diligence, a duty of confidentiality owed to the Disclosing Party.

6.4 Delivery of Tax Records. On or before the Distribution Date, Distributing shall provide to Spinco (to the extent not previously provided or held by any member of the Spinco Group on the Distribution Date) copies of (i) the Separate Returns of any member of the Spinco Group, (ii) the relevant portions of any other Tax Returns with respect to any member of the Spinco Group, and (iii) other existing Tax Records (or the relevant portions thereof) reasonably necessary to prepare and file any Tax Returns of, or with respect to, the members of the Spinco Group, or to defend or contest Tax matters relevant to the members of the Spinco Group, including in each case, all Tax Records related to Tax attributes of the members of the Spinco Group and any and all communications or agreements with, or rulings by, any Tax Authority with respect to any member of the Spinco Group.

## **SECTION 7. Restrictions on Certain Actions of Distributing and Spinco; Indemnity.**

## 7.1 Restrictive Covenants.

(a) *General Restrictions.* Following the Effective Time, Spincio shall not, and shall cause the members of the Spincio Group and their Affiliates not to, and Distributing shall not, and shall cause the members of the Distributing Group and their Affiliates not to, take any action that, or fail to take any action the failure of which, (i) would cause Distributing or any Subsidiary of Distributing immediately prior to the Distribution to recognize gain or loss, or otherwise include any amount in income, as a result of the Restructuring for U.S. federal income tax purposes, (ii) would be inconsistent with the Contribution and Distribution qualifying, or would preclude the Contribution and Distribution from qualifying, as a tax-free transaction described under Sections 368(a), 355 and 361 of the Code, (iii) would cause Distributing, Spincio, any of their respective Subsidiaries at the Effective Time, or the holders of Liberty Capital Common Stock that receive stock of Spincio in the Distribution, to recognize gain or loss,

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or otherwise include any amount in income, as a result of the Contribution and/or the Distribution for U.S. federal income tax purposes, (iv) would be inconsistent with the Starz Conversion qualifying, or would preclude the Starz Conversion from qualifying, as a tax-free reorganization described under Section 368(a)(1)(E) of the Code (except with respect to cash received in lieu of fractional shares), (v) would cause Distributing, any of its Subsidiaries at the effective time of the Starz Conversion or any holders of Liberty Starz Common Stock that received Liberty Capital Common Stock in the Starz Conversion to recognize gain or loss, or otherwise include any amount in income, as a result of the Starz Conversion (except with respect to cash received in lieu of fractional shares), (vi) would be inconsistent with the Split-off Transaction qualifying, or would preclude the Split-off Transaction from qualifying, as a tax-free transaction described under Sections 368(a), 355 and 361 of the Code, or (vii) would cause Liberty Interactive, any Subsidiary of Liberty Interactive immediately prior to the Split-off Transaction, or the shareholders of Liberty Interactive that received Liberty Capital Common Stock and/or Liberty Starz Common Stock in the Split-off Transaction to recognize gain or loss, or otherwise include any amount in income, as a result of the Split-off Transaction for U.S. federal income tax purposes.

(b) *Restricted Actions.* Without limiting the provisions of Section 7.1(a) hereof, following the Effective Time, Spincio shall not, and shall cause the members of the Spincio Group and their Affiliates not to, and Distributing shall not, and shall cause the members of the Distributing Group and their Affiliates not to, take any action that, or fail to take any action the failure of which, (i) would be inconsistent with, or would cause any Person to be in breach of, any representation or covenant, or any material statement, made in the Tax Materials, the Conversion Tax Materials or the Split-off Tax Materials, or (ii) would be inconsistent with, or would cause Distributing to be in breach of, any representation or covenant made in the Split-off Tax Sharing Agreement.

(c) *Reporting.* Unless and until there has been a Final Determination to the contrary, each party agrees not to take any position on any Tax Return, in connection with any Tax Contest, or otherwise for Tax purposes that is inconsistent with the Ruling or the Tax Opinion.

7.2 Distributing Indemnity. Distributing agrees to indemnify and hold harmless each member of the Spincio Group and their respective directors, officers, employees, agents, successors and assigns (the "Spincio Indemnitees") from and against any and all (without duplication) (a) Taxes, Tax Items, and Losses allocated to Distributing pursuant to Section 2.2, (b) Transaction Taxes and Transaction Tax-Related Losses allocated to Distributing pursuant to Section 2.2(b), (c) Conversion Transaction Taxes and Conversion Tax-Related Losses allocated to Distributing pursuant to Section 2.2(c), (d) Split-off Transaction Taxes and Split-off Tax-Related Losses allocated to Distributing pursuant to Section 2.2(d), (e) Tracking Stock Taxes and Losses allocated to Distributing pursuant to Section 2.2(e), (f) Taxes and Losses arising out of or based upon any breach or nonperformance of any covenant or agreement made or to be performed by Distributing contained in this Agreement, (g) Transfer Taxes allocated to Distributing pursuant to Section 2.2(l), (h) Split-off TSA Liabilities allocated to Distributing pursuant to Section 2.2(m), and (i) Losses, including reasonable out-of-pocket legal, accounting

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and other advisory and court fees and expenses, incurred in connection with the items described in clauses (a) through (h); provided, however, that notwithstanding clauses (a), (f) and (i) of this Section 7.2, Distributing shall not be responsible for, and shall have no obligation to indemnify or hold harmless any Spincio Indemnitee for, (x) any Transaction Taxes, Transaction Tax-Related Losses, Conversion Transaction Taxes, Conversion Tax-Related Losses, Split-off Transaction Taxes, Split-off Tax-Related Losses or Tracking Stock Taxes and Losses that are allocated to Spincio pursuant to Sections 2.2(b)(i), (c)(i), (d)(i) or (e)(i), or (y) any Taxes or Losses arising out of or based upon any breach or nonperformance of any covenant or agreement made or to be performed by Spincio contained in this Agreement.

7.3 Spincio Indemnity. Spincio agrees to indemnify and hold harmless each member of the Distributing Group and their respective directors, officers, employees, agents, successors and assigns (the "Distributing Indemnitees") from and against any and all (without duplication) (a) Taxes, Tax Items, and Losses allocated to Spincio pursuant to Section 2.2, (b) Transaction Taxes and Transaction Tax-Related Losses allocated to Spincio pursuant to Section 2.2(b), (c) Conversion Transaction Taxes and Conversion Tax-Related Losses allocated to Spincio pursuant to Section 2.2(c), (d) Split-off Transaction Taxes and Split-off Tax-Related Losses allocated to Spincio pursuant to Section 2.2(d), (e) Tracking Stock Taxes and Losses allocated to Spincio pursuant to Section 2.2(e), (f) Taxes and Losses arising out of or based upon any breach or nonperformance of any covenant or agreement made or to be performed by Spincio contained in this Agreement, (g) Transfer Taxes allocated to Spincio pursuant to Section 2.2(l), (h) Split-off TSA Liabilities allocated to Spincio pursuant to Section 2.2(m), and (i) Losses, including reasonable out-of-pocket legal, accounting and other advisory and court fees, incurred in connection with the items described in clauses (a) through (h); provided, however, that notwithstanding clauses (a), (f) and (i) of this Section 7.3, Spincio shall not be responsible for, and shall have no obligation to indemnify or hold harmless any Distributing Indemnitee for, (x) any Transaction Taxes, Transaction Tax-Related Losses, Conversion Transaction Taxes, Conversion Tax-Related Losses, Split-off Transaction Taxes, Split-off Tax-Related Losses or Tracking Stock Taxes and Losses that are allocated to Distributing pursuant to Sections 2.2(b)(ii), (c)(ii), (d)(ii) or (e)(ii), or (y) any Taxes or Losses arising out of or based upon any breach or nonperformance of any covenant or agreement made or to be performed by Distributing contained in this Agreement.

7.4 Scope. The provisions of this Section 7 are intended to be for the benefit of, and shall be enforceable by, each Distributing Indemnitee and its successors in interest and each Spincio Indemnitee and its successors in interest.

7.5 Notices of Tax Contests. Each Company shall provide prompt notice to the other Company of any pending or threatened Tax audit, assessment, proceeding or other Tax Contest, Joint Claim or Spincio Claim of which it becomes aware relating to Taxes, Losses or any other liabilities or amounts for which it is or may be indemnified by such other Company hereunder. Such notice shall contain (i) factual information (to the extent known) describing any asserted Tax liability or other claim in reasonable detail and shall be accompanied by copies of any notice and other documents

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received from any Tax Authority or third party in respect of any such matters, and (ii) the amount of such asserted Tax liability or other claim. Such notice shall be given within a reasonable period of time after notice thereof was received by such Company, but any failure to give timely notice shall not affect the indemnities given hereunder except, and only to the extent that, the indemnifying Company shall have been actually prejudiced as a result of such failure. Thereafter, the indemnified Company shall deliver to the indemnifying Company such additional information with respect to such Tax Contest, Joint Claim or Spincio Claim in its possession that the indemnifying Company may reasonably request.

## 7.6 Control of Tax Contests Generally.

(a) *General Rule.* Except as provided in Sections 7.6(b), 7.8, and 7.9, each Company (or the appropriate member of its Group) shall have full responsibility, control and discretion in handling, defending, settling or contesting any Tax Contest involving a Tax reported (or that, it is asserted, should have been reported) on a Tax Return for which such Company is responsible for preparing and filing (or causing to be prepared and filed) pursuant to Section 3 of this Agreement.

(b) *Non-Preparer Participation Rights.* With respect to a Tax Contest (other than with respect to a Joint Claim or Spinco Claim) of any Tax Return which could result in a Tax liability for which the Non-Preparer may be liable under this Agreement or the reduction in any Tax Benefit to which the Non-Preparer may be entitled to under this Agreement, (i) the Non-Preparer shall, at its own cost and expense, be entitled to participate in such Tax Contest, (ii) the Preparer shall keep the Non-Preparer updated and informed, and shall consult with the Non-Preparer, (iii) the Preparer shall act in good faith with a view to the merits in connection with the Tax Contest, and (iv) the Preparer shall not settle or compromise such Tax Contest without the prior written consent of the Non-Preparer (which consent shall not be unreasonably withheld) if the settlement or compromise could have a more than de minimis impact on the Non-Preparer and the other members of its Group, taken as a whole.

7.7 Cooperation. The parties shall provide each other with all information relating to a Tax Contest, Joint Claim or Spinco Claim which is needed by the other party or parties to handle, participate in, defend, settle or contest the Tax Contest, Joint Claim or Spinco Claim. At the request of any party, the other parties shall take any reasonable action (*e.g.*, executing a power of attorney) that is necessary to enable the requesting party to exercise its rights under this Agreement in respect of a Tax Contest, Joint Claim or Spinco Claim. Spinco shall assist Distributing, and Distributing shall assist Spinco, in taking any remedial actions that are necessary or desirable to minimize the effects of any adjustment made by a Tax Authority. The indemnifying party or parties shall reimburse the indemnified party or parties for any reasonable out-of-pocket costs and expenses incurred in complying with this Section 7.7.

7.8 Joint Claims. Distributing and Spinco will have the right to jointly control the defense, compromise or settlement of any Joint Claim provided, however, that with respect to any Joint Claim arising under the Split-off Tax Sharing Agreement

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(or otherwise subject to the indemnification provisions of the Split-off Tax Sharing Agreement), Spinco's rights to jointly control, or otherwise participate in the defense, compromise or settlement of, any such Joint Claim will be subject to the terms of the Split-off Tax Sharing Agreement, as applicable. Distributing shall use reasonable efforts to provide Spinco with the right to jointly control with Distributing and otherwise participate in the defense, compromise or settlement of, any Joint Claim arising under the Split-off Tax Sharing Agreement (or otherwise subject to the indemnification provisions of the Split-off Tax Sharing Agreement), including taking action on behalf of Spinco (at the request of Spinco) to the extent any other party to the Split-off Tax Sharing Agreement does not recognize Spinco's ability to act thereunder; provided, however, that Distributing shall not be required to relinquish any rights that it has to control the defense, compromise or settlement of any such Joint Claim (other than to Spinco pursuant to the foregoing). No indemnified Company shall settle or compromise or consent to entry of any judgment with respect to any such Joint Claim without the prior written consent of the indemnifying Company, which consent may be withheld in the indemnifying Company's sole discretion. No indemnifying Company shall settle or compromise or consent to entry of any judgment with respect to any such Joint Claim unless such settlement, compromise or consent (x) includes an unconditional release of the indemnified Company and (y) does not enjoin or restrict in any way the future actions or conduct of the indemnified Company (other than with respect to its performance hereunder).

7.9 Spinco Claims. Spinco will have the right to control, directly or indirectly, the defense, compromise or settlement of any Spinco Claim, and Distributing shall use reasonable efforts to provide Spinco with the right to control, and otherwise participate in the defense, compromise or settlement of, such Spinco Claim arising under the Split-off Tax Sharing Agreement (or otherwise subject to the indemnification provisions of such agreement), including taking action at the direction of Spinco to the extent any other party to the Split-off Tax Sharing Agreement does not recognize Spinco's ability to act thereunder. Distributing shall not settle or compromise or consent to entry of any judgment with respect to any Spinco Claim without the prior written consent of Spinco, which consent may be withheld in Spinco's sole discretion. Spinco shall not settle or compromise or consent to entry of any judgment with respect to any such Spinco Claim unless such settlement, compromise or consent (x) includes an unconditional release of Distributing and (y) does not enjoin or restrict in any way the future actions or conduct of Distributing (other than with respect to its performance hereunder).

7.10 Other Claims. In the event any Distributing Indemnitee should have a claim against Spinco, or any Spinco Indemnitee should have a claim against Distributing, under this Section 7 that does not involve a third party action, such indemnified Company (or Distributing on behalf of all Distributing Indemnitees or Spinco on behalf of all Spinco Indemnitees, as applicable) shall as promptly as practicable notify the indemnifying Company of such claim, describing such claim and the factual basis thereof, the amount of such claim (if known) and the method of computation of such amount, all with reasonable particularity.

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## SECTION 8. General Provisions.

8.1 Termination. This Agreement shall terminate at such time as all obligations and liabilities of the parties hereto have been satisfied. The obligations and liabilities of the parties arising under this Agreement shall continue in full force and effect until all such obligations have been satisfied and such liabilities have been paid in full, whether by expiration of time, operation of law, or otherwise.

8.2 Predecessors or Successors. Any reference to Distributing, Spinco, their respective Subsidiaries, or any other Person in this Agreement shall include any predecessors or successors (*e.g.*, by merger or other reorganization, liquidation, conversion, or election under Treasury Regulations Section 301.7701-3) of Distributing, Spinco, such Subsidiary, or such Person, respectively.

8.3 Expenses. Except as otherwise expressly provided for herein, each Company and its Subsidiaries shall bear their own expenses incurred in connection with preparation of Tax Returns and other matters related to Taxes under the provisions of this Agreement for which they are liable; provided, however, that any fees or expenses incurred in connection with the preparation of a Combined Return shall be allocated between Distributing and Spinco in a manner resulting in Distributing and Spinco, respectively, bearing a reasonable approximation of the actual amount of such fees or expenses hereunder reasonably related to, and for the benefit of, their respective Groups.

8.4 Governing Law; Jurisdiction. This Agreement and the legal relations among the parties hereto will be governed in all respects, including validity, interpretation and effect, by the laws of the State of Delaware applicable to contracts made and performed wholly therein, without giving effect to any choice or conflict of laws provisions or rules that would cause the application of the laws of any other jurisdiction. Each of the parties hereto irrevocably agrees that any legal action or proceeding with respect to this Agreement, and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement, and the rights and obligations arising hereunder brought by the other party hereto or its successors or assigns, shall be brought and determined exclusively in the Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware (or, if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware). Each of the parties hereto hereby irrevocably submits with regard to any such action or proceeding for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid courts and agrees that it will not bring any action relating to this Agreement or the transactions contemplated hereby in any court other than the aforesaid courts. Each of the parties hereto hereby irrevocably waives, and agrees not to assert as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement (a) any claim that it is not personally subject to the jurisdiction of the above named courts for any reason other than the failure to serve in accordance with Section 8.6 and this Section 8.4, (b) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of

execution of judgment, execution of judgment or otherwise) and (c) to the fullest extent permitted by applicable law, any claim that (i) the suit, action or proceeding in such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper or (iii) this Agreement or the subject matter hereof may not be enforced in or by such courts. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 8.6 shall be deemed effective service of process on such party.

8.5 Waiver of Jury Trial. EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND, THEREFORE, EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY ACTION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH OR RELATING TO THIS AGREEMENT. EACH PARTY HERETO CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF SUCH ACTION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.5.

8.6 Notices. All notices, requests, and other communications hereunder shall be in writing and shall be delivered in person, by facsimile (with confirming copy sent by one of the other delivery methods specified herein), by overnight courier or sent by certified, registered or express air mail, postage prepaid, and shall be deemed given when so delivered in person, or when so received by facsimile or courier, or, if mailed, three (3) calendar days after the date of mailing, as follows:

(a) *If to Distributing, to:*

Starz  
8900 Liberty Circle  
Englewood, Colorado 80112

Attn:  
Facsimile:

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(b) *If to Spinco, to:*

Liberty Media Corporation  
12300 Liberty Boulevard  
Englewood, Colorado 80112

Attn:  
Facsimile:

or to such other address as the party to whom notice is given may have previously furnished to the other parties in writing in the manner set forth above.

8.7 Counterparts. This Agreement may be executed in two or more identical counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same agreement.

8.8 Binding Effect: Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Except with respect to a merger of a party, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto without the prior written consent of the other parties; provided, however, that each of Distributing and Spinco may assign its respective rights, interests, liabilities and obligations under this Agreement to any other member of its Group, but such assignment shall not relieve Distributing or Spinco, as the assignor, of its liabilities or obligations hereunder.

8.9 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Upon a determination that any provision of this Agreement is prohibited or unenforceable in any jurisdiction, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the provisions contemplated hereby are consummated as originally contemplated to the fullest extent possible.

8.10 Amendments: Waivers. Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. Except as otherwise provided herein, the rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by applicable law. Any consent provided under this

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Agreement must be in writing, signed by the party against whom enforcement of such consent is sought.

8.11 Effective Date. This Agreement shall become effective on the date recited above on which the parties entered into this Agreement.

8.12 Change in Law. Any reference to a provision of the Code or any other Tax Law shall include a reference to any applicable successor provision or law.

8.13 Authorization, Etc. Each of the parties hereto hereby represents and warrants that it has the power and authority to execute, deliver and perform this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of such party, that this Agreement constitutes a legal, valid and

binding obligation of such party and that the execution, delivery and performance of this Agreement by such party does not contravene or conflict with any provision of law or of its charter or bylaws or any agreement, instrument or order binding such party.

8.14 No Third Party Beneficiaries. Except as provided in Sections 7.2, 7.3, and 8.8 of this Agreement, this Agreement is solely for the benefit of the parties and their respective Subsidiaries and is not intended to confer upon any other Person any rights or remedies hereunder. Notwithstanding anything in this Agreement to the contrary, this Agreement is not intended to confer upon any Spinco Indemnitees any rights or remedies against Spinco hereunder, and this Agreement is not intended to confer upon any Distributing Indemnitees any rights or remedies against Distributing hereunder.

8.15 Entire Agreement. This Agreement embodies the entire understanding among the parties relating to its subject matter and supersedes and terminates any prior agreements and understandings among the parties with respect to such subject matter, and no party to this Agreement shall have any right, responsibility, obligation or liability under any such prior agreement or understanding. Any and all prior correspondence, conversations and memoranda are merged herein and shall be without effect hereon. No promises, covenants or representations of any kind, other than those expressly stated herein, have been made to induce any party to enter into this Agreement.

8.16 No Strict Construction: Interpretation.

(a) Distributing and Spinco each acknowledge that this Agreement has been prepared jointly by the parties hereto and shall not be strictly construed against any party hereto.

(b) When a reference is made in this Agreement to an Article, Section, Exhibit or Schedule, such reference shall be to an Article of, a Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". The words "hereof", "herein" and

"hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and references to all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns.

8.17 Headings. The headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

8.18 Assignment of Rights under the Split-off Tax Sharing Agreement. Distributing hereby assigns to Spinco all of its rights to indemnification payments and related rights under the Split-off Tax Sharing Agreement with respect to any liability for Split-off Transaction Taxes, Split-off Tax-Related Losses, or any other Taxes, Tax Items, Losses or payments that, in each case, are allocated to Spinco hereunder and with respect to which Spinco has paid in whole. If any Joint Claim is made against any member of the Distributing Group or the Spinco Group with respect to any Split-off Transaction Taxes or Split-off Tax-Related Losses, or any other claim is made against any member of the Distributing Group or the Spinco Group with respect to any other Taxes, Tax Items, Losses or payments for which any member of the Distributing Group or the Spinco Group would be entitled to indemnification under the Split-off Tax Sharing Agreement, then at Spinco's request, Distributing shall assert a claim for indemnification against Liberty Interactive under the Split-off Tax Sharing Agreement in respect of such Split-off Transaction Taxes, Split-off Tax-Related Losses, or other Taxes, Tax Items, Losses, or payments, as applicable, to the extent such a claim would not be frivolous. Spinco and Distributing shall jointly control the prosecution of any such claim related to Split-off Transaction Taxes or Split-off Tax-Related Losses, under the principles contained in Section 7.8, and the principles of Section 7.9 shall govern any claim that is not a Joint Claim. Distributing shall not amend, modify or terminate the Split-off Tax Sharing Agreement, or waive any rights thereunder, without the prior written consent of Spinco, which consent shall not be unreasonably withheld.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by the respective officers as of the date set forth above.

STARZ

By: \_\_\_\_\_  
Name:  
Title:

LIBERTY MEDIA CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

## FORM OF SERVICES AGREEMENT

SERVICES AGREEMENT (this "Agreement"), dated as of \_\_\_\_\_, 201[2], by and between Starz (f/k/a Liberty Media Corporation), a Delaware corporation ("Starz"), and Liberty Media Corporation (f/k/a Liberty Spinco, Inc.), a Delaware corporation (the "Provider").

### RECITALS

WHEREAS, on the date hereof, the Provider is a wholly owned subsidiary of Starz and holds all of the businesses, assets and liabilities of Starz other than those associated with Starz, LLC and its subsidiaries ("LLC") following the consummation of the transactions described in the plan of restructuring set forth in Schedule 1.1 to that certain Reorganization Agreement, dated \_\_\_\_\_, 2012 (the "Reorganization Agreement"), to which the Provider and Starz are each parties;

WHEREAS, in accordance with the Reorganization Agreement, 100% of the issued and outstanding shares of common stock of the Provider will be distributed as a *pro rata* dividend to the stockholders of Starz, with the effect that the Provider will be spun-off (the "Spin-Off") from Starz, and Starz will cease to have an equity interest in the Provider;

WHEREAS, immediately following the Spin-Off, the Provider and Starz will be separate and independent publicly-traded companies;

WHEREAS, the officers and employees of Starz prior to the Spin-Off (other than the officers and employees of LLC) who provide services to Starz as a public company will, following the Spin-Off, be officers and employees of the Provider and compensated by the Provider and not Starz.

WHEREAS, the parties desire that, following the date of the Spin-Off (the "Spin-Off Effective Date"), Starz obtain from the Provider the services described in Section 1.2 hereof and that Starz compensate the Provider for the performance of such services on the basis described herein; and

WHEREAS, on the date hereof a subsidiary of the Provider is also entering into a facilities sharing agreement with Starz with respect to 12300 Liberty Boulevard, Englewood, Colorado (the "Facilities Sharing Agreement") and a separate lease agreement with respect to the lease of the corporate headquarters of Starz at 8900 Liberty Circle, Englewood Colorado (the "Lease Agreement") following the Spin-Off.

### AGREEMENT

NOW THEREFORE, in consideration of the foregoing recitals, the mutual agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be bound legally, agree as follows:

## ARTICLE I

### ENGAGEMENT AND SERVICES

#### Section 1.1 Engagement of the Provider by Starz.

Starz engages the Provider to provide to Starz, commencing on the Spin-Off Effective Date, the services set forth in Section 1.2 (collectively, the "Services"), and the Provider accepts such engagement, subject to and upon the terms and conditions of this Agreement. Starz acknowledges that certain of the Services will be performed by officers, employees or consultants of the Provider, who may also serve as officers, employees or consultants of Starz and/or Liberty Interactive Corporation ("Liberty Interactive").

#### Section 1.2 Services to be provided to Starz

(a) The Services will include the following, if and to the extent requested or required by Starz during the Term (as defined below):

- (i) insurance administration and risk management services;
- (ii) services performed by the Provider's investor relations, tax and law departments;
- (iii) services supporting the accounting and internal audit departments at Starz; and

(iv) such other services as the Provider may obtain from its officers, employees and consultants in the management of its own operations that Starz may from time to time request or require.

(b) The Services are intended to be those services and functions that are appropriate for the operation and management of Starz as a publicly-traded company, and are not intended to be duplicative of services and functions for the operating subsidiaries of Starz that are to be performed by officers, employees and consultants of those companies.

Section 1.3 Services Not to Interfere with Business Starz acknowledges and agrees that in providing Services hereunder the Provider will not be required to take any action that would disrupt, in any material respect, the orderly operation of the Provider's own business activities.

Section 1.4 Books and Records. Each of the Provider and Starz will maintain separate books and records, in reasonable detail in accordance with its standard business practices, with respect to its provision of services pursuant to this Agreement, including, as to the Provider, records supporting the computation of the Allocated Expenses (as such term is defined below) pursuant to Article II (collectively, "Supporting Records"). Each party will provide to the other and its respective duly authorized representatives, agents, and attorneys, reasonable access to all of their respective Supporting Records during business hours upon request after reasonable advance notice.

## ARTICLE II

### COMPENSATION

#### Section 2.1 Starz Allocated Compensation and Expenses.

(a) For each officer, employee or consultant of the Provider that provides Services to Starz (each, an “Attributed Employee”), Starz shall be allocated an amount (the “Allocated Employee Compensation”) equal to his or her aggregate salary, bonus and health, retirement and other compensation and benefits paid by the Provider (other than, in all cases, equity-based compensation paid by the Provider) (“Provider Employee Compensation”) multiplied by his or her Starz Percentage (as defined below); *provided, however*, that the Allocated Employee Compensation allocable to any Attributed Employee who holds the office of Vice President or higher of Starz (each, a “Starz Officer”) will not take into account any bonus amounts paid to such Attributed Employee by the Provider as part of his or her Provider Employee Compensation. The “Starz Percentage” with respect to any officer, employee or consultant of the Provider will equal, over a defined period of time, an estimate of the amount of time that he or she will spend over such period of time providing Services to Starz relative to the amount of time he or she will spend over such period of time performing his or her duties and responsibilities as an officer, employee or consultant of the Provider (including time spent providing services pursuant to the Services Agreement, dated September 23, 2011, as amended, between Liberty Interactive and the Provider). Starz will pay to the Provider the aggregate Allocated Employee Compensation, together with such other costs and expenses as may be incurred by the Provider in connection with the provision of Services to Starz hereunder (collectively with the aggregate Allocated Employee Compensation but exclusive of any Out-of-Pocket Costs (as defined below), the “Allocated Expenses”), in accordance with Section 2.4 below. The Allocated Expenses will be more fully set forth in, or determined from time to time in the manner set forth in, Schedule 2.1 attached hereto, as such Schedule may be periodically amended and revised by the parties. It is intended that the payments by Starz to the Provider under this Agreement in respect of Allocated Expenses are equivalent to those which Starz would pay to a third party on an arm’s length basis for the same services. If the cost of any Service to be provided to Starz under this Agreement is included in the Annual Allocation Expense (as such term is defined in the Facilities Sharing Agreement) payable by Starz under the Facilities Sharing Agreement, then the cost of such Service shall not also be payable by Starz under this Agreement.

(b) The Starz Percentage applicable to each Attributed Employee and the Allocated Expenses (other than the initial Starz Percentage and Allocated Expenses) will be determined by the Provider, in consultation with Starz, on or about December 15th of each year during the Term (commencing December 15, 2013). The Starz Percentage of an Attributed Employee shall be based on the anticipated Services to be provided by such Attributed Employees to Starz during the upcoming fiscal year, among other things deemed relevant by the Provider and Starz. The Provider and Starz will review and evaluate the Starz Percentages and Allocated Expenses for reasonableness semiannually during the Term, and will negotiate in good faith to reach agreement on any appropriate adjustments to the Starz Percentages and Allocated Expenses based on such review and evaluation, including: (i) adjustments that reflect changes to the Provider Employee Compensation of each Attributed Employee; (ii) adjustments that reflect changes to any other costs or expenses included in the Allocated Expenses; (iii) adjustments that

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reflect changes in the allocable percentages of time spent by particular Attributed Employees providing Services to Starz; and (iv) agreeing on the appropriate effective date (which may be retroactive) of any such adjustment to a Starz Percentage and Allocated Expenses.

Section 2.2 Cost Reimbursement. In addition to (and without duplication of) the Allocated Expenses payable pursuant to Section 2.1, Starz also will reimburse the Provider, on a monthly basis, for all direct out-of-pocket costs, with no markup (“Out-of-Pocket Costs”), incurred by the Provider in performing the Services on the behalf of Starz (e.g., postage and courier charges, software license fees attributable to desktop or laptop computers utilized by Attributed Employees, travel, meals and entertainment expenses, and other miscellaneous expenses that are incurred by the Provider or the Attributed Employees in the conduct of the Services).

Section 2.3 Payment Procedures.

(a) Starz will pay the Provider, by wire or intrabank transfer of funds or in such other manner specified by the Provider to Starz, in arrears on or before the last day of each calendar month beginning with [redacted], [2012], the aggregate Allocated Expenses then in effect, in monthly installments.

(b) Any reimbursement to be made to the Provider pursuant to Section 2.2(a) will be paid to the Provider within 15 days after receipt by Starz of an invoice therefor, by wire or intrabank transfer of funds or in such other manner acceptable to the Provider. The Provider will invoice Starz monthly for reimbursable expenses incurred by the Provider on its behalf during the preceding calendar month as contemplated in Section 2.2(a); *provided, however*, that the Provider may separately invoice Starz at any time for any single reimbursable expense incurred by the Provider on Starz’s behalf in an amount equal to or greater than \$25,000. Any invoice or statement pursuant to this Section 2.3(b) will be accompanied by supporting documentation in reasonable detail consistent with the Provider’s own expense reimbursement policy with respect to the costs and expenses incurred by the Provider for which the Provider is seeking reimbursement hereunder.

(c) Any payments not made when due under this Section 2.3 will bear interest at the rate of 1.5% per month on the outstanding amount from and including the due date to but excluding the date paid.

Section 2.4 Survival. The terms and conditions of this Article II will survive the expiration or earlier termination of this Agreement.

## ARTICLE III

### TERM

Section 3.1 Term Generally. The term of this Agreement will commence on the Spin-Off Effective Date and will continue until the third anniversary of the Spin-Off Effective Date (the “Term”). This Agreement is subject to termination prior to the end of the Term in accordance with Section 3.3.

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Section 3.2 Discontinuance of Select Services. At any time during the Term, on not less than 30 days’ prior written notice to the Provider, Starz may elect to discontinue obtaining any of the Services from the Provider. In such event, the Provider’s obligation to provide Services that have been discontinued pursuant to this Section 3.2 to Starz, and the obligation of Starz to compensate the Provider for such discontinued Services (other than as described below), will cease as of the end of such 30-day period (or such earlier date as may be agreed by the parties), and this Agreement will remain in effect for the remainder of the Term with respect to those Services that have not been so discontinued. The Provider and Starz will promptly evaluate the Allocated Expenses for reasonableness following the discontinuance of any Services to Starz and will negotiate in good faith to reach agreement on any appropriate adjustment thereto. Starz will remain liable for any required payment or performance accrued prior to the effective date of discontinuance of any Service.

Section 3.3 Termination.

(a) This Agreement will be terminated prior to the expiration of the Term in the following events:

(i) at any time upon at least 30 days’ prior written notice by Starz to the Provider;

(ii) immediately upon written notice (or at any later time specified in such notice) by the Provider to Starz if a Change in Control or Bankruptcy Event occurs with respect to Starz; or

(iii) immediately upon written notice (or at any later time specified in such notice) by Starz to the Provider if a Change in Control or

Bankruptcy Event occurs with respect to the Provider.

(b) For purposes of this Section 3.3, a “Change in Control” will be deemed to have occurred with respect to a party if a merger, consolidation, binding share exchange, acquisition, or similar transaction (each, a “Transaction”), or series of related Transactions, involving such party occurs as a result of which the voting power of all voting securities of such party outstanding immediately prior thereto represent (either by remaining outstanding or being converted into voting securities of the surviving entity) less than 75% of the voting power of such party or the surviving entity of the Transaction outstanding immediately after such Transaction (or if such party or the surviving entity after giving effect to such Transaction is a subsidiary of the issuer of securities in such Transaction, then the voting power of all voting securities of such party outstanding immediately prior to such Transaction represent (by being converted into voting securities of such issuer) less than 75% of the voting power of the issuer outstanding immediately after such Transaction).

For purposes of this Section 3.3, a “Bankruptcy Event” will be deemed to have occurred with respect to a party upon such party’s insolvency, general assignment for the benefit of creditors, such party’s voluntary commencement of any case, proceeding, or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution, or consolidation of such party’s debts under any law relating to bankruptcy, insolvency, or reorganization, or relief of

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debtors, or seeking appointment of a receiver, trustee, custodian, or other similar official for such party or for all or any substantial part of such party’s assets (each, a “Bankruptcy Proceeding”), or the involuntary filing against such party of any Bankruptcy Proceeding that is not stayed within 60 days after such filing.

Each party will remain liable to the other for any required payment accrued prior to the termination of this Agreement.

#### ARTICLE IV

##### PERSONNEL AND EMPLOYEES FOR SERVICES

###### Section 4.1 Personnel to Provide Services

(a) The Provider will make available to Starz, on a non-exclusive basis, the appropriate personnel to perform the Services. The personnel made available to perform selected Services are expected to be substantially the same personnel who provide similar services in connection with the management and administration of the business and operations of the Provider.

(b) Starz acknowledges that:

(i) any Attributed Employee providing Services may also be performing (x) similar services for Liberty Interactive; (y) services to the Provider in his or her capacity as an officer, employee or consultant of the Provider; and (z) services for certain Subsidiaries and Affiliates of the Provider or Liberty Interactive, in each case, while also potentially performing services directly for Starz and certain of its Subsidiaries and Affiliates under a direct employment, consultancy or other service relationship between such person and Starz and irrespective of this Agreement; and

(ii) the Provider may elect, in its discretion, to utilize independent contractors rather than officers, employees or consultants of the Provider to perform some or all of the Services for Starz from time to time, and such independent contractors will be deemed included within the definition of “Attributed Employees” for all purposes of this Agreement.

Section 4.2 Provider as Payor. The parties acknowledge and agree that the Provider, and not Starz, will be solely responsible for the payment of salaries, wages, benefits (including health insurance, retirement, and other similar benefits, if any) and other compensation applicable to all Attributed Employees; *provided, however*, that Starz is responsible for (i) the payment of the Allocated Expenses in accordance with Sections 2.1 and 2.3 and for the portion of any severance payments allocated to Starz under Section 4.3, and (ii) the payment of (x) all compensation based on, comprised of or related to the equity securities of Starz and (y) any bonus amounts payable to any Starz Officer exclusively with respect to services performed for the benefit of Starz (together with the compensation referred to in clause (x), the “Excluded Compensation”). The parties acknowledge that Attributed Employees may provide services directly to Starz in consideration for the receipt of Excluded Compensation pursuant to such persons’ separate employment, consultancy or other service relationship with Starz. All

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Attributed Employees will be subject to the personnel policies of the Provider and will be eligible to participate in the Provider’s employee benefit plans to the same extent as similarly situated employees of the Provider performing services in connection with the Provider’s business. Except as otherwise required by the terms of the Tax Sharing Agreement, (i) the Provider will be responsible for the payment of all federal, state, and local withholding taxes on the compensation of all Attributed Employees (other than Excluded Compensation) and other such employment related taxes as are required by law and (ii) Starz will be responsible for the payment of all federal, state, and local withholding taxes on all Excluded Compensation paid to any Attributed Employee by Starz and such other employment related taxes as are required by law. Starz will cooperate with the Provider to facilitate the Provider’s compliance with applicable federal, state, and local laws, rules, regulations, and ordinances applicable to the employment of all Attributed Employees.

Section 4.3 Additional Employee Provisions. The Provider will have the right to terminate its employment of any Attributed Employee at any time. A portion of any severance payments payable to any Attributed Employee who separates from employment with the Provider during the Term will be allocated to Starz based on the monthly average Starz Percentage applicable to such person since the Spin-Off Effective Date; *provided, however*, that such severance payments will not take into account (i) any bonus-related compensation arrangements payable to any Starz Officer and (ii) any equity-based compensation arrangements paid or provided by the Provider.

#### ARTICLE V

##### REPRESENTATIONS AND WARRANTIES

Section 5.1 Representations and Warranties of the Provider. The Provider represents and warrants to Starz as follows:

(a) The Provider is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware.

(b) The Provider has the power and authority to enter into this Agreement and to perform its obligations under this Agreement, including the Services.

(c) The Provider is not subject to any contractual or other legal obligation that materially interferes with its full, prompt, and complete performance under this Agreement.

(d) The individual executing this Agreement on behalf of the Provider has the authority to do so.

Section 5.2 Representations and Warranties of Starz. Starz represents and warrants to the Provider as follows:

- (a) Starz is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware.

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- (b) Starz has the power and authority to enter into this Agreement and to perform its obligations under this Agreement.
- (c) Starz is not subject to any contractual or other legal obligation that materially interferes with its full, prompt, and complete performance under this Agreement.
- (d) The individual executing this Agreement on behalf of Starz has the authority to do so.

## ARTICLE VI

### INDEMNIFICATION

#### Section 6.1 Indemnification.

- (a) The Provider will indemnify, defend, and hold harmless Starz and each of its Subsidiaries, Affiliates, officers, directors, employees and agents, successors and assigns (collectively, the “Starz Indemnitees”), from and against any and all Actions, judgments, Liabilities, losses, costs, damages, or expenses, including reasonable counsel fees, disbursements, and court costs (collectively, “Losses”), that any Starz Indemnitee may suffer arising from or out of, or relating to, (a) any material breach by the Provider of its obligations under this Agreement, or (b) the gross negligence, willful misconduct, fraud, or bad faith of the Provider.
- (b) Starz will indemnify, defend, and hold harmless the Provider and its Subsidiaries, Affiliates, officers, directors, employees and agents, successors and assigns (collectively, the “Provider Indemnitees”), from and against any and all Losses that any Provider Indemnitee may suffer arising from or out of, or relating to (a) any material breach by Starz of its obligations under this Agreement, or (b) any acts or omissions of the Provider in providing the Services pursuant to this Agreement (except to the extent such Losses (i) arise from or relate to any material breach by the Provider of its obligations under this Agreement, (ii) are attributable to the gross negligence, willful misconduct, fraud, or bad faith of the Provider or any other Provider Indemnitee seeking indemnification under this Section 6.1(b), (iii) are fully covered by insurance maintained by the Provider or such other Provider Indemnitee, or (iv) are payable by the Provider pursuant to Section 7.11).

#### Section 6.2 Indemnification Procedures.

- (a) (i) In connection with any indemnification provided for in Section 6.1, the party seeking indemnification (the “Indemnitee”) will give the party from which indemnification is sought (the “Indemnitor”) prompt notice whenever it comes to the attention of the Indemnitee that the Indemnitee has suffered or incurred, or may suffer or incur, any Losses for which it is entitled to indemnification under Section 6.1 and, if and when known, the facts constituting the basis for such claim and the projected amount of such Losses (which shall not be conclusive as to the amount of such Losses), in each case in reasonable detail. Without limiting the generality of the foregoing, in the case of any Action commenced by a third party for which indemnification is being sought (a “Third-Party Claim”), such notice will be given no later than ten business days following receipt by the Indemnitee of written notice of such Third-Party

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Claim. Failure by any Indemnitee to so notify the Indemnitor will not affect the rights of such Indemnitee hereunder except to the extent that such failure has a material prejudicial effect on the defenses or other rights available to the Indemnitor with respect to such Third Party Claim. The Indemnitee will deliver to the Indemnitor as promptly as practicable, and in any event within five business days after Indemnitee’s receipt, copies of all notices, court papers and other documents received by the Indemnitee relating to any Third-Party Claim.

- (ii) After receipt of a notice pursuant to Section 6.2(a)(i) with respect to any Third-Party Claim, the Indemnitor will be entitled, if it so elects, to take control of the defense and investigation with respect to such Third-Party Claim and to employ and engage attorneys reasonably satisfactory to the Indemnitee to handle and defend such claim, at the Indemnitor’s cost, risk and expense, upon written notice to the Indemnitee of such election, which notice acknowledges the Indemnitor’s obligation to provide indemnification under this Agreement with respect to any Losses arising out of or relating to such Third-Party Claim. The Indemnitor will not settle any Third-Party Claim that is the subject of indemnification without the written consent of the Indemnitee, which consent will not be unreasonably withheld, conditioned or delayed; *provided, however*, that, after reasonable notice, the Indemnitor may settle a claim without the Indemnitee’s consent if such settlement (A) makes no admission or acknowledgment of Liability or culpability with respect to the Indemnitee, (B) includes a complete release of the Indemnitee and (C) does not seek any relief against the Indemnitee other than the payment of money damages to be borne by the Indemnitor. The Indemnitee will cooperate in all reasonable respects with the Indemnitor and its attorneys in the investigation, trial and defense of any lawsuit or action with respect to such claim and any appeal arising therefrom (including the filing in the Indemnitee’s name of appropriate cross-claims and counterclaims). The Indemnitee may, at its own cost, participate in any investigation, trial and defense of any Third-Party Claim controlled by the Indemnitor and any appeal arising therefrom, including participating in the process with respect to the potential settlement or compromise thereof. If the Indemnitee has been advised by its counsel that there may be one or more legal defenses available to the Indemnitee that conflict with those available to, or that are not available to, the Indemnitor (“Separate Legal Defenses”), or that there may be actual or potential differing or conflicting interests between the Indemnitor and the Indemnitee in the conduct of the defense of such Third-Party Claim, the Indemnitee will have the right, at the expense of the Indemnitor, to engage separate counsel reasonably acceptable to the Indemnitor to handle and defend such Third-Party Claim, *provided*, that, if such Third-Party Claim can be reasonably separated between those portion(s) for which Separate Legal Defenses are available (“Separable Claims”) and those for which no Separate Legal Defenses are available, the Indemnitee will instead have the right, at the expense of the Indemnitor, to engage separate counsel reasonably acceptable to the Indemnitor to handle and defend the Separable Claims, and the Indemnitor will not have the right to control the defense or investigation of such Third-Party Claim or such Separable Claims, as the case may be (and, in which latter case, the Indemnitor will have the right to control the defense or investigation of the remaining portion(s) of such Third-Party Claim).

- (iii) If, after receipt of a notice pursuant to Section 6.2(a)(i) with respect to any Third-Party Claim as to which indemnification is available hereunder, the Indemnitor does not undertake to defend the Indemnitee against such Third-Party Claim, whether by not giving the Indemnitee timely notice of its election to so defend or otherwise, the Indemnitee may, but will have no obligation to, assume its own defense, at the expense of the Indemnitor (including

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attorneys fees and costs), it being understood that the Indemnitee’s right to indemnification for such Third Party Claim shall not be adversely affected by its assuming the defense of such Third Party Claim. The Indemnitor will be bound by the result obtained with respect thereto by the Indemnitee; *provided*, that the Indemnitee may not settle any lawsuit or action with respect to which the Indemnitee is entitled to indemnification hereunder without the consent of the Indemnitor, which consent will not be unreasonably withheld, conditioned or delayed; *provided further*, that such consent shall not be required if (i) the Indemnitor had the right under this Section 6.2 to undertake

control of the defense of such Third-Party Claim and, after notice, failed to do so within thirty days of receipt of such notice (or such lesser period as may be required by court proceedings in the event of a litigated matter), or (ii) (x) the Indemnitor does not have the right to control the defense of the entirety of such Third-Party Claim pursuant to Section 6.2(a)(ii) or (y) the Indemnitor does not have the right to control the defense of any Separable Claim pursuant to Section 6.2(a)(ii) (in which case such settlement may only apply to such Separable Claims), the Indemnitee provides reasonable notice to Indemnitor of the settlement, and such settlement (A) makes no admission or acknowledgment of Liability or culpability with respect to the Indemnitor, (B) does not seek any relief against the Indemnitor and (C) does not seek any relief against the Indemnitee for which the Indemnitor is responsible other than the payment of money damages.

(b) In no event will the Indemnitor be liable to any Indemnitee for any special, consequential, indirect, collateral, incidental or punitive damages, however caused and on any theory of liability arising in any way out of this Agreement, whether or not such Indemnitor was advised of the possibility of any such damages; *provided*, that the foregoing limitations shall not limit a party's indemnification obligations for any Losses incurred by an Indemnitee as a result of the assertion of a Third Party Claim.

(c) The Indemnitor and the Indemnitee shall use commercially reasonable efforts to avoid production of Confidential Information, and to cause all communications among employees, counsel and others representing any party with respect to a Third Party Claim to be made so as to preserve any applicable attorney-client or work-product privilege.

(d) The Indemnitor shall pay all amounts payable pursuant to this Section 6.2 by wire transfer of immediately available funds, promptly following receipt from an Indemnitee of a bill, together with all accompanying reasonably detailed backup documentation, for any Losses that are the subject of indemnification hereunder, unless the Indemnitor in good faith disputes the amount of such Losses or whether such Losses are covered by the Indemnitor's indemnification obligation in which event the Indemnitor shall promptly so notify the Indemnitee. In any event, the Indemnitor shall pay to the Indemnitee, by wire transfer of immediately available funds, the amount of any Losses for which it is liable hereunder no later than three (3) days following any final determination of the amount of such Losses and the Indemnitor's liability therefor. A "final determination" shall exist when (a) the parties to the dispute have reached an agreement in writing or (b) a court of competent jurisdiction shall have entered a final and non-appealable order or judgment.

(e) If the indemnification provided for in this Section 6.2 shall, for any reason, be unavailable or insufficient to hold harmless an Indemnitee in respect of any Losses for which it is entitled to indemnification hereunder, then the Indemnitor shall contribute to the amount paid or

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payable by such Indemnitee as a result of such Losses, in such proportion as shall be appropriate to reflect the relative benefits received by and the relative fault of the Indemnitor on the one hand and the Indemnitee on the other hand with respect to the matter giving rise to such Losses.

(f) The remedies provided in this Section 6.2 shall be cumulative and shall not preclude assertion by any Indemnitee of any other rights or the seeking of any and all other remedies against an Indemnitor, subject to Section 6.2(b).

(g) For the avoidance of doubt, the provisions of this Article VI are not intended to, and shall not, apply to any Loss, claim or Liability to which the provisions of the Tax Sharing Agreement are applicable.

(h) To the fullest extent permitted by applicable law, the Indemnitor will indemnify the Indemnitee against any and all reasonable fees, costs and expenses (including attorneys' fees), incurred in connection with the enforcement of his, her or its rights under this Article VI.

Section 6.3 Survival. The terms and conditions of this Article VI will survive the expiration or termination of this Agreement.

## ARTICLE VII

### MISCELLANEOUS

Section 7.1 Defined Terms.

(a) The following terms will have the following meanings for all purposes of this Agreement:

"Action" means any demand, action, claim, suit, countersuit, litigation, arbitration, prosecution, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court, grand jury or other governmental authority or any arbitrator or arbitration panel.

"Affiliate" means, with respect to any Person, any other Person controlled by such first Person, with "control" for such purpose meaning the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or voting interests, by contract, or otherwise. Notwithstanding the foregoing, for purposes of this Agreement, none of the following shall be deemed to be Affiliates of each other: (i) Provider taken together with its Subsidiaries, (ii) Liberty Interactive taken together with its Subsidiaries or (iii) Starz taken together with any of its Subsidiaries.

"Confidential Information" means any information marked, noticed, or treated as confidential by a party which such party holds in confidence, including all trade secrets, technical, business, or other information, including customer or client information, however communicated or disclosed, relating to past, present and future research, development and business activities.

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"Liabilities" means any and all debts, liabilities, commitments and obligations, whether or not fixed, contingent or absolute, matured or unmatured, direct or indirect, liquidated or unliquidated, accrued or unaccrued, known or unknown, and whether or not required by GAAP to be reflected in financial statements or disclosed in the notes thereto (other than taxes).

"Person" means any natural person, corporation, limited liability corporation, partnership, trust, unincorporated organization, association, governmental authority, or other entity.

"Subsidiary" when used with respect to any Person, means (i)(A) a corporation a majority in voting power of whose share capital or capital stock with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person, or by such Person and one or more Subsidiaries of such Person, whether or not such power is subject to a voting agreement or similar encumbrance, (B) a partnership or limited liability company in which such Person or a Subsidiary of such Person is, at the date of determination, (1) in the case of a partnership, a general partner of such partnership with the power affirmatively to direct the policies and management of such partnership or (2) in the case of a limited liability company, the managing member or, in the absence of a managing member, a member with the power affirmatively to direct the policies and management of such limited liability company, or (C) any other Person (other than a corporation) in which such Person, one or more Subsidiaries of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination thereof, has or have (1) the power to elect or direct the election of a majority of the members of the governing body of such Person, whether or not such power is subject to a voting agreement or similar encumbrance, or (2) in the absence of such a governing body, at least a majority ownership interest or (ii) any other Person of which

an aggregate of 50% or more of the equity interests are, at the time, directly or indirectly, owned by such Person and/or one or more Subsidiaries of such Person. Notwithstanding the foregoing, for purposes of this Agreement, none of the Subsidiaries of the Provider will be deemed to be Subsidiaries of Starz or any of its Subsidiaries, nor will any of Starz or any of its Subsidiaries be deemed to be Subsidiaries of the Provider or any of its Subsidiaries.

“Tax Sharing Agreement” means the Tax Sharing Agreement, dated \_\_\_\_\_, between Starz and the Provider.

(b) The following terms will have the meanings for all purposes of this Agreement set forth in the Section reference provided next to such term:

Definition	Section Reference
Agreement	Preamble
Allocated Employee Compensation	Section 2.1(a)
Allocated Expenses	Section 2.1(a)
Attributed Employee	Section 2.1(a)
Bankruptcy Event	Section 3.3(c)
Bankruptcy Proceeding	Section 3.3(c)
Change in Control	Section 3.3(c)
Excluded Compensation	Section 4.2
Facilities Sharing Agreement	Recitals

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Definition	Section Reference
Indemnitee	Section 6.3(a)(i)
Indemnitor	Section 6.3(a)(i)
Lease Agreement	Recitals
Liberty Interactive	Preamble
Losses	Section 6.1(a)
Out-of-Pocket Costs	Section 2.2
Provider	Preamble
Provider Employee Compensation	Section 2.1(a)
Provider Indemnitees	Section 6.1(b)
Reorganization Agreement	Recitals
Separable Claim	Section 6.3(a)(ii)
Separate Legal Defenses	Section 6.3(a)(ii)
Services	Section 1.1(a)
Spin-Off	Recitals
Spin-Off Effective Date	Section 1.1(a)
Starz	Preamble
Starz Indemnitees	Section 6.1(a)
Starz Percentage	Section 2.1(a)
Starz Officer	Section 2.1(a)
Supporting Records	Section 1.5
Term	Section 3.1
Third-Party Claim	Section 6.3(a)(i)
Transaction	Section 3.3(c)

Section 7.2 Entire Agreement; Severability. This Agreement (including the Schedules attached hereto), the Tax Sharing Agreement, the Facilities Sharing Agreement, the Lease Agreement and the Reorganization Agreement constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof, and supersede all prior agreements and understandings, oral and written, among the parties hereto with respect to such subject matter. It is the intention of the parties hereto that the provisions of this Agreement will be enforced to the fullest extent permissible under all applicable laws and public policies, but that the unenforceability of any provision hereof (or the modification of any provision hereof to conform with such laws or public policies, as provided in the next sentence) will not render unenforceable or impair the remainder of this Agreement. Accordingly, if any provision is determined to be invalid or unenforceable either in whole or in part, this Agreement will be deemed amended to delete or modify, as necessary, the invalid or unenforceable provisions and to alter the balance of this Agreement in order to render the same valid and enforceable, consistent (to the fullest extent possible) with the intent and purposes hereof. If the provisions of this Agreement conflict with any provisions of the Facilities Sharing Agreement, the provisions of this Agreement shall control, and, if the provisions of this Agreement conflict with any provisions of the Tax Sharing Agreement, the provisions of the Tax Sharing Agreement shall control.

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Section 7.3 Notices. All notices and communications hereunder will be in writing and will be deemed to have been duly given if delivered personally or mailed, certified or registered mail with postage prepaid, or sent by confirmed facsimile, addressed as follows:

If to the Provider: Liberty Media Corporation  
12300 Liberty Boulevard  
Englewood, Colorado 80112  
Attention: General Counsel  
Facsimile: (720) 875-

If to Starz : Starz  
8900 Liberty Circle  
Englewood, Colorado 80112  
Attention: General Counsel  
Facsimile: (720) 875-

or to such other address (or to the attention of such other person) as the parties may hereafter designate in writing. All such notices and communications will be deemed to

have been given on the date of delivery if sent by facsimile or personal delivery, or the third day after the mailing thereof, except that any notice of a change of address will be deemed to have been given only when actually received.

Section 7.4 Governing Law. This Agreement and the legal relations among the parties hereto will be governed in all respects, including validity, interpretation and effect, by the laws of the State of Colorado applicable to contracts made and performed wholly therein, without giving effect to any choice or conflict of laws provisions or rules that would cause the application of the laws of any other jurisdiction.

Section 7.5 Rules of Construction. The descriptive headings in this Agreement are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement. Words used in this Agreement, regardless of the gender and number specifically used, will be deemed and construed to include any other gender, masculine, feminine, or neuter, and any other number, singular or plural, as the context requires. As used in this Agreement, the word "including" or any variation thereof is not limiting, and the word "or" is not exclusive. The word day means a calendar day. If the last day for giving any notice or taking any other action is a Saturday, Sunday, or a day on which banks in New York, New York or Denver, Colorado are closed, the time for giving such notice or taking such action will be extended to the next day that is not such a day.

Section 7.6 No Third-Party Rights. Nothing expressed or referred to in this Agreement is intended or will be construed to give any Person other than the parties hereto and their respective successors and permitted assigns any legal or equitable right, remedy or claim under or with respect to this Agreement, or any provision hereof, it being the intention of the parties hereto that this Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their respective successors and assigns.

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Section 7.7 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be an original and all of which together will constitute one and the same instrument.

Section 7.8 Payment of Expenses. Starz will be responsible for all costs and expenses incurred with respect to the preparation of this Agreement. From and after the Spin-Off Effective Date, and except as otherwise expressly provided in this Agreement, each of the parties to this Agreement will bear its own expenses, including the fees of any attorneys and accountants engaged by such party, in connection with this Agreement.

Section 7.9 Binding Effect; Assignment.

(a) This Agreement will inure to the benefit of and be binding on the parties to this Agreement and their respective legal representatives, successors and permitted assigns.

(b) Except as expressly contemplated hereby (including by Section 4.1), this Agreement, and the obligations arising hereunder, may not be assigned by a party to this Agreement, *provided, however*, that a party may assign its respective rights, interests, duties, liabilities and obligations under this Agreement to one or more wholly-owned Subsidiaries of such party, but such assignment shall not relieve the assignor of its obligations hereunder.

Section 7.10 Amendment, Modification, Extension or Waiver. Any amendment, modification or supplement of or to any term or condition of this Agreement will be effective only if in writing and signed by each party affected thereby. A party to this Agreement may (a) extend the time for the performance of any of the obligations or other acts of the other party to this Agreement, or (b) waive compliance by the other party with any of the agreements or conditions contained herein or any breach thereof. Any agreement on the part of a party to any such extension or waiver will be valid only if set forth in an instrument in writing signed on behalf of such party. No waiver of any term, provision or condition of this Agreement, whether by conduct or otherwise, in any one or more instance, will be deemed or construed as a further or continuing waiver of any such term, provision or condition or of any other term, provision or condition, but any party hereto may waive its rights in any particular instance by written instrument of waiver.

Section 7.11 Legal Fees; Costs. If a party to this Agreement institutes any action or proceeding to enforce any provision of this Agreement, the prevailing party will be entitled to receive from the party against which such action or proceeding was brought reasonable attorneys' fees, disbursements and costs incurred in such action or proceeding, whether or not such action or proceeding is prosecuted to judgment.

Section 7.12 Force Majeure. No party will be liable to another party with respect to any nonperformance or delay in performance of its obligations under this Agreement to the extent such failure or delay is due to any action or claims by any third party, labor dispute, labor strike, weather conditions or any cause beyond a party's reasonable control. Each party agrees that it will use all commercially reasonable efforts to continue to perform its obligations under this Agreement, to resume performance of its obligations under this Agreement, and to minimize

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any delay in performance of its obligations under this Agreement notwithstanding the occurrence of any such event beyond such party's reasonable control.

Section 7.13 Specific Performance. Each party agrees that irreparable damage would occur and that the parties would not have any adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that each of the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy to which they are entitled at law or in equity.

Section 7.14 Further Actions. The parties will execute and deliver all documents, provide all information, and take or forbear from all actions that may be necessary or appropriate to achieve the purposes of this Agreement.

Section 7.15 Confidentiality.

(a) Except with the prior consent of the disclosing party, each party will:

(i) limit access to the Confidential Information of the other party disclosed to such party hereunder to its employees, agents, representatives, and consultants on a need-to-know basis;

(ii) advise its employees, agents, representatives, and consultants having access to such Confidential Information of the proprietary nature thereof and of the obligations set forth in this Agreement; and

(iii) safeguard such Confidential Information by using a reasonable degree of care to prevent disclosure of the Confidential Information to third parties, but not less than that degree of care used by that party in safeguarding its own similar information or material.

(b) A party's obligations respecting confidentiality under Section 7.15(a) will not apply to any of the Confidential Information of the other party that a

party can demonstrate: (i) was, at the time of disclosure to it, in the public domain; (ii) after disclosure to it, is published or otherwise becomes part of the public domain through no fault of the receiving party; (iii) was in the possession of the receiving party at the time of disclosure to it without being subject to any obligation of confidentiality; (iv) was received after disclosure to it from a third party who, to its knowledge, had a lawful right to disclose such information to it; (v) was independently developed by the receiving party without reference to the Confidential Information; (vi) was required to be disclosed to any regulatory body having jurisdiction over a party or any of their respective clients; or (vii) was required to be disclosed by reason of legal, accounting, or regulatory requirements beyond the reasonable control of the receiving party. In the case of any disclosure pursuant to clauses (vi) or (vii) of this paragraph (b), to the extent practical, the receiving party will give prior notice to the disclosing party of the required disclosure and will use commercially reasonable efforts to obtain a protective order covering such disclosure.

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(c) The provisions of this Section 7.15 will survive the expiration or termination of this Agreement.

*[Signature Page Follows]*

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IN WITNESS WHEREOF, each of the parties has signed this Agreement, or has caused this Agreement to be signed by its duly authorized officer, as of the date first above written.

PROVIDER:

LIBERTY MEDIA CORPORATION (f/k/a Liberty Spinco, Inc.)

By: \_\_\_\_\_

Name:

Title:

STARZ:

STARZ (f/k/a Liberty Media Corporation)

By: \_\_\_\_\_

Name:

Title:

**[Signature Page to Services Agreement]**

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#### **Schedule 2.1**

Allocated Expenses in Effect for Calendar Year 2013

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#### Omitted Schedule

The following schedule to the Form of Services Agreement, by and between Liberty Media Corporation and Starz, has not been provided herein:

Schedule 2.1—Allocated Expenses in Effect for Calendar Year 2013

The undersigned registrant hereby undertakes to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

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## Form of Facilities Sharing Agreement

LIBERTY PROPERTY HOLDINGS, INC.  
12300 LIBERTY BOULEVARD  
ENGLEWOOD, CO 80112

, 2012

Starz  
8900 Liberty Circle  
Englewood, CO 80112  
Attention: Legal Department

Re: Facilities Sharing Agreement.

Ladies and Gentlemen:

Starz (f/k/a Liberty Media Corporation), a Delaware corporation ("Starz"), has, or will shortly, effect the spin-off (the "Spin-off") of Liberty Media Corporation (f/k/a Liberty Spinco, Inc.), a Delaware corporation ("Liberty Media"), by means of a stock dividend to the stockholders of Starz. To that end, Starz and Liberty Media have entered into a Reorganization Agreement, dated as of \_\_\_\_\_, 2012 (the "Reorganization Agreement"), pursuant to which various assets and businesses of Starz and its subsidiaries have been, or will be, transferred to Liberty Media and its subsidiaries. Among the assets transferred to Liberty Media is all of the capital stock of Liberty Property Holdings, Inc., a Delaware corporation ("LPH"), which is the owner of 12300 Liberty Boulevard, Englewood, Colorado (the "Premises"). After the Spin-off, Liberty Media, through LPH, will own the Premises and will occupy the office facilities in the Premises that are currently occupied by Starz and Liberty Interactive Corporation ("Liberty Interactive").

As you are aware LPH has previously entered into a facilities sharing agreement with Liberty Interactive, pursuant to a letter agreement dated September 23, 2011 (the "LIC Facilities Sharing Agreement"). The LIC Facilities Sharing Agreement will remain in full force and effect after the effective date of the Spin-off (the "Spin-off Effective Date").

Liberty Interactive and Starz previously entered into a services agreement, dated September 23, 2011, which has been assigned from Starz to Liberty Media in connection with the Spin-off, pursuant to which Liberty Media will provide to Liberty Interactive the services described therein on the terms set forth therein. In connection with the Spin-off, Liberty Media and Starz have entered into a services agreement, dated \_\_\_\_\_, 2012 (the "Services Agreement"), pursuant to which Liberty Media will provide to Starz the services described therein on the terms set forth therein from and after the Spin-off Effective Date. Terms not

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otherwise defined in this facilities sharing agreement (this "Agreement") have the meanings assigned thereto in the Services Agreement.

Starz desires to occupy and use certain office and parking facilities within the Premises (the "Shared Facilities") following the Spin-off through a sharing arrangement, and Liberty Media and LPH are amenable to such a sharing arrangement, on the terms and subject to the conditions set forth in this Agreement.

Based on the premises and the mutual agreements of the parties, and for other good and valuable consideration the receipt of which is hereby acknowledged, Starz and LPH hereby agree as follows:

Section 1. Use of Facilities. The Shared Facilities consist of 40,115 square feet, in the aggregate, of fully-furnished executive offices, working stations for secretarial and other support staff and common areas, including the main reception area, conference facilities, hallways, stairways, restrooms, kitchenettes, the employee cafeteria, the fitness area and parking facilities (collectively, the "Shared Facilities Space"), located within the Premises known as 12300 Liberty Boulevard, Englewood, CO 80112.

Section 2. Sharing Fee. Starz will pay to LPH a monthly fee (the "Sharing Fee"), by wire or intrabank transfer of funds or in such other manner as may be agreed upon by the parties, in arrears on or before the last day of each calendar month beginning with the first full calendar month following the date of the Spin-off, equal to one-twelfth of the sum of (A) the product of (i) an agreed-upon weighted average Starz Percentage applicable to the officers, employees and consultants of the Provider (the "Weighted Average Percentage") multiplied by (ii) the product of the total square footage of space within the Shared Facilities Space and the Square Foot Rate (as defined below), plus (B) the Annual Allocation Expense (as defined below). For this purpose, Starz and LPH agree that, until December 31, 2013, the fair market "fully loaded" rental rate per square foot, including parking facilities, for space comparable to the Shared Facilities in Englewood, Colorado will be [\$30.00] per square foot (the "Square Foot Rate"). The Square Foot Rate will be automatically increased on the first day of the first month of each calendar year thereafter in an amount equal to the percentage increase in the U.S. Department of Labor Consumer Price Index All Items, All Urban Consumers Denver-Boulder-Greeley ("CPI") for the same period. The Square Foot Rate will not decrease, notwithstanding any decrease in CPI for the same period. The Square Foot Rate does not include charges for expenses related to the use of the Shared Facilities, including, but not limited to, utilities, security and janitorial services, office equipment rent, office supplies, use of the cafeteria facilities onsite at the Shared Facilities, maintenance and repairs, telephone, satellite, video and information technology (including network maintenance and data storage, computer and telephone support and maintenance, and management and information systems (servers, hardware and related software)) ("Allocations"). With respect to each calendar year during the term of this Agreement, Starz shall reimburse LPH in an amount (the "Annual Allocation Expense") equal to the product of (x) the aggregate amount of the estimated Allocations for such year, as determined in good faith by LPH and notified to Starz prior to the commencement of such calendar year, and (y) the Weighted Average Percentage applicable to such calendar year; *provided* that, if the Weighted Average Percentage changes during any calendar year, the Annual Allocation Expense applicable to such calendar year shall be adjusted accordingly.

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The terms and conditions of this Section 2 will survive the expiration or earlier termination of this Agreement.

Section 3. Term.

(i) The term of this Agreement will commence on the Spin-off Effective Date and will continue until the third anniversary of the Spin-off Effective Date (the "Term"). This Agreement is subject to termination prior to the end of the Term in accordance with Section 3(ii).

(ii) This Agreement will be terminated prior to the expiration of the Term in the following events:

- at any time upon at least 30 days' prior written notice by Starz to LPH;
- immediately upon written notice (or any time specified in such notice) by LPH to Starz if Starz shall default in the performance of any of its material obligations hereunder and such default shall remain unremedied for a period of 30 days after written notice thereof is given by LPH to Starz;
- immediately upon written notice (or at any time specified in such notice) by LPH to Starz if a Change in Control or Bankruptcy Event occurs with respect to Starz; or
- immediately upon written notice (or at any time specified in such notice) by Starz to LPH if a Change in Control or Bankruptcy Event occurs with respect to Liberty Media.

For purposes of this Section 3(ii), a "Change in Control" will be deemed to have occurred with respect to a Person if a merger, consolidation, binding share exchange, acquisition, or similar transaction (each, a "Transaction"), or series of related Transactions, involving such Person occurs as a result of which the voting power of all voting securities of such Person outstanding immediately prior thereto represent (either by remaining outstanding or being converted into voting securities of the surviving entity) less than 75% of the voting power of such Person or the surviving entity of the Transaction outstanding immediately after such Transaction (or if such Person or the surviving entity after giving effect to such Transaction is a subsidiary of the issuer of securities in such Transaction, then the voting power of all voting securities of such Person outstanding immediately prior to such Transaction represent (by being converted into voting securities of such issuer) less than 75% of the voting power of the issuer outstanding immediately after such Transaction).

For purposes of this Section 3(ii), a "Bankruptcy Event" will be deemed to have occurred with respect to a Person upon such Person's insolvency, general assignment for the benefit of creditors, such Person's voluntary commencement of any case, proceeding, or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution, or consolidation of such Person's debts under any law relating to bankruptcy, insolvency, or reorganization, or relief of debtors, or seeking appointment of a receiver, trustee, custodian, or other similar official for such Person or for all or any substantial part of such Person's assets (each, a "Bankruptcy Proceeding"), or the involuntary filing against such Person of any Bankruptcy Proceeding that is not stayed within 60 days after such filing.

#### Section 4. Miscellaneous.

(i) Entire Agreement; Severability. This Agreement (including the schedules hereto), the Reorganization Agreement, the Lease Agreement, the Services Agreement and the Tax Sharing Agreements constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof, and supersedes all prior agreements and understandings, oral and written, among the parties hereto with respect to such subject matter. It is the intention of the parties hereto that the provisions of this Agreement will be enforced to the fullest extent permissible under all applicable laws and public policies, but that the unenforceability of any provision hereof (or the modification of any provision hereof to conform with such laws or public policies, as provided in the next sentence) will not render unenforceable or impair the remainder of this Agreement. Accordingly, if any provision is determined to be invalid or unenforceable either in whole or in part, this Agreement will be deemed amended to delete or modify, as necessary, the invalid or unenforceable provisions and to alter the balance of this Agreement in order to render the same valid and enforceable, consistent (to the fullest extent possible) with the intent and purposes hereof. If the cost of any service to be provided to Starz under the Services Agreement is included in the Annual Allocation Expense payable hereunder, then the cost of such service shall not also be payable by Starz under the Services Agreement.

(ii) Notices. All notices and communications hereunder will be in writing and will be deemed to have been duly given if delivered personally or mailed, certified or registered mail with postage prepaid, or sent by confirmed facsimile, addressed as follows:

If to LPH:

Liberty Property Holdings, Inc.  
 c/o Liberty Media Corporation  
 12300 Liberty Boulevard  
 Englewood, Colorado 80112  
 Attention: General Counsel  
 Facsimile: (720) 875-5401

If to Starz:

Starz  
 8900 Liberty Circle  
 Englewood, Colorado 80112  
 Attention: General Counsel  
 Facsimile: [        ]

or to such other address (or to the attention of such other person) as the parties may hereafter designate in writing. All such notices and communications will be deemed to have been given on the date of delivery if sent by facsimile or personal delivery, or the third day after the mailing thereof, except that any notice of a change of address will be deemed to have been given only when actually received.

(iii) Governing Law. This Agreement and the legal relations among the parties hereto will be governed in all respects, including validity, interpretation and effect, by the laws

of the State of Colorado applicable to contracts made and performed wholly therein, without giving effect to any choice or conflict of laws provisions or rules that would cause the application of the laws of any other jurisdiction.

(iv) No Third-Party Rights. Nothing expressed or referred to in this Agreement is intended or will be construed to give any person other than the parties hereto and their respective successors and permitted assigns any legal or equitable right, remedy or claim under or with respect to this Agreement, or any provision hereof, it being the intention of the parties hereto that this Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their respective successors and assigns.

(v) Assignment. This Agreement will inure to the benefit of and be binding on the parties to this Agreement and their respective legal representatives, successors and permitted assigns. Except as expressly contemplated hereby, this Agreement, and the obligations arising hereunder, may not be assigned by either party to this Agreement, *provided, however*, that LPH and Starz may assign their respective rights, interests, duties, liabilities and obligations under this Agreement to any of their respective wholly-owned Subsidiaries, but such assignment shall not relieve the assignor of its obligations hereunder.

(vi) Amendment. Any amendment, modification or supplement of or to any term or condition of this Agreement will be effective only if in writing and

signed by both parties hereto.

(vii) Further Actions. The parties will execute and deliver all documents, provide all information, and take or forbear from all actions that may be necessary or appropriate to achieve the purposes of this Agreement.

(viii) Force Majeure. Neither party will be liable to the other party with respect to any nonperformance or delay in performance of its obligations under this Agreement to the extent such failure or delay is due to any action or claims by any third party, labor dispute, labor strike, weather conditions or any cause beyond a party's reasonable control. Each party agrees that it will use all commercially reasonable efforts to continue to perform its obligations under this Agreement, to resume performance of its obligations under this Agreement, and to minimize any delay in performance of its obligations under this Agreement notwithstanding the occurrence of any such event beyond such party's reasonable control.

If the foregoing meets with your approval, kindly execute below and return a copy to the undersigned.

Very truly yours,

LIBERTY PROPERTY HOLDINGS, INC.

By: \_\_\_\_\_

Name:

Title:

Accepted and agreed this    day of                    , 2012:

STARZ

By: \_\_\_\_\_

Name:

Title:

**FORM OF AIRCRAFT TIME SHARING AGREEMENT**

This Aircraft Time Sharing Agreement ("Agreement") is effective as of the \_\_\_\_\_ day of \_\_\_\_\_, 201\_\_\_\_ ("Effective Date"), by and between Liberty Media Corporation (formerly known as Liberty Spingo, Inc.), with an address of 12300 Liberty Boulevard, Englewood, Colorado 80112 ("Lessor"), and Starz (formerly known as Liberty Media Corporation), with an address of 12300 Liberty Boulevard, Englewood, Colorado 80112 ("Lessee").

RECITALS

WHEREAS, Lessor is the owner of that certain Dassault Falcon 900EX aircraft, bearing manufacturer's serial number [ ] (the "Aircraft"), currently registered with the Federal Aviation Administration ("FAA") as [ ];

WHEREAS, Lessor employs a fully qualified flight crew to operate the Aircraft;

WHEREAS, Lessor desires to lease the Aircraft to Lessee and to provide a fully qualified flight crew for all operations on a periodic, non-exclusive time sharing basis, as defined in Section 91.501(c)(1) of the Federal Aviation Regulations ("FAR"); and

WHEREAS, the use of the Aircraft by Lessee shall at all times be pursuant to and in full compliance with the requirements of FAR Sections 91.501(b)(6), 91.501(c)(1) and 91.501(d).

NOW, THEREFORE, in consideration of the mutual promises and considerations contained in this Agreement, the parties agree as follows:

1. Lessor agrees to lease the Aircraft to Lessee on a periodic, non-exclusive basis, and to provide a fully qualified flight crew for all operations, pursuant and subject to the provisions of FAR Section 91.501(c)(1) and the terms of this Agreement. The parties expressly acknowledge and agree that, regardless of any employment, contractual or other relationship of any kind or nature, at all times that the Aircraft is operated under this Agreement, Lessor, as the party furnishing the Aircraft and flight crew and exercising complete control over all phases of aircraft operation, shall be deemed to have operational control of the Aircraft as such term is defined in 14 C.F.R. Section 1.1. This Agreement will commence on the Effective Date and continue until the first anniversary of the Effective Date. Thereafter, this Agreement shall be automatically renewed on a month-to-month basis, unless sooner terminated by either party as hereinafter provided. Either party may at any time terminate this Agreement (including during the initial term) upon 30 days' prior written notice to the other party.

2. Lessee shall pay Lessor an amount equal to 200% of the actual expenses for fuel for each flight conducted under this Agreement, as permitted by FAR Section 91.501(d) (the "Time Sharing Charge"). For clarification, in no event shall the Time Sharing Charge paid by Lessee exceed those charges specifically permitted in FAR Section 91.501(d), which are as follows:

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- (a) Fuel, oil, lubricants, and other additives;
  - (b) Travel expenses of the crew, including food, lodging and ground transportation;
  - (c) Hangar and tie down costs away from the Aircraft's base of operation;
  - (d) Insurance obtained for the specific flight;
  - (e) Landing fees, airport taxes and similar assessments;
  - (f) Customs, foreign permit, and similar fees directly related to the flight;
  - (g) In-flight food and beverages;
  - (h) Passenger ground transportation;
  - (i) Flight planning and weather contract services; and
  - (j) An additional charge equal to 100% of the expenses listed in subparagraph(a) of this paragraph.

3. Lessor will pay all expenses related to the operation of the Aircraft when incurred, and will bill Lessee on a monthly basis as soon as practicable after the last day of each calendar month for the Time Sharing Charge for any and all flights for the account of Lessee pursuant to this Agreement during the preceding month. Lessee shall pay Lessor for all flights for the account of Lessee pursuant to this Agreement within 30 days of receipt of the invoice therefor. If requested by Lessee, Lessor will provide Lessee with a detailed accounting of the expenses composing the Time Sharing Charge for each flight for the account of Lessee pursuant to this Agreement. Without limiting the foregoing, amounts payable by Lessee to Lessor under this Agreement may include any federal excise tax that may be imposed under Internal Revenue Code Section 4261 or any similar excise taxes, if any.

4. Lessee will provide Lessor with requests for flight time and proposed flight schedules as far in advance of any given flight as possible, and in any case, at least 24 hours in advance of Lessee's planned departure unless Lessor otherwise agrees. Requests for flight time shall be in a form, whether written or oral, mutually convenient to, and agreed upon by the parties. In addition to the proposed schedules and flight times, Lessee shall provide at least the following information for each proposed flight at some time prior to scheduled departure as required by Lessor or Lessor's flight crew:

- (a) proposed departure point;
- (b) destinations;
- (c) date and time of flight;
- (d) the number of anticipated passengers;
- (e) the identity of each anticipated passenger;
- (f) the nature and extent of luggage and/or cargo to be carried;
- (g) the date and time of return flight, if any; and
- (h) any other information concerning the proposed flight that may be pertinent or required by Lessor or Lessor's flight crew.

5. Lessor shall have sole and exclusive authority over the scheduling of the Aircraft, including any limitations on the number of passengers on any flight; provided, however, that Lessor will use commercially reasonable efforts to accommodate Lessee's needs and to avoid conflicts in scheduling.

6. As between Lessor and Lessee, Lessor shall be solely responsible for securing maintenance, preventive maintenance and required or otherwise necessary inspections on the Aircraft, and shall take such requirements into account in scheduling the Aircraft. No period of maintenance, preventative maintenance or inspection shall be delayed or postponed for the purpose of scheduling the Aircraft, unless said maintenance or inspection can be safely conducted at a later time in compliance with all applicable laws and regulations, and within the sound discretion of the pilot in command. The pilot in command shall have final and complete authority to cancel any flight for any reason or condition that in his judgment would compromise the safety of the flight.

7. Lessor shall employ, pay for and provide to Lessee a qualified flight crew for each flight undertaken under this Agreement.

8. In accordance with applicable FARs, the qualified flight crew provided by Lessor will exercise all of its duties and responsibilities in regard to the safety of each flight conducted hereunder. Lessee specifically agrees that the flight crew, in its sole discretion, may terminate any flight, refuse to commence any flight or take other action which in the considered judgment of the pilot in command is necessitated by considerations of safety. No such action of the pilot in command shall create or support any liability for loss, injury, damage or delay to Lessee or any other person. The parties further agree that Lessor shall not be liable for delay or failure to furnish the Aircraft and crew pursuant to this Agreement when such failure is caused by government regulation or authority, mechanical difficulty, war, civil commotion, strikes or labor disputes, weather conditions, or acts of God or any other event or circumstance beyond the reasonable control of Lessor.

9. (a) At all times during the term of this Agreement, Lessor shall cause to be carried and maintained, at Lessor's cost and expense, physical damage insurance with respect to the Aircraft, third party aircraft liability insurance, passenger legal liability insurance, property damage liability insurance, and medical expense insurance in such amounts and on such terms and conditions as Lessor shall determine in its sole discretion. Lessor shall also bear the cost of paying any deductible amount on any policy of insurance in the event of a claim or loss.

(b) Any policies of insurance carried in accordance with this Agreement: (i) shall name Lessee as an additional insured; (ii) shall contain a waiver by the underwriter thereof of any right of subrogation against Lessee; and (iii) shall require the insurers to provide at least 30 days' prior written notice (or at least seven days' in the case of any war-risk insurance) to Lessee if the insurers cancel insurance for any reason whatsoever; provided, however, that the insurers shall provide at least ten days' prior written notice if the same is allowed to lapse for non-payment of premium. Each liability policy shall be primary without right of contribution from any other insurance that is carried by Lessee or Lessor and shall expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured.

(c) Lessor shall obtain the approval of this Agreement by the insurance carrier for each policy of insurance on the Aircraft. If requested by Lessee, Lessor shall arrange for a Certificate of Insurance evidencing the insurance coverage with respect to the Aircraft carried and maintained by Lessor to be given by its insurance carriers to Lessee or will provide Lessee

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with a copy of such insurance policies. Lessor will give Lessee reasonable advance notice of any material modifications to insurance coverage relating to the Aircraft.

**10. (a) Lessee agrees that the proceeds of insurance will be Lessee's sole recourse against Lessor with respect to any claims that Lessee may have under this Agreement, except in the event of gross negligence or willful misconduct by Lessor.**

**(b) THE PROVISIONS OF THIS SECTION 10 SHALL SURVIVE INDEFINITELY THE TERMINATION OR EXPIRATION OF THE AGREEMENT.**

11. Lessee warrants that:

(a) It will not use the Aircraft for the purpose of providing transportation of passengers or cargo in air commerce for compensation or hire, for any illegal purpose, or in violation of any insurance policies with respect to the Aircraft;

(b) It will refrain from incurring any mechanics, international interest, prospective international interest or other lien and shall not attempt to convey, mortgage, assign, lease or grant or obtain an international interest or prospective international interest or in any way alienate the Aircraft or create any kind of lien or security interest involving the Aircraft or do anything or take any action that might mature into such a lien; and

(c) It will comply with all applicable laws, governmental and airport orders, rules and regulations, as shall from time to time be in effect relating in any way to the operation and use of the Aircraft under this Agreement.

12. For purposes of this Agreement, the permanent base of operation of the Aircraft shall be Centennial Airport, Englewood, Colorado.

13. A copy of this Agreement shall be carried in the Aircraft and available for review upon the request of the Federal Aviation Administration on all flights conducted pursuant to this Agreement.

14. Lessee shall not assign this Agreement or its interest herein to any other person or entity without the prior written consent of Lessor, which may be granted or denied in Lessor's sole discretion. Subject to the preceding sentence, this Agreement shall inure to the benefit of and be binding upon the parties hereto, and their respective heirs, representatives, successors and assigns, and does not confer any rights on any other person.

15. This Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof and supersedes any prior understandings and agreements between the parties respecting such subject matter. This Agreement may be amended or supplemented and any provision hereof waived only by a written instrument signed by all parties. The failure or delay on the part of any party to insist on strict performance of any of the terms and conditions of this Agreement or to exercise any rights or remedies hereunder shall not constitute a waiver of any such provisions, rights or remedies. This Agreement may be executed in counterparts, which shall, singly or in the aggregate, constitute a fully executed and binding Agreement. Words of gender used in this Agreement may be read as masculine, feminine or

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neuter as required by the context. Words of number may be read as singular or plural, as required by the context. The word "include" and derivatives of that word are used in this Agreement in an illustrative sense rather than a limiting sense. The word "or" is not exclusive and shall be interpreted as meaning "and/or." The words "shall" and "will" are used interchangeably and are intended to have the same meaning. Where applicable, this Agreement may be referred to as "this Lease."

16. Except as otherwise set forth in Section 4, all communications and notices provided for herein shall be in writing and shall become effective when delivered by facsimile transmission or by personal delivery, Federal Express or other overnight courier or four days following deposit in the United States mail, with correct postage for first-class mail prepaid, addressed to Lessor or Lessee at their respective addresses set forth above, or else as otherwise directed by the other party from time to time in writing.

17. If any one or more provisions of this Agreement shall be held invalid, illegal or unenforceable by a court of competent jurisdiction, the remaining provisions of this Agreement shall be unimpaired, and the invalid, illegal or unenforceable provisions shall be replaced by a mutually acceptable provision, which, being valid, legal and enforceable, comes closest to the intention of the parties underlying the invalid, illegal or unenforceable provision. To the extent permitted by applicable law, the parties hereby waive any provision of law, that renders any provision of this Agreement prohibited or unenforceable in any respect.

18. This Agreement is entered into under, and is to be construed in accordance with, the laws of the State of Colorado, without reference to conflicts of laws.

19. TRUTH IN LEASING STATEMENT UNDER FAR SECTION 91.23

THE AIRCRAFT, A DASSAULT FALCON 900EX, MANUFACTURER'S SERIAL NO. [ ], CURRENTLY REGISTERED WITH THE FEDERAL AVIATION ADMINISTRATION AS [ ], HAS BEEN MAINTAINED AND INSPECTED UNDER FAR PART 91 DURING THE 12 MONTH PERIOD PRECEDING THE DATE OF THIS LEASE.

THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED UNDER FAR PART 91 FOR OPERATIONS TO BE CONDUCTED UNDER THIS LEASE. DURING THE DURATION OF THIS LEASE, LIBERTY MEDIA CORPORATION, 12300 LIBERTY BOULEVARD, ENGLEWOOD, COLORADO 80112 IS CONSIDERED RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT UNDER THIS LEASE.

AN EXPLANATION OF THE FACTORS BEARING ON OPERATIONAL CONTROL AND PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE.

THE "INSTRUCTIONS FOR COMPLIANCE WITH TRUTH IN LEASING REQUIREMENTS" ATTACHED HERETO ARE INCORPORATED HEREIN BY REFERENCE.

LIBERTY MEDIA CORPORATION, LOCATED AT 12300 LIBERTY BOULEVARD, ENGLEWOOD, COLORADO 80112, THROUGH ITS UNDERSIGNED AUTHORIZED SIGNATORY BELOW, CERTIFIES THAT LESSOR IS RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT AND THAT IT UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective as of the date first above written.

<p><b>LESSOR</b></p> <p>LIBERTY MEDIA CORPORATION</p> <p>By: _____</p> <p>Name: _____</p> <p>Title: _____</p>	<p><b>LESSEE</b></p> <p>STARZ</p> <p>By: _____</p> <p>Name: _____</p> <p>Title: _____</p>
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**INSTRUCTIONS FOR COMPLIANCE WITH "TRUTH IN LEASING" REQUIREMENTS**

1. Mail a copy of the lease to the following address via certified mail, return receipt requested, immediately upon execution of the lease (14 C.F.R. 91.23 requires that the copy be sent within 24 hours after it is signed):
 

Federal Aviation Administration  
 Aircraft Registration Branch  
 ATTN: Technical Section  
 P.O. Box 25724  
 Oklahoma City, Oklahoma 73125
2. Telephone the nearest Flight Standards District Office at least 48 hours prior to the first flight under this lease.
3. Carry a copy of the lease in the aircraft at all times.

Information contained herein is subject to completion or amendment. A registration statement on Form 10 relating to these securities has been filed with the Securities and Exchange Commission.

**SUBJECT TO COMPLETION, Dated November 29, 2012**

**INFORMATION STATEMENT**

**LIBERTY SPINCO, INC.**

12300 Liberty Boulevard  
Englewood, Colorado 80112

**Series A Common Stock  
(par value \$0.01 per share)**

**Series B Common Stock  
(par value \$0.01 per share)**

Liberty Spinco, Inc. (**Spinco**) is currently a subsidiary of Liberty Media Corporation. Liberty Media Corporation has determined to spin off our company by distributing (the **distribution**) to its stockholders, as a dividend, all of our common stock. We are sending this information statement to you in connection with that spin-off (the **Spin-Off**). Following the Spin-Off, we will be primarily engaged in the media, communications and entertainment industries through our operating subsidiaries and investments in various publicly-traded companies.

If all conditions to the Spin-Off are satisfied or waived by the board of directors of Liberty Media Corporation in its sole discretion, at 5:00 p.m., New York City time, on [ ], 2012 (such date and time, the **distribution date**), (i) for each whole share of Liberty Media Corporation's Series A Liberty Capital common stock (**LMCA**) held by you as of 5:00 p.m., New York City time, on [ ], 2012 (such date and time, the **record date**) you will receive one share of our Series A common stock and (ii) for each whole share of Liberty Media Corporation's Series B Liberty Capital common stock (**LMCB**, and together with LMCA, the **Liberty Media common stock**) held by you on the record date you will receive one share of our Series B common stock.

In connection with the Spin-Off, Liberty Media Corporation will be renamed "Starz," and Liberty Spinco, Inc. will change its name to "Liberty Media Corporation." Throughout this information statement, we refer to the current Liberty Media Corporation prior to the Spin-Off as **Liberty Media** and following the Spin-Off as **Starz**.

No vote of Liberty Media's stockholders is required to authorize or effectuate the Spin-Off. No action is required of you to receive your shares of our common stock.

There is no current trading market for our common stock. We expect to list our Series A common stock and Series B common stock on the Nasdaq Global Select Market under the symbols "LMCA" and "LMCB," respectively, which are the current trading symbols for Liberty Media's Series A and Series B Liberty Capital common stock, respectively. Following the Spin-Off, Starz will change the symbols of its Series A and Series B Liberty Capital common stock to "STRZA" and "STRZB," respectively. For a short period of time following the Spin-Off, our common stock will trade under temporary trading symbols, which will be announced by press release once available.

**In reviewing this information statement, you should carefully consider the matters described under the caption "Risk Factors" beginning on page 9.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or has passed upon the adequacy or accuracy of this information statement as truthful or complete. Any representation to the contrary is a criminal offense.

**This information statement does not constitute an offer to sell or a solicitation of an offer to buy any securities.**

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

The date of this information statement is [ ], 2012.

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This information statement describes the businesses and assets of our company as though they were our businesses and assets for all historical periods described. However, our company is a newly formed entity that will not have conducted any operations prior to the Spin-Off and instead will have had such businesses and assets transferred to it prior to the Spin-Off. References in this information statement to the historical assets, liabilities, businesses or activities of our businesses or the businesses in which we have interests are intended to refer to the historical assets, liabilities, businesses or activities as they were conducted or held by Liberty Media prior to the Spin-Off. Following the Spin-Off, we will be an independent publicly traded company, and Starz will have no continuing stock ownership in our company. The historical consolidated financial information of our company as part of Liberty Media contained in this information statement is not necessarily indicative of our future financial position, future results of operations or future cash flows, nor does it reflect what the financial position, results of operations or cash flows of our company would have been had we been operated as a stand-alone company during the periods presented.

You should not assume that the information contained in this information statement is accurate as of any date other than the date set forth on the cover page of this information statement. Changes to the information contained herein may occur after that date and we do not undertake any obligation to update the information unless required to do so by law.

## SUMMARY

The following is a summary of material information discussed in this information statement. It is included for convenience only and should not be considered complete. You should carefully review this entire information statement, including the risk factors, to better understand the Spin-Off and our business and financial position.

### Our Company

Spinco is currently a wholly owned subsidiary of Liberty Media. Immediately following the Spin-Off, we will be primarily engaged in the media, communications and entertainment industries through our ownership of interests in subsidiaries and other companies. Following the Spin-Off, our principal businesses and assets will include the consolidated subsidiaries Atlanta National League Baseball Club, Inc. (**ANLBC**) and TruePosition, Inc. (**TruePosition**), equity affiliates Sirius XM Radio Inc. (**Sirius**) and Live Nation Entertainment, Inc. (**Live Nation**) and minority investments in public companies such as Barnes & Noble, Inc. (**Barnes & Noble**), Time Warner Inc., Time Warner Cable Inc., Viacom Inc. and Sprint Nextel Corporation. In connection with the Spin-Off, it is expected that Starz, LLC will distribute approximately \$1.8 billion in cash to Liberty Media, of which \$600 million in the aggregate has already been distributed (on July 9, August 17, September 4 and November 16 of 2012). The total amount of the distribution will depend upon the financial performance and cash position of Starz, LLC prior to the Spin-Off. This distributed cash, as reduced by investments of such cash prior to the Spin-Off, will be contributed to Spinco in connection with the Spin-Off. The distribution of a minimum amount of cash by Starz, LLC to Liberty Media, and its contribution to Spinco, is not a condition to the Spin-Off. See "The Spin-Off—Conditions to the Spin-Off."

The businesses and assets that remain at Starz following the Spin-Off will consist of the premium movie service provider Starz, LLC and its subsidiaries.

The restructuring of Liberty Media prior to and in connection with the Spin-Off is sometimes referred to herein as **the internal restructuring** and is provided for in a reorganization agreement to be entered into by our company and Liberty Media. For a description of the reorganization agreement, see "Certain Relationships and Related Party Transactions—Relationships Between Spinco and Liberty Media/Starz and/or Liberty Interactive—Reorganization Agreement."

Based on pro forma information, the percentage of revenue, total assets and total liabilities of Liberty Media, as of September 30, 2012, December 31, 2011 and December 31, 2010, attributable to the businesses and liabilities that will (i) be transferred to Spinco in connection with the Spin-Off and (ii) remain with Starz are as follows:

	Revenue	Total Assets	Total Liabilities
<b>September 30, 2012</b>			
Spinco	21%	73%	58%
Starz	79%	27%	42%
<b>December 31, 2011</b>			
Spinco	47%	67%	60%
Starz	53%	33%	40%
<b>December 31, 2010</b>			
Spinco	21%	83%	94%
Starz	79%	17%	6%

See "Selected Financial Data—Selected Unaudited Condensed Pro Forma Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

When we refer to "our business" in this information statement, we are referring to the business of Spinco and its respective subsidiaries and affiliates following the Spin-Off. Following the Spin-Off, we will be an independent publicly traded company and Starz will not retain any ownership interest in us. In accordance with generally accepted accounting principles (**GAAP**), Spinco will be treated as the "accounting successor" to Liberty Media Corporation for financial reporting purposes following the Spin-Off (as discussed below). In connection with the Spin-Off, we and Liberty Media/Starz are entering into certain agreements, including the reorganization agreement and a tax sharing agreement, pursuant to which we and Starz will, among other things, indemnify each other against certain liabilities that may arise from our respective businesses. See "Certain Relationships and Related Party Transactions—Relationships Between Spinco and Liberty Media/Starz and/or Liberty Interactive."

Our principal executive offices are located at 12300 Liberty Blvd., Englewood, Colorado 80112. Our main telephone number is (720) 875-5300.

## **The Spin-Off**

*The following is a brief summary of the terms of the Spin-Off. Please see "The Spin-Off" for a more detailed description of the matters described below.*

**Q: What is the Spin-Off?**

A: In the Spin-Off, Liberty Media will distribute to its stockholders on a pro rata basis all the shares of our common stock. Following the Spin-Off, we will be a separate company from Starz, and Starz will not have any ownership interest in us. You are not required to pay any consideration or give up any portion of your Liberty Media common stock to receive shares of our common stock in the Spin-Off.

**Q: Can Liberty Media decide not to complete the Spin-Off?**

A: Yes. Liberty Media's board of directors has reserved the right, in its sole discretion, to amend, modify or abandon the Spin-Off and related transactions at any time prior to the distribution date. In addition, the Spin-Off is subject to the satisfaction of certain conditions, any of which may be waived by the Liberty Media board of directors in its sole discretion. See "The Spin-Off—Conditions to the Spin-Off." In the event the Liberty Media board of directors amends, modifies or abandons the Spin-Off, Liberty Media intends to promptly issue a press release and file a Current Report on Form 8-K to report such event.

**Q: What will I receive in the Spin-Off?**

A: Holders of LMCA will receive a dividend of one share of our Series A common stock for each whole share of LMCA held by them on the record date and holders of LMCB will receive a dividend of one share of our Series B common stock for each whole share of LMCB held by them on the record date. Thus, no fractional shares of our Series A or Series B common stock will be issued pursuant to the dividend.

**Q: Is the completion of the Spin-Off subject to any conditions?**

A: The completion of the Spin-Off and related transactions are subject to the satisfaction (determined by the Liberty Media board of directors in its sole discretion) of the following conditions, any of which may be waived by the Liberty Media board of directors in its sole discretion:

- Liberty Media's receipt of a private letter ruling from the IRS (the **Ruling**) and the opinion of Skadden, Arps, Slate, Meagher & Flom LLP (**Skadden**) that the Spin-Off will qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code (the **Code**)

and that for U.S. federal income tax purposes, (i) no gain or loss will be recognized by Liberty Media upon the distribution of our common stock in the Spin-Off, and (ii) no gain or loss will be recognized by, and no amount will be included in the income of, holders of Liberty Media common stock upon the receipt of shares of our common stock;

- Liberty Media's receipt of a written solvency opinion from a financial advisor;
- the registration statement on Form 10 with respect to the registration under the Securities Exchange Act of 1934, as amended (**the Exchange Act**), of Spinco common stock shall have become effective;
- the approval of Nasdaq for the listing of Spinco's common stock; and
- any material regulatory or contractual consents or approvals that a committee of the Liberty Media board of directors determines to obtain shall have been obtained.

In the event the Liberty Media board of directors waives a material condition to the Spin-Off, Liberty Media intends to promptly issue a press release and file a Current Report on Form 8-K to report such event. See "The Spin-Off—Conditions to the Spin-Off."

**Q: *What is being distributed in the Spin-Off?***

A: Approximately 110,328,000 shares of our Series A common stock and 9,893,000 shares of our Series B common stock will be distributed in the Spin-Off, based on the number of shares of LMCA and LMCA outstanding on October 31, 2012. The shares of our common stock to be distributed by Liberty Media will constitute all the issued and outstanding shares of our common stock immediately after the distribution.

**Q: *When will the Spin-Off be effective?***

A: Liberty Media intends to effect the Spin-Off at 5:00 p.m., New York City time, on [ ], 2012 (such date and time, **the distribution date**). At such time, holders of Liberty Media common stock as of the record date will receive their shares of Spinco common stock. Following the record date and prior to the distribution date, Liberty Media will cause 100% of our common stock to be placed in a reserve account with Computershare Trust Company, N.A., as distribution agent for the Spin-Off, with instructions to distribute such shares on the distribution date.

**Q: *When will Liberty Media announce the record and distribution dates for the Spin-Off?***

A: If all conditions to the Spin-Off are satisfied (or, as determined by the Liberty Media board in its sole discretion, to be waived) Liberty Media will announce the record date and distribution date for the Spin-Off by press release. See "The Spin-Off—Conditions to the Spin-Off." Each holder of record of shares of Liberty Media common stock as of the close of business on the record date will be entitled to receive shares of our common stock on the distribution date.

**Q: *What other transactions are occurring in connection with the Spin-Off other than those involved in the internal restructuring?***

A: In addition to the internal restructuring and in connection with the Spin-Off, it is expected that a portion of the approximately \$1.8 billion in cash expected to be distributed by Starz, LLC to Liberty Media will be funded by a draw down under the Starz, LLC credit facility. As of September 30, 2012, \$995 million was available to be drawn. The actual amount of such distribution and draw down will depend upon the financial performance and cash position of Starz, LLC at the time of the Spin-Off, as well as the undrawn amount available under the credit facility at that time.

**Q:** *What will the relationship be between Spinco and Starz after the Spin-Off?*

**A:** Following the Spin-Off, our company and Starz will operate independently, and neither will have any ownership interest in the other. In connection with the Spin-Off, however, we and Liberty Media/Starz (or certain of its subsidiaries) are entering into certain agreements in order to govern the ongoing relationships between our company and Starz after the Spin-Off and to provide for an orderly transition. See "Certain Relationships and Related Party Transactions—Relationships Between Spinco and Liberty Media/Starz and/or Liberty Interactive" and the financial statements included in this information statement.

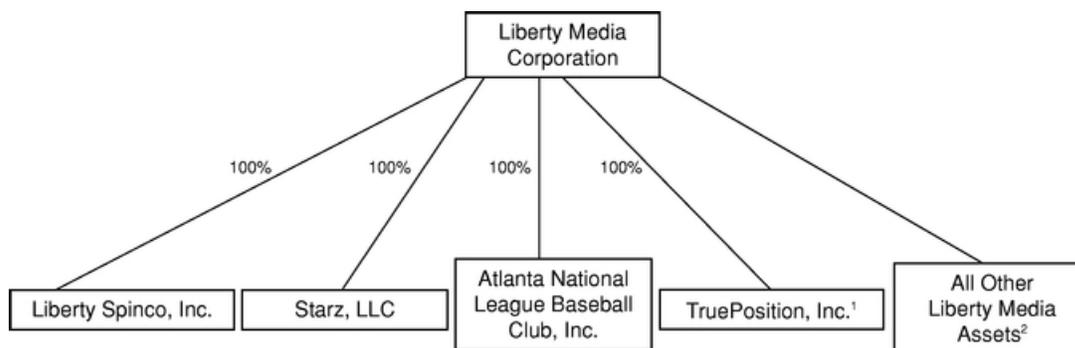
**Q:** *Did Liberty Media previously have tracking stocks intended to reflect the performance of a Starz Group and a Capital Group?*

**A:** Yes. Liberty Media became a publicly traded company in September 2011, when it was separated by means of a split-off (the **Split-Off**) from its former parent company, which is now named Liberty Interactive Corporation (**Liberty Interactive**). Liberty Interactive had three tracking stock groups: the Interactive Group, the Starz Group and the Capital Group. At the time of the Split-Off, Liberty Media held all of the businesses, assets and liabilities attributed to Liberty Interactive's Starz Group and Capital Group, and the businesses, assets and liabilities attributed to each group were attributed to an equivalent tracking stock group of Liberty Media. Shortly thereafter in November 2011, Liberty Media eliminated its tracking stock structure through the conversion of its Liberty Starz common stock into its Liberty Capital common stock.

**Q:** *What will the organizational structure of Liberty Media look like before and after the Spin-Off?*

**A:** Below are diagrams depicting the basic organizational structure of Spinco and Liberty Media before the internal restructuring and the Spin-Off and Spinco and Starz after the Spin-Off:

**Prior to the Internal Restructuring & the Spin-Off**



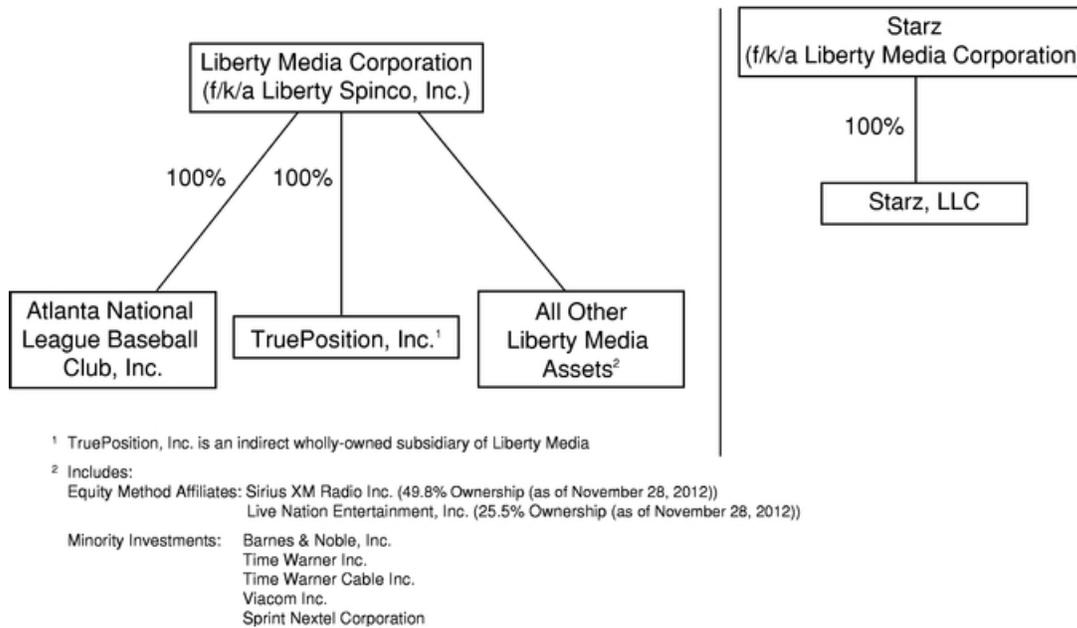
<sup>1</sup> TruePosition, Inc. is an indirect wholly-owned subsidiary of Liberty Media

<sup>2</sup> Includes:

Equity Method Affiliates: Sirius XM Radio Inc. (49.8% Ownership (as of November 28, 2012))  
Live Nation Entertainment, Inc. (25.5% Ownership (as of November 28, 2012))

Minority Investments: Barnes & Noble, Inc.  
Time Warner Cable Inc.  
Time Warner Inc.  
Viacom Inc.  
Sprint Nextel Corporation

Following the Spin-Off



**Q: What are the reasons for the Spin-Off?**

A: The Liberty Media board of directors has concluded that the Spin-Off will eliminate the conglomerate or "holding company" discount that it believes is associated with the current Liberty Media common stock, by creating a pure play media company built around the Starz, LLC business, and reduce the holding company discount associated with our common stock, since separating the Starz, LLC business will better highlight the discount at which the Liberty Media common stock has historically traded relative to its underlying asset composition. By reducing the complexity currently involved in understanding the disparate businesses, assets and liabilities within Liberty Media and Spinco, the Spin-Off is expected to enhance the ability of each of Liberty Media and Spinco to issue its equity for strategic acquisitions and other business combinations by creating a more efficiently priced equity security and enable each company to more effectively tailor equity incentives for its management and employees with less dilution to its stockholders. Further, the Liberty Media board of directors has concluded that the optimized capital structures for Liberty Media and Spinco following the Spin-Off will provide each company with greater flexibility to invest in complementary businesses and pursue other strategic objectives or acquisitions.

For a discussion of additional reasons, factors, costs and risks associated with the Spin-Off considered by the Liberty Media board, see "The Spin-Off—Reasons for the Spin-Off."

**Q: What do I have to do to participate in the Spin-Off?**

A: Nothing. Stockholders of Liberty Media on the record date for the Spin-Off are not required to pay any cash or deliver any other consideration, or give up any shares of Liberty Media common stock, to receive the shares of our common stock distributable to them in the Spin-Off.

**Q:** *Will I receive physical certificates representing shares of Spinco common stock following the distribution?*

A: No. In the distribution, no physical certificates representing shares of Spinco common stock will be delivered to stockholders. Instead, Liberty Media, with the assistance of Computershare Trust Company, N.A. (**Computershare**), the distribution agent, will electronically distribute shares of Spinco common stock to you or your bank or brokerage firm on your behalf by way of direct registration in book-entry form, which we expect to occur within one (1) business day following the distribution date to allow time for the distribution agent to effect the distribution of shares. Computershare will mail you a book-entry account statement that reflects your shares of Spinco common stock, or your bank or brokerage firm will credit your account for the shares.

**Q:** *Will the number of shares of Liberty Media common stock I own change as a result of the Spin-Off?*

A: No. The number of shares of Liberty Media common stock, of either series, you own will not change as a result of the Spin-Off.

**Q:** *Why is Spinco being treated as the "accounting successor" to Liberty Media Corporation for financial reporting purposes?*

A: In accordance with GAAP, Spinco will be treated as the "accounting successor" to Liberty Media Corporation for financial reporting purposes following the Spin-Off due to the relative significance of Spinco to Starz (which is the legal spinor) and the continued involvement of senior management with Spinco following the Spin-Off. See "Risk Factors—The historical consolidated financial information of Liberty Media and the unaudited condensed pro forma financial information of Spinco included in this information statement are not necessarily representative of Spinco's future financial position, future results of operations or future cash flows nor do they reflect what Spinco's financial position, results of operations or cash flows would have been as a stand-alone company during the periods presented," "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information regarding the effects of this accounting treatment.

**Q:** *What are the material U.S. federal income tax consequences of the Spin-Off?*

A: Liberty Media has made it a condition to the Spin-Off that it receives both the Ruling from the IRS and the opinion of Skadden, in each case to the effect that the Spin-Off will qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Code and that for U.S. federal income tax purposes, (i) no gain or loss will be recognized by Liberty Media upon the distribution of our common stock in the Spin-Off, and (ii) no gain or loss will be recognized by, and no amount will be included in the income of, holders of Liberty Media common stock upon the receipt of shares of our common stock in the Spin-Off. These conditions, as well as all other conditions to the Spin-Off, may be waived by the Liberty Media board of directors in its sole discretion. We expect to receive the Ruling as soon as practicable, and the opinion of Skadden on or prior to the distribution date.

Please see "The Spin-Off—Material U.S. Federal Income Tax Consequences of the Spin-Off" and "Risk Factors—Factors Relating to the Spin-Off—The Spin-Off could result in a significant tax liability" and "—Spinco may have a significant indemnity obligation to Starz, which is not limited in amount or subject to any cap, if the Spin-Off is treated as a taxable transaction" for more information regarding the Ruling, the tax opinion and the potential tax consequences to you of the Spin-Off.

**Q: Does Spinco intend to pay cash dividends?**

A: No. We currently intend to retain future earnings, if any, to finance the expansion of our businesses. As a result, we do not expect to pay any cash dividends in the foreseeable future. All decisions regarding the payment of dividends by our company will be made by our board of directors, from time to time, in accordance with applicable law.

**Q: Where will Spinco common stock trade?**

A: Currently, there is no public market for our common stock. Subject to the consummation of the Spin-Off, we expect to list our Series A common stock and our Series B common stock on the Nasdaq Global Select Market under the symbols "LMCA" and "LMCB," respectively, which are the current trading symbols for Liberty Media's Series A and Series B Liberty Capital common stock, respectively. The approval of Nasdaq for the listing of our common stock is a condition to the Spin-Off, which may be waived by the Liberty Media board of directors in its sole discretion.

We expect that our common stock will begin trading on the first trading day following the distribution date. We expect our common stock to trade under temporary trading symbols for no more than 30 days following the Spin-Off, beginning on the first day of trading following the distribution date, so as to avoid market confusion once our common stock begins trading under Liberty Media's current trading symbols. These temporary symbols will be announced by press release once available. We cannot predict the trading prices for our common stock when such trading begins.

**Q: What costs and risks were considered by the board of directors of Liberty Media in determining whether to effect the Spin-Off?**

A: Liberty Media's board considered a number of costs and risks associated with the Spin-Off, including:

- After the Spin-Off, Starz and Spinco will have smaller market capitalizations than Liberty Media's current market capitalization, and their stock prices may be more volatile than Liberty Media's stock price prior to the Spin-Off. The combined market values of the separate company stocks may be lower than the market value of Liberty Media's common stock prior to the Spin-Off;
- The risk of being unable to achieve the benefits expected from the Spin-Off;
- The increased leverage to be incurred by Starz, LLC;
- The loss of synergies from operating as one company;
- The potential disruption to the businesses of Liberty Media;
- The substantial costs of effecting the Spin-Off and of continued compliance with legal and other requirements applicable to two separate public reporting companies; and
- The potential tax liabilities that could arise from the Spin-Off.

Liberty Media's board concluded that the potential benefits of the Spin-Off outweighed its potential costs. Please see "The Spin-Off—Reasons for the Spin-Off" for more information regarding the costs and risks associated with the Spin-Off.

**Q: What will happen to the listing of Liberty Media common stock?**

A: The Series A and Series B Liberty Capital common stock will continue to trade on the Nasdaq Global Select Market following the Spin-Off. However, the Series A and Series B Liberty Capital

common stock, which currently trades under the symbols "LMCA" and "LMCB," respectively, will change its trading symbols to "STRZA" and "STRZB," respectively.

**Q:** *Will I have appraisal rights in connection with the Spin-Off?*

A: No. Holders of Liberty Media common stock are not entitled to appraisal rights in connection with the Spin-Off.

**Q:** *Who is the transfer agent for your common stock?*

A: Computershare Trust Company, N.A., 250 Royall Street, Canton, MA 02021, telephone: (866) 367-6355.

**Q:** *Who is the distribution agent for the Spin-Off?*

A: Computershare Trust Company, N.A., 250 Royall Street, Canton, MA 02021, telephone: (866) 367-6355.

**Q:** *Whom can I contact for more information?*

A: If you have questions relating to the mechanics of the distribution, you should contact the distribution agent. Before the Spin-Off, if you have questions relating to the Spin-Off, you should contact the office of Investor Relations of Liberty Media, 12300 Liberty Blvd., Englewood, CO 80112, telephone: (720) 875-5408.

Pursuant to a services agreement to be entered into between our company and Liberty Media, we will provide Starz with investor relations assistance for a period following the Spin-Off. Accordingly, if you have questions relating to Spinco or Starz following the Spin-Off, you should contact the office of Investor Relations of Spinco at the address and telephone number above.

## RISK FACTORS

An investment in our common stock involves risk. You should carefully consider the risks described below, together with all the other information included in this information statement, in evaluating our company and our common stock. Any of the following risks, if realized, could have a material adverse effect on the value of our common stock. The risks described below and elsewhere in this information statement are not the only ones that relate to our businesses, our capitalization or the Spin-Off. The risks described below are considered to be the most material. However, there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that also could have material adverse effects on our businesses. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. If any of the events described below were to occur, our businesses, prospects, financial condition, results of operations and/or cash flows could be materially adversely affected.

For purposes of these risk factors, unless the context otherwise indicates, we have assumed that the Spin-Off has occurred.

### Factors Relating to our Businesses

*The historical consolidated financial information of Liberty Media and the unaudited condensed pro forma financial information of Spinco included in this information statement are not necessarily representative of Spinco's future financial position, future results of operations or future cash flows nor do they reflect what Spinco's financial position, results of operations or cash flows would have been as a stand-alone company during the periods presented.*

As described elsewhere in this information statement, Spinco will be considered the divesting entity in the Spin-Off and treated as the "accounting successor" to Liberty Media Corporation for financial reporting purposes in accordance with GAAP due to the relative significance of our company to Starz (which is the legal spinor) and the continued involvement of senior management with Spinco following the Spin-Off. Following the consummation of the Spin-Off, Spinco will report the historical consolidated results of operations of the legacy Starz businesses in discontinued operations. This presentation is generally not permitted until the closing date of the Spin-Off. Because the historical consolidated financial information of Liberty Media included in this information statement includes the results of the legacy Starz business, it is not representative of Spinco's future financial position, future results of operations or future cash flows nor does it reflect what Spinco's financial position, results of operations or cash flows would have been as a stand-alone company during the periods presented.

The unaudited condensed pro forma financial information of Spinco included in this information statement includes adjustments to reflect the divestiture of the legacy Starz businesses. The pro forma adjustments are based upon available information and assumptions that management of Spinco believes are reasonable; however, such assumptions may not prove to be accurate or are subject to change. In addition, the unaudited condensed pro forma financial statements of Spinco do not give effect to on-going costs that it may incur or may be eliminated in connection with being a stand-alone company. Accordingly, the unaudited condensed pro forma financial statements of Spinco are not representative of Spinco's future financial position, future results of operations or future cash flows nor do they reflect what Spinco's financial position, results of operations or cash flows would have been as a stand-alone company during the periods presented.

In addition, in the third quarter of 2011, Liberty Media completed the Split-Off. Prior to the Split-Off, the assets, liabilities and businesses of our company at that time were part of the larger Liberty Interactive organization. Hence, portions of Liberty Media's historical financial information were also extracted from Liberty Interactive's consolidated financial statements for the relevant periods prior to the Split-Off. As a result, our historical financial information may not necessarily reflect what our respective results of operations, financial condition and cash flows would have been had we existed

as a separate, stand-alone entity pursuing independent strategies during the periods presented. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements."

***As a result of the Spin-Off, we will not have access to the cash flow generated by Starz, LLC.*** For the past three fiscal years, a significant portion of Liberty Media's reported total revenue has been generated by the businesses of Starz, LLC. Prior to the Split-Off, Starz, LLC was the second-largest generator of cash flow for Liberty Media's former parent company, Liberty Interactive (the largest generator being QVC, Inc.). As a result of and following the Spin-Off, Spinco will not have access to the cash flow generated by Starz, LLC. Additionally, the remainder of Liberty Media's businesses which will become the businesses of Spinco following the Spin-Off either (i) have historically generated cash flows at a comparatively lower level than that historically generated by Starz, LLC or (ii) will not be majority owned subsidiaries of Spinco and Spinco will therefore not have access to the cash flow they generate.

***Certain of our subsidiaries and business affiliates depend on their relationships with third party distribution channels, suppliers and advertisers and any adverse changes in these relationships could adversely affect our results of operations.*** An important component of the success of our subsidiaries and business affiliates, including TruePosition and Sirius, is their ability to maintain their existing, as well as build new, relationships with third party distribution channels, including local and national satellite providers, suppliers, manufacturers, retailers and advertisers, among other parties. Adverse changes in existing relationships or the inability to enter into new arrangements with these parties on favorable terms, if at all, could have a significant adverse effect on our results of operations.

***Rapid technological advances could render the products and services offered by our subsidiaries and business affiliates obsolete or non-competitive.*** Our subsidiaries and business affiliates, including, for example, TruePosition, Sirius, Barnes & Noble and Live Nation, must stay abreast of rapidly evolving technological developments and offerings to remain competitive and increase the utility of their products and services. These subsidiaries and business affiliates must be able to incorporate new technologies into their products and services in order to address the needs of their customers. There can be no assurance that they will be able to compete with advancing technology, and any failure to do so could result in customers seeking alternative service providers thereby adversely impacting our revenue and operating income.

***The business of our affiliate Sirius depends in significant part on the operation of its satellites.*** As a satellite radio broadcaster, Sirius' business depends on the lives and proper operation of its satellites. The lives of Sirius' satellites will vary and depend on a number of factors, including degradation and durability of solar panels, quality of construction, damage or destruction for a variety of reasons, and random failure of satellite components. Although Sirius' satellite system provides for backups and insurance in the event of a failure, failures and anomalies are expected to occur in the ordinary course of business and Sirius is unable to predict if any of these possible events will have a material adverse effect on its operations or the life of its existing in-orbit satellites.

***Our subsidiaries and business affiliates are subject to risks of adverse government regulation.*** Providers of internet, telephony and satellite service are subject to varying degrees of regulation in the United States by the Federal Communications Commission (FCC) and other entities and in foreign countries by similar regulators. Such regulation and legislation are subject to the political process and have been in constant flux over the past decade. Material changes in the law and regulatory requirements must be anticipated, and there can be no assurance that our businesses and assets will not become subject to increased expenses or more stringent restrictions as a result of any future legislation, new regulation or deregulation.

***The success of two of our business affiliates, Sirius and Live Nation, depends on audience acceptance of their programs and services, which is difficult to predict.*** Entertainment content production, satellite radio services and live entertainment events are inherently risky businesses because the revenue derived from these businesses depends primarily upon the public's acceptance of these programs and services, which is difficult to predict. The commercial success of a satellite radio program or live entertainment production depends upon the quality and acceptance of competing programs, the availability of alternative forms of entertainment and leisure time activities, general economic conditions and other tangible and intangible factors, many of which are difficult to predict. In the case of ad-supported programming and satellite radio service, audience size is an important factor when advertising rates are negotiated. Audience size is also an important factor when determining ticket pricing for live entertainment productions. Consequently, low public acceptance of the programs and services offered by Sirius and Live Nation, which we account for as equity affiliates, could hurt the ability of these companies to maintain rates charged to customers, subscribers and, as applicable, advertisers.

***Increased programming and content costs may adversely affect profits.*** One of our business affiliates, Sirius, produces programming and other content and incurs costs for all types of creative talent including writers, producers and on-air talent. An increase in the costs of programming and other content may lead to decreased profitability.

***Continuingly weak economic conditions may reduce consumer demand for our products and services.*** The current economic malaise in the United States could adversely affect demand for our products and services. A substantial portion of our revenue is derived from discretionary spending by individuals, which typically falls during times of economic instability. A reduction in discretionary spending could adversely affect revenue through potential downgrades by satellite and cable television subscribers and satellite radio subscribers, affecting Sirius, reduced live-entertainment expenditures, affecting Live Nation and ANLBC, and a slowdown in auto sales (which is an important source of satellite radio subscribers), affecting Sirius. Accordingly, our ability to increase or maintain revenue and earnings could be adversely affected to the extent that relevant economic environments remain weak or decline further. We currently are unable to predict the extent of any of these potential adverse effects.

***The success of one of our subsidiaries, ANLBC, depends in large part on its ability to recruit and retain key persons.*** The success of ANLBC depends on the record of the Atlanta Braves Major League baseball team during each season, which is directly impacted by their ability to employ and retain top performing players, coaches and managers. We cannot assure you that if the Atlanta Braves Major League baseball team experiences turnover of these key persons, they will be able to recruit and retain acceptable replacements, in part, because the market for such employees is very competitive and limited.

***The success of our business affiliate, Sirius, depends in large part upon automakers.*** Most of Sirius' new subscription growth has come from purchasers and lessees of new and previously owned automobiles. As a result, the sale and lease of vehicles with satellite radios is an important source of subscribers for its satellite radio service. Sirius has agreements with every major automaker to include satellite radios in new vehicles, although these agreements do not require automakers to install specific or minimum quantities of radios in any given period. Automotive production and sales are dependent on many factors, including the availability of consumer credit, general economic conditions, consumer confidence and fuel costs. To the extent vehicles sales by automakers decline or the penetration of factory-installed satellite radios in those vehicles is reduced, subscriber growth for Sirius' satellite radio services may be adversely impacted.

***Several of our business affiliates face substantial competition, which may increase over time.*** Sirius faces substantial competition from other providers of music and talk radio and other audio services and its ability to retain and attract customers is based on its successful programming. Sirius' subscribers can obtain similar content through terrestrial radio or internet radio services, and a number of automakers

and aftermarket manufacturers have or will shortly introduce factory-installed radios capable of accessing internet-delivered auto entertainment. Such competition could lower subscription or other revenue or increase expenses related to marketing and promotion, which would lower Sirius' earnings and free cash flow. Similarly, Barnes & Noble faces competition from traditional and internet retail sources, as well as from other suppliers of digital content. Its retail stores compete primarily on the quality of the shopping and store experience and the price and availability of products, which take into account promotional activities. Barnes & Noble's eBook reader, the NOOK®, competes with other eBook readers and smart tablets on functionality, consumer appeal, availability of digital content and price. In addition, Barnes & Noble faces competition from large bookstores such as Books-A-Million, wholesalers such as Costco and online retailers such as Amazon.com and Apple. Increases in consumer spending online may significantly affect Barnes & Noble's ability to generate sales in its retail stores. Barnes & Noble also faces competition from a variety of sources with respect to sales of music and DVDs. Increased competition faced by our business affiliates may adversely affect their, and hence our, results of operations.

***The success of three of our business affiliates, Sirius, Live Nation and Barnes & Noble, depends, in part, on the integrity of their systems and infrastructures and the protection of consumer data.*** The businesses of Sirius, Live Nation and Barnes & Noble involve the receipt and storage of personal information about consumers. While the receipt and storage of such information is subject to regulation by international, federal and state law, and although Sirius, Live Nation and Barnes & Noble may take steps to protect personal information, these companies could experience a data security breach, which could result in a disruption of operations and potential violations of applicable privacy laws and other laws or standards which could result in fines, penalties and/or the loss of consumer trust.

***We do not have the right to manage our business affiliates, which means we are not able to cause those affiliates to operate in a manner that is favorable to us.*** We do not have the right to manage the businesses or affairs of any of our business affiliates (those companies in which we have less than a majority voting stake), including Sirius, Live Nation and Barnes & Noble. Rather, our rights take the form of representation on the board of directors and, in some cases, board committees that supervise management and possession of veto rights over certain significant or extraordinary actions. The scope of our veto rights varies from company to company. Although our board representation and veto rights may enable us to exercise influence over the management or policies of a business affiliate, enable us to prevent the sale of material assets by a business affiliate or prevent a business affiliate from paying dividends or making distributions to its stockholders or partners, they will not enable us to cause these actions to be taken.

***Our acquisition of voting control of Sirius remains subject to FCC approval.*** Liberty Media has submitted to the FCC an application for the transfer to it *de jure* control over Sirius (the **Application**). The Application has not yet been approved, and no assurance can be given that it will be approved. In the Application, Liberty Media represented to the FCC that it would not convert enough shares of preferred stock of Sirius to become the owner of more than 50% of the outstanding common stock of Sirius prior to obtaining FCC approval of the Application. In addition, Liberty Media represented in the Application that, if it does receive FCC approval, it would thereafter convert enough shares of preferred stock and/or acquire additional shares of common stock of Sirius in a sufficient amount to become the owner of more than 50% of the outstanding common stock of Sirius. The FCC has accepted Liberty Media's filing of the Application and placed it on public notice for comment. The public comment period has expired, and only one opposition filing was made. Although the FCC generally follows a 180 day informal timeline from public notice for considering major transfer of control transactions, which it informally has designated the Application, the FCC is not under any obligation to take action by a specific date. Additionally, the FCC may approve or deny the Application in its discretion, and, even if it approves the Application, such approval could be granted subject to conditions that could adversely affect the manner in which Sirius operates its business in the future. In

the event the FCC does not approve the Application, we would be unable to convert all of our preferred stock or otherwise obtain majority voting control of Sirius. In such a case, we may be unable to fully realize the anticipated benefits of our 49.8% beneficial ownership interest in Sirius common stock in the near term or at all.

***Our equity method investments may have a material impact on our net earnings.*** We have substantial investments in Sirius and Live Nation, which we account for under the equity method of accounting. Under the equity method, we report our proportionate share of the net earnings or losses of our equity affiliates in our statement of operations under "share of earnings (losses) of affiliates," which contributes to our earnings (loss) from continuing operations before income taxes. If the earnings or losses of our equity affiliates is material in any year, those earnings or losses may have a material effect on our net earnings. Notwithstanding the impact on our net earnings, we do not have the ability to cause our equity affiliates to pay dividends or make other payments or advances to their stockholders, including us.

***The liquidity and value of our public investments may be affected by market conditions beyond our control that could cause us to record losses for declines in their market value.*** Included among our assets are equity interests in one or more publicly-traded companies that are not consolidated subsidiaries or equity affiliates, such as Time Warner Inc., Time Warner Cable Inc. and Sprint Nextel Corporation. The value of these interests may be affected by economic and market conditions that are beyond our control. In addition, our ability to liquidate these interests without adversely affecting their value may be limited.

***Transactions in our common stock by our insiders could depress the market price of our common stock.*** Sales of or hedging transactions, such as collars, in our shares by our Chairman of the Board or any of our other directors or executive officers could cause a perception in the marketplace that our stock price has peaked or that adverse events or trends have occurred or may be occurring at our company. This perception could result notwithstanding any personal financial motivation for these insider transactions. As a result, insider transactions could depress the market price for shares of one or more series of our common stock.

***No assurance can be made that we will be successful in integrating any acquired businesses.*** Our businesses and those of our subsidiaries may grow through acquisitions in selected markets. Integration of new businesses may present significant challenges, including: realizing economies of scale in programming and network operations; eliminating duplicative overhead; and integrating networks, financial systems and operational systems. No assurance can be made that, with respect to any acquisition, we will realize anticipated benefits or successfully integrate any acquired business with our existing operations. In addition, while we intend to implement appropriate controls and procedures as we integrate acquired companies, we may not be able to certify as to the effectiveness of these companies' disclosure controls and procedures or internal control over financial reporting (as required by U.S. federal securities laws and regulations) until we have fully integrated them.

***Our company has overlapping directors and management with Liberty Interactive and Starz, which may lead to conflicting interests.*** As a result of the Spin-Off and the Split-Off, most of the executive officers of Spinco also serve as executive officers of Liberty Interactive and some are expected to serve as executive officers of Starz following the Spin-Off, and there is significant board overlap between our company and Liberty Interactive. Following the Spin-Off, John C. Malone will be the Chairman of the Board of our company and Liberty Interactive. None of Spinco, Starz and Liberty Interactive has any ownership interest in the others. Our executive officers and members of our company's board of directors have fiduciary duties to our stockholders. Likewise, any such persons who serve in similar capacities at Starz or Liberty Interactive have fiduciary duties to that company's stockholders. Therefore, such persons may have conflicts of interest or the appearance of conflicts of interest with respect to matters involving or affecting more than one of the companies to which they owe fiduciary

duties. For example, there may be the potential for a conflict of interest when Spinco or Liberty Interactive looks at acquisitions and other corporate opportunities that may be suitable for each of them. Moreover, most of our company's directors and officers continue to own Starz and Liberty Interactive stock and options to purchase Starz stock and Liberty Interactive stock. These ownership interests could create, or appear to create, potential conflicts of interest when these individuals are faced with decisions that could have different implications for our company, Starz and/or Liberty Interactive. Any potential conflict that qualifies as a "related party transaction" (as defined in Item 404 of Regulation S-K) is subject to review by an independent committee of the applicable issuer's board of directors in accordance with its corporate governance guidelines. Any other potential conflicts that arise will be addressed on a case-by-case basis, keeping in mind the applicable fiduciary duties owed by the executive officers and directors of each issuer. From time to time, we may enter into transactions with Liberty Interactive or Starz and/or their subsidiaries or other affiliates. There can be no assurance that the terms of any such transactions will be as favorable to our company, Starz, Liberty Interactive or any of their subsidiaries or affiliates as would be the case where there is no overlapping officer or director.

***Holders of a single series of our common stock may not have any remedies if an action by our directors has an adverse effect on only that series of our common stock.*** Principles of Delaware law and the provisions of our certificate of incorporation may protect decisions of our board of directors that have a disparate impact upon holders of any single series of our common stock. Under Delaware law, the board of directors has a duty to act with due care and in the best interests of all of our stockholders, including the holders of all series of our common stock. Principles of Delaware law established in cases involving differing treatment of multiple classes or series of stock provide that a board of directors owes an equal duty to all common stockholders regardless of class or series and does not have separate or additional duties to any group of stockholders. As a result, in some circumstances, our directors may be required to make a decision that is viewed as adverse to the holders of one series of our common stock. Under the principles of Delaware law and the business judgment rule, holders may not be able to successfully challenge decisions that they believe have a disparate impact upon the holders of one series of our stock if our board of directors is disinterested and independent with respect to the action taken, is adequately informed with respect to the action taken and acts in good faith and in the honest belief that the board is acting in the best interest of all of our stockholders.

***It may be difficult for a third party to acquire us, even if doing so may be beneficial to our stockholders.*** Certain provisions of our restated charter and bylaws may discourage, delay or prevent a change in control of our company that a stockholder may consider favorable. These provisions include:

- authorizing a capital structure with multiple series of common stock, a Series B common stock that entitles the holders to ten votes per share, a Series A common stock that entitles the holder to one vote per share, and a Series C common stock that except as otherwise required by applicable law, entitles the holder to no voting rights;
- classifying our board of directors with staggered three-year terms, which may lengthen the time required to gain control of our board of directors;
- limiting who may call special meetings of stockholders;
- prohibiting stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of the stockholders;
- establishing advance notice requirements for nominations of candidates for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings;
- requiring stockholder approval by holders of at least 66<sup>2</sup>/3% of our aggregate voting power or the approval by at least 75% of our board of directors with respect to certain extraordinary matters,

such as a merger or consolidation of our company, a sale of all or substantially all of our assets or an amendment to our restated charter; and

- the existence of authorized and unissued stock, including "blank check" preferred stock, which could be issued by our board of directors to persons friendly to our then current management, thereby protecting the continuity of our management, or which could be used to dilute the stock ownership of persons seeking to obtain control of our company.

In addition, our chairman, John C. Malone, is expected to beneficially own shares representing the power to direct approximately 40.5% of the aggregate voting power in our company, due to his beneficial ownership of approximately 83.8% of the outstanding shares of LMCB as of October 31, 2012.

***We may have future capital needs and may not be able to obtain additional financing on acceptable terms.*** In connection with the Spin-Off, it is expected that Starz, LLC will distribute approximately \$1.8 billion in cash to Liberty Media, of which \$400 million was distributed in the third quarter of 2012 (and \$200 million of which was distributed thereafter). The total amount of the distribution will depend upon the financial performance and cash position of Starz, LLC prior to the Spin-Off. This distributed cash, as reduced by investments of such cash prior to the Spin-Off, will be contributed to Spinco in connection with the Spin-Off. Due to the size and nature of our consolidated subsidiaries, ANLBC and TruePosition, their assets and operating cash flow are insufficient to support any significant financing in the future. Hence, our ability to obtain significant financing in the future, on favorable terms or at all, may be limited. If debt financing is not available to us in the future, we may obtain liquidity through the sale or monetization of our available for sale securities, or we may issue equity securities. If additional funds are raised through the issuance of equity securities, our stockholders may experience significant dilution. If we are unable to obtain sufficient liquidity in the future, we may be unable to develop our businesses properly, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition and results of operations.

***Our consolidated subsidiary TruePosition is out of contract with one of its largest customers.*** Our subsidiary TruePosition provides equipment and service for locating mobile phones and other wireless devices enabling carriers, application providers and other enterprises to provide E-911 services domestically and other location based services to mobile users. The contract with one of its largest customers, T-Mobile, lapsed in mid-2011. This resulted in TruePosition's recognition of \$491 million of deferred revenue in the fourth quarter of 2011, representing substantially all of the revenue earned from T-Mobile since the inception of the contract. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Businesses—Revenue." No assurance can be given that TruePosition will be able to negotiate a new contract with T-Mobile on favorable terms or at all. TruePosition's inability to enter into a new contract on economically acceptable terms could have a material adverse effect on the business, financial condition and results of operations of TruePosition and an adverse effect on our consolidated financial results.

#### **Factors Relating to the Spin-Off**

***The Spin-Off could result in a significant tax liability.*** Liberty Media has requested the Ruling from the IRS to the effect that, among other things, the Spin-Off will qualify as a tax-free transaction for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code. It is a condition to the Spin-Off that the Ruling is obtained and that it is not thereafter withdrawn, invalidated or modified in an adverse manner. Although any Ruling that is obtained will generally be binding on the IRS, the continued validity of the Ruling will be subject to the accuracy of factual statements and representations made to the IRS by Liberty Media. Further, as a result of the IRS's general ruling policy with respect to transactions under Section 355 of the Code, the Ruling will not represent a

determination by the IRS that certain requirements necessary to obtain tax-free treatment to holders of Liberty Media common stock and to Liberty Media under Sections 355 and 368(a)(1)(D) of the Code (specifically, the corporate business purpose requirement, the requirement that the Spin-Off not be used principally as a device for the distribution of earnings and profits, and the non-application of Section 355(e) of the Code to the Spin-Off (discussed below)) have been satisfied. Rather, the Ruling will be based upon representations made to the IRS by Liberty Media that these requirements have been satisfied.

As a result of this IRS ruling policy, the Spin-Off is also conditioned upon the receipt by Liberty Media of the opinion of Skadden, in form and substance reasonably acceptable to Liberty Media, to the effect that the Spin-Off will qualify as a tax-free transaction to Liberty Media and to the holders of Liberty Media common stock for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code. The opinion of counsel will rely on the continued validity of the Ruling, as to the matters covered by the Ruling, and will be based upon certain assumptions, as well as statements, representations and certain undertakings made by officers of Liberty Media and Spinco and Chairman John C. Malone. These assumptions, statements, representations and undertakings are expected to relate to, among other things, Liberty Media's/Starz's business reasons for engaging in the Spin-Off and Liberty Media's/Starz's and Spinco's current plans and intentions to continue conducting certain of its business activities and not to materially modify its ownership or capital structure, in each case following the Spin-Off. If the Ruling is no longer valid, if any of those statements, representations or assumptions is incorrect or untrue in any material respect or any of those undertakings is not complied with, or if the facts upon which the opinion is based are materially different from the facts at the time of the Spin-Off, the conclusions reached in such opinion could be adversely affected. Opinions of counsel are not binding on the IRS or the courts, and the conclusions expressed in such opinion could be challenged by the IRS and a court could sustain such challenge. These conditions, as well as all other conditions to the Spin-Off, may be waived by the Liberty Media board of directors in its sole discretion.

Even if the Spin-Off otherwise qualifies under Sections 355 and 368(a)(1)(D) of the Code, the Spin-Off would result in a significant U.S. federal income tax liability to Liberty Media (but not to holders of Liberty Media common stock) under Section 355(e) of the Code if one or more persons acquire a 50-percent or greater interest (measured by vote or value) in the stock of Liberty Media/Starz or in the stock of Spinco as part of a plan or series of related transactions that includes the Spin-Off. Current tax law generally creates a presumption that any acquisition of the stock of Liberty Media/Starz or the stock of Spinco within two years before or after the Spin-Off is part of a plan that includes the Spin-Off, although the parties may be able to rebut that presumption. The process for determining whether an acquisition is part of a plan under these rules is complex, inherently factual and subject to an analysis of the facts and circumstances of a particular case. Notwithstanding the opinion of counsel described above, Starz or Spinco might inadvertently cause or permit a prohibited change in Starz's ownership or Spinco's ownership to occur, thereby triggering tax liability to Starz, which could have a material adverse effect.

If it is subsequently determined, for whatever reason, that the Spin-Off does not qualify for tax-free treatment, Liberty Media and/or the holders of Liberty Media common stock immediately prior to the Spin-Off could incur significant tax liabilities determined in the manner described in "The Spin-Off—Material U.S. Federal Income Tax Consequences of the Spin-Off." As described further under "Certain Relationships and Related Party Transactions—Relationships between Spinco and Liberty Media/Starz and/or Liberty Interactive—Tax Sharing Agreement," in certain circumstances, Spinco will be required to indemnify Starz, its subsidiaries, and certain related persons for taxes and losses resulting from the Spin-Off. For a more complete discussion of the Ruling, the tax opinion and the tax consequences if the Spin-Off is not tax-free, please see "The Spin-Off—Material U.S. Federal Income Tax Consequences of the Spin-Off."

***Spinco may have a significant indemnity obligation to Starz, which is not limited in amount or subject to any cap, if the Spin-Off is treated as a taxable transaction.*** Pursuant to the tax sharing agreement that Spinco will enter into with Liberty Media in connection with the Spin-Off (the **tax sharing agreement**), subject to certain limited exceptions, Spinco will be required to indemnify Starz, its subsidiaries, and certain related persons for taxes and losses resulting from the failure of the Spin-Off to qualify as a tax-free transaction described under Sections 355 and 368(a)(1)(D) of the Code. However, Spinco will not be required to indemnify Starz for any taxes or losses that (x) result primarily from, individually or in the aggregate, the breach of certain covenants made by Starz (applicable to actions or failures to act by Starz and its subsidiaries following the completion of the Spin-Off), (y) result from Section 355(e) of the Code applying to the Spin-Off as a result of the Spin-Off being part of a plan (or series of related transactions) pursuant to which one or more persons acquire a 50-percent or greater interest (measured by vote or value) in the stock of Liberty Media/Starz or any successor, or (z) result from deferred intercompany items or excess loss accounts that are triggered by the Spin-Off, and that would otherwise be allocated to Starz.

Spinco's indemnification obligations to Starz, its subsidiaries and certain related persons will not be limited in amount or subject to any cap. If Spinco is required to indemnify Starz, its subsidiaries and certain related persons under the circumstances set forth in the tax sharing agreement, Spinco may be subject to substantial liabilities, which could materially adversely affect its financial position.

***Spinco may determine to forgo certain transactions in order to avoid the risk of incurring significant tax-related liabilities.*** In the tax sharing agreement, Spinco will covenant not to take any action, or fail to take any action, following the Spin-Off, which action or failure to act is inconsistent with the Spin-Off qualifying for tax-free treatment under Sections 355 and 368(a)(1)(D) of the Code. Further, the tax sharing agreement will require that Spinco generally indemnify Starz for any taxes or losses incurred by Starz (or its subsidiaries) resulting from breaches of such covenants or resulting from Section 355(e) of the Code applying to the Spin-Off because of acquisitions of a 50-percent or greater interest (measured by vote or value) in the stock of Spinco that are part of a plan that includes the Spin-Off. As a result, Spinco might determine to forgo certain transactions that might have otherwise been advantageous in order to preserve the tax-free treatment of the Spin-Off.

In particular, Spinco might determine to continue to operate certain of its business operations for the foreseeable future even if a sale or discontinuance of such business might have otherwise been advantageous. Moreover, in light of the requirements of Section 355(e) of the Code, Spinco might determine to forgo certain transactions, including share repurchases, stock issuances, certain asset dispositions or other strategic transactions for some period of time following the Spin-Off. In addition, Spinco's indemnity obligation under the tax sharing agreement might discourage, delay or prevent a change of control transaction for some period of time following the Spin-Off.

***We may not realize the potential benefits from the Spin-Off in the near term or at all.*** In this information statement, we have described anticipated strategic and financial benefits we expect to realize as a result of our separation from Liberty Media. See "The Spin-Off—Reasons for the Spin-Off." In particular, we believe that the Spin-Off will better position us to take advantage of business opportunities, strategic alliances and other acquisitions through Spinco's enhanced acquisition currency and greater liquidity. We also expect the Spin-Off to enable Spinco to provide its employees with more attractive equity incentive awards. However, no assurance can be given that the market will react favorably to the Spin-Off or that the current holding company discount applied by the market to Liberty Media's stock will not be applied in full to Spinco's common stock, thereby causing Spinco's equity to be less attractive to its employees as well as any potential acquisition counterparties. In addition, no assurance can be given that any investment, acquisition or other strategic opportunities will become available following the Spin-Off on terms that Spinco finds favorable or at all. Given the added costs associated with the completion of the Spin-Off, including the separate accounting, legal and other

compliance costs of being a separate public company and potential tax liabilities, our failure to realize the anticipated benefits of the Spin-Off in the near term or at all could adversely affect our company.

***We cannot be certain that an active trading market will develop or be sustained after the Spin-Off, and following the Spin-Off our stock price may fluctuate significantly.*** We cannot assure you that an active trading market will develop or be sustained for our common stock after the Spin-Off. We cannot predict the prices at which either series of our common stock may trade after the Spin-Off, the effect of the Spin-Off on the trading prices of Starz's common stock or whether the market value of a share of a series of our common stock and a share of the same series of Starz's common stock held by a stockholder after the Spin-Off will be less than, equal to or greater than the market value of a share of the corresponding series of Liberty Media common stock held by such stockholder prior to the Spin-Off.

The market price of our common stock may fluctuate significantly due to a number of factors, some of which may be beyond our control, including:

- actual or anticipated fluctuations in our operating results;
- changes in earnings estimated by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of comparable companies; and
- domestic economic conditions.

The fair value of Liberty Media's investment in Sirius, on an as-converted basis, was approximately \$8.2 billion as of September 30, 2012, which represents a large portion of Liberty Media's total market value and will represent an even larger portion of Spinco's total market value following the Spin-Off. Liberty Media's common stock has historically traded at times somewhat in tandem with Sirius common stock. As a result of the Spin-Off, our stock price may move in tandem with the Sirius stock price to a greater degree than Liberty Media's common stock does today, with the result that our stock price may be disproportionately affected by the results of operations of Sirius and developments in its business.

***After the Spin-Off, Spinco may be controlled by one principal stockholder.*** John C. Malone currently beneficially owns shares of Liberty Media common stock (excluding exercisable stock options) representing approximately 40.5% of the aggregate voting power of the outstanding shares of Liberty Media's common stock as of October 31, 2012. Following the consummation of the Spin-Off, Mr. Malone is expected to beneficially own shares of our common stock (excluding exercisable stock options) representing approximately 40.5% of Spinco's voting power, based upon the 1-for-1 distribution ratio in the Spin-Off and his beneficial ownership of Liberty Media common stock as of October 31, 2012 (as reflected under "Security Ownership of Certain Beneficial Owners—Security Ownership of Management" below). By virtue of Mr. Malone's voting power in Spinco as well as his position as Spinco's Chairman of the Board, Mr. Malone may be deemed to control Spinco's operations. Mr. Malone's rights to vote or dispose of his equity interest in Spinco will not be subject to any restrictions in favor of Spinco other than as may be required by applicable law and except for customary transfer restrictions pursuant to incentive award agreements.

***Liberty Media's board of directors may abandon the Spin-Off at any time, and our board of directors may determine to amend the terms of any agreement we enter into relating to the Spin-Off.*** No assurance can be given that the Spin-Off will occur, or if it occurs that it will occur on the terms described in this information statement. In addition to the conditions to the Spin-Off described herein (all of which may be waived by the Liberty Media board of directors in its sole discretion), the Liberty Media board of directors may abandon the Spin-Off at any time prior to the distribution date for any reason or for no reason. In addition, the agreements to be entered into by Spinco in connection with the Spin-Off (including the reorganization agreement, the tax sharing agreement, the services agreement and the facilities sharing agreement) may be amended or modified prior to the distribution date in the sole

discretion of Liberty Media. If any condition to the Spin-Off is waived or if any material amendments or modifications are made to the terms of the Spin-Off or to such ancillary agreements prior to the Spin-Off, Liberty Media intends to promptly issue a press release and file a Form 8-K informing the market of the substance of such waiver, amendment or modification.

## CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING STATEMENTS

Certain statements in this information statement and in the documents incorporated by reference herein constitute forward-looking statements, including certain statements relating to the business strategies, market potential and future financial performance of our company and those entities in which we have interests, and other matters. In particular, information included under "The Spin-Off," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of our Business" contain forward-looking statements. Forward-looking statements inherently involve many risks and uncertainties that could cause actual results to differ materially from those projected in these statements. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but such statements necessarily involve risks and uncertainties and there can be no assurance that the expectation or belief will result or be achieved or accomplished. In addition to the risk factors described herein under the headings "Risk Factors," the following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- customer demand for products and services and the ability of our company and those entities in which we have interests to adapt to changes in demand;
- competitor responses to products and services;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- uncertainties associated with product and service development and market acceptance, including the development and provision of telecommunications technologies;
- our future financial performance, including availability, terms and deployment of capital;
- our ability to successfully integrate and recognize anticipated efficiencies and benefits from the businesses we acquire;
- the ability of suppliers and vendors to deliver products, equipment, software and services;
- the outcome of any pending or threatened litigation;
- availability of qualified personnel;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the FCC and adverse outcomes from regulatory proceedings;
- changes in the nature of key strategic relationships with partners, vendors and joint venturers;
- general economic and business conditions and industry trends including the current economic downturn;
- consumer spending levels, including the availability and amount of individual consumer debt;
- rapid technological changes;
- the regulatory and competitive environment of the industries in which we, and the entities in which we have interests, operate; and
- threatened terrorist attacks and ongoing military action in the Middle East and other parts of the world and political unrest in international markets.

These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this information statement, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein or therein, to

reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. When considering such forward-looking statements, you should keep in mind the factors described in "Risk Factors" and other cautionary statements contained or incorporated in this document. Such risk factors and statements describe circumstances which could cause actual results to differ materially from those contained in any forward-looking statement.

## THE SPIN-OFF

### Background for the Spin-Off

Our company is currently a wholly owned subsidiary of Liberty Media. Following the Spin-Off, we will be primarily engaged in the media, communications and entertainment industries through our ownership of interests in subsidiaries and other companies. Following the Spin-Off, our principal businesses and assets will include the consolidated subsidiaries Atlanta National League Baseball Club, Inc. (the owner of the Atlanta Braves major league baseball team) and TruePosition, Inc., the equity affiliates Sirius XM Radio Inc. and Live Nation Entertainment, Inc., and minority investments in public companies such as Barnes & Noble, Inc., Time Warner Inc., Time Warner Cable Inc., Viacom Inc. and Sprint Nextel Corporation, and cash in the amount of \$[ ], which will include cash contributed from Liberty Media to Spinco prior to the Spin-Off following Starz LLC's draw down on its \$1.5 billion credit facility (such businesses and assets as well as any related liabilities, the **Spin-Off Assets and Liabilities**).

The businesses and assets that remain at Starz following the Spin-Off will consist of the premium movie service provider Starz, LLC and its subsidiaries.

The board of directors of Liberty Media has determined to separate the Spin-Off Assets and Liabilities from the assets and liabilities of Starz, LLC and its subsidiaries by means of the Spin-Off. To accomplish the Spin-Off, Liberty Media will effect the distribution, whereby holders of LMCA and LMCB will receive, by means of a dividend, shares of our Series A common stock and Series B common stock, respectively. Following the Spin-Off, Starz will cease to own any equity interest in our company, and we will be an independent publicly traded company. No vote of Liberty Media's stockholders is required or being sought in connection with the Spin-Off, and Liberty Media's stockholders have no appraisal rights in connection with the Spin-Off.

### Reasons for the Spin-Off

The board of directors of Liberty Media periodically reviews with management the strategic goals and prospects of its various businesses, equity affiliates and other investments. As a result of a review undertaken during the summer of 2012 the Liberty Media board determined that the Spin-Off would allow each of Starz and Spinco to pursue strategic opportunities that are not otherwise available to them in Liberty Media's current configuration and, over time, enhance the operating performance of the two companies. Among the factors considered by the Liberty Media board in arriving at its determination were the following:

- By separating the more complex collection of businesses and investments that currently comprise Liberty Media from Starz, LLC, Liberty Media believes that the conglomerate or "holding company" discount inherent in Liberty Media's common stock will be eliminated, as Starz will become a "pure play" media company valued in a manner consistent with other companies in the premium television industry. The elimination of the holding company discount at Starz will create a more efficiently priced equity security for Starz to use to effect a complementary business combination using its equity and enable Starz's stock to be more accurately valued by potential acquirors.
- The Spin-Off is expected to cause the holding company discount with respect to the Spinco common stock to be reduced, as separating Starz, LLC and its subsidiaries will better highlight the discount at which the Liberty Media common stock historically has traded relative to its underlying asset composition. This reduction of the holding company discount associated with the Spinco common stock would enhance the ability of Spinco to issue its equity for purposes of making strategic acquisitions with less dilution to its stockholders.

- By effecting the Spin-Off, both companies will be better positioned to take advantage of business opportunities that are not available to them under Liberty Media's existing configuration. Each of Starz and Spinco will have greater flexibility in structuring strategic alliances, acquisitions and other business combinations and a stronger acquisition currency.
- The contribution of cash to Spinco in connection with the Spin-Off will provide Spinco with greater liquidity to acquire additional shares of its equity affiliates, invest in complementary businesses and pursue other strategic objectives and acquisitions.
- In connection with the internal restructuring and the cash contribution to Spinco, Starz will optimize its capital structure, through the draw down of the Starz credit facility, which is expected to provide for more attractive leveraged equity returns for Starz's stockholders.
- The Spin-Off is expected to enhance the ability of our company and Starz to retain and attract qualified personnel, by enabling each company to grant equity incentive awards based on its own publicly traded equity with less dilution to its stockholders (as a result of the reduction in the discount associated with its equity), and will further enable each company to more effectively tailor employee benefit plans and retention programs and provide improved incentives to the employees and future hires of each company that will better and more directly align the incentives for each company's management with their performance.

Liberty Media's board also considered a number of costs and risks associated with the Spin-Off, including:

- After the Spin-Off, Starz and Spinco will have smaller market capitalizations (and, in the case of Starz, significantly smaller) than Liberty Media's current market capitalization, and their stock prices may be more volatile than Liberty Media's stock price prior to the Spin-Off. The board also considered the possibility that the combined market values of the separate company stocks may be lower than the market value of Liberty Media's common stock prior to the Spin-Off.
- The risk of being unable to achieve the benefits expected from the Spin-Off.
- The increased leverage to be incurred by Starz, LLC as a result of the \$[ ] drawdown under its credit agreement, of which \$[ ] will be transferred to Spinco.
- The loss of synergies from operating as one company, particularly in administrative and support functions.
- The potential disruption of the businesses of Liberty Media, as its management and employees devote time and resources to completing the Spin-Off.
- The substantial costs of effecting the Spin-Off and of continued compliance with legal and other requirements applicable to two separate public reporting companies.
- The potential tax liabilities that could arise from the Spin-Off, including the possibility that the IRS could successfully assert that the Spin-Off is taxable to Liberty Media's stockholders and/or to Liberty Media. In the event any such tax liabilities were to arise, Spinco's potential indemnity obligation to Starz is not subject to a cap.

Based on pro forma information, Liberty Media's board also considered the percentage of revenue, total assets and total liabilities of Liberty Media attributable to the businesses and liabilities that will (i)

be transferred to Spinco in connection with the Spin-Off and (ii) remain with Starz, which as of September 30, 2012, December 31, 2011 and December 31, 2010 were as follows:

	<u>Revenue</u>	<u>Total Assets</u>	<u>Total Liabilities</u>
<b><i>September 30, 2012</i></b>			
Spinco	21%	73%	58%
Starz	79%	27%	42%
<b><i>December 31, 2011</i></b>			
Spinco	47%	67%	60%
Starz	53%	33%	40%
<b><i>December 31, 2010</i></b>			
Spinco	21%	83%	94%
Starz	79%	17%	6%

Liberty Media's board evaluated the costs and benefits of the transaction as a whole and did not find it necessary to assign relative weights to the specific factors considered. Liberty Media's board concluded, however, that the potential benefits of the Spin-Off outweighed its potential costs, and that separating our company from Liberty Media in the form of a distribution to Liberty Media's stockholders that is generally tax-free is appropriate, advisable and in the best interests of Liberty Media and its stockholders.

#### **Interests of Certain Persons**

In connection with the Spin-Off, the executive officers and directors of Liberty Media will receive adjustments to their stock incentive awards with respect to Liberty Media common stock and stock incentive awards with respect to Spinco common stock. See "—Effect of the Spin-Off on Outstanding Liberty Media Incentive Awards" below for more information.

The executive officers and directors of Liberty Media will also serve as the executive officers and directors of Spinco immediately following the Spin-Off, and certain of these directors will also serve as directors of Starz. See "Risk Factors—Our company has overlapping directors and management with Liberty Interactive and Starz, which may lead to conflicting interests." Furthermore, the executive officers and directors of Liberty Media and Spinco are entitled to indemnification with respect to actions taken by them in connection with the Spin-Off under the organizational documents of Liberty Media and Spinco, as well as customary indemnification agreements to which Liberty Media or Spinco, on the one hand, and these persons, on the other hand, are parties.

The table below sets forth the relative dollar values of the stock ownership of each executive officer and director of Liberty Media. The dollar values have been calculated based on security ownership information as of October 31, 2012 and the closing sale price of each series of Liberty Media common stock on November 26, 2012. On November 26, 2012, the closing price of Series A Liberty Capital common stock was \$109.00 and Series B Liberty Capital common stock was \$107.31. For this purpose, we have included stock owned by each such person's spouse and by certain trusts related to each such person, in each case, to the extent applicable. We have also included the executive officer's or director's shares of unvested restricted stock, however we have not included the shares of

common stock issuable upon exercise or conversion of their options or stock appreciation rights outstanding on October 31, 2012.

<u>Director or Executive Officer</u>	<u>Liberty Media Common Stock Value (\$)</u>
John C. Malone	1,094,812,643
Gregory B. Maffei	61,916,687
Robert R. Bennett	122,494,592
Donne F. Fisher	6,446,678
M. Ian G. Gilchrist	146,387
Evan D. Malone	233,587
David E. Rapley	381,391
Larry E. Romrell	722,520
Andrea L. Wong	282,855
Charles Y. Tanabe	2,818,849
Albert E. Rosenthaler	1,798,936
Christopher W. Shean	643,209

As of October 31, 2012, Liberty Media's executive officers and directors beneficially owned shares of Liberty Media common stock representing in the aggregate approximately 46.7% of the aggregate voting power of the outstanding shares of Liberty Media common stock.

The Liberty Media board was aware of these interests and considered them when it approved the Spin-Off.

### **Conditions to the Spin-Off**

Liberty Media's board of directors has reserved the right, in its sole discretion, to amend, modify, delay or abandon the Spin-Off and the related transactions at any time prior to the distribution date. In addition, the completion of the Spin-Off and related transactions are subject to the satisfaction (determined by the Liberty Media board of directors in its sole discretion) of the following conditions, any of which may be waived by the Liberty Media board of directors in its sole discretion:

- (1) Liberty Media shall have received the Ruling from the IRS, which ruling shall not have been withdrawn, invalidated or modified in an adverse manner, and the opinion of Skadden, in each case in form and substance reasonably acceptable to Liberty Media and which opinion will rely upon the continued validity of the Ruling, with each of the Ruling and the opinion providing to the effect that the Spin-Off will qualify as a tax-free transaction under Sections 355 and 368(a)(1) (D) of the Code, and that for U.S. federal income tax purposes, (i) no gain or loss will be recognized by Liberty Media upon the distribution of our common stock in the Spin-Off, and (ii) no gain or loss will be recognized by, and no amount will be included in the income of, holders of Liberty Media common stock upon the receipt of shares of our common stock in the Spin-Off;
- (2) Liberty Media shall have received a written solvency opinion from a financial advisor, in form and substance acceptable to the Liberty Media board of directors, regarding the Spin-Off and related transactions, which opinion shall not have been withdrawn or modified;
- (3) the registration statement on Form 10 with respect to the registration under the Exchange Act, of Spinco common stock, of which this information statement forms a part, shall have become effective;
- (4) the approval of Nasdaq for the listing of our common stock; and

- (5) any material regulatory or contractual consents or approvals that a committee of the Liberty Media board of directors determines to obtain shall have been obtained and be in full force and effect.

In the event the Liberty Media board of directors waives a material condition to the Spin-Off, Liberty Media intends to promptly issue a press release and file a Current Report on Form 8-K to report such event.

#### **Manner of Effecting the Spin-Off**

Liberty Media is effecting the Spin-Off by distributing to its stockholders as a dividend (i) one share of our Series A common stock for each whole share of LMCA and (ii) one share of our Series B common stock for each whole share of LMCB, in each case, held by such stockholder as of the record date.

Following the record date and prior to the distribution date, Liberty Media will deliver all of the issued and outstanding shares of our Series A common stock and Series B common stock to the distribution agent. If you own Liberty Media common stock as of the close of business on the record date, the shares of Spinco common stock that you are entitled to receive in the Spin-Off will be issued electronically, as of the distribution date, to you or to your bank or brokerage firm on your behalf by way of direct registration in book-entry form, which we expect to occur within one (1) business day of the distribution date to allow the distribution agent to effect the distribution of shares. Registration in book-entry form refers to a method of recording stock ownership when no physical share certificates are issued to stockholders, as is the case in the Spin-Off. Please note that if any stockholder of Liberty Media sells shares of LMCA or LMCB before the record date, so that such stockholder is not the record holder on the record date, the buyer of those shares, and not the seller, will become entitled to receive the shares of our common stock issuable in respect of the shares sold. If you are a holder of shares of Liberty Media common stock on the record date, you will be entitled to receive the shares of Spinco common stock issuable in respect of those shares sold even if you sell them between the record date and the distribution date. See "—Trading Prior to the Record Date" below for more information. At such time, pursuant to the reorganization agreement to be entered into between Spinco and Liberty Media, Spinco will be spun off from Liberty Media and will become an independent publicly traded company.

Stockholders of Liberty Media are not being asked to take any action in connection with the Spin-Off. No stockholder approval of the Spin-Off is required or being sought. Neither Liberty Media nor our company is asking you for a proxy, and you are requested not to send us a proxy. You are not required to pay any consideration or give up any portion of your Liberty Media common stock to receive shares of our common stock in the Spin-Off.

#### **Effect of the Spin-Off on Outstanding Liberty Media Incentive Awards**

Options to purchase shares of Liberty Media common stock, stock appreciation rights with respect to shares of Liberty Media common stock and restricted shares of Liberty Media common stock have been granted to various directors, officers, employees and consultants of Liberty Media and certain of its subsidiaries pursuant to the various stock incentive plans administered by the Liberty Media board of directors or the compensation committee thereof. Below is a description of the effect of the Spin-Off on these outstanding equity awards.

##### ***Option Awards***

Except as described below with respect to certain unvested options, the holder of an outstanding option to purchase shares of Liberty Media common stock on the record date (an **original Liberty Media option**) will receive an option to purchase an equivalent number of shares of the corresponding

series of our common stock (a **new Spingo option**) and an adjustment to the exercise price of the original Liberty Media option (as so adjusted, an **adjusted Starz option**). The exercise prices of the new Spingo option and the related adjusted Starz option will be determined based upon the exercise price of the original Liberty Media option, the pre-Spin-Off trading price of Liberty Media common stock (determined using the volume weighted average price of Liberty Media common stock over the three-consecutive trading days immediately preceding the Spin-Off) and the relative post-Spin-Off trading prices of Starz's common stock and Spingo common stock (determined using the volume weighted average price of the applicable series of common stock over the three-consecutive trading days beginning on the first trading day following the Spin-Off on which both Starz's common stock and the Spingo common stock trade in the "regular way" (meaning once the common stock trades using a standard settlement cycle)), such that the pre-Spin-Off intrinsic value of the original Liberty Media option is allocated between the new Spingo option award and the adjusted Starz option.

The holder of any unvested original Liberty Media option who is a current or former direct employee or consultant of Starz, LLC or any of its subsidiaries will not receive any new Spingo options as a result of the distribution. Rather, his or her unvested original Liberty Media option will instead be adjusted so as to preserve the pre-Spin-Off intrinsic value of the unvested original Liberty Media option based upon the exercise price of and number of shares subject to such original Liberty Media option and the pre-Spin-Off trading price of the Liberty Media common stock and post-Spin-Off trading prices of Starz's common stock (in each case, determined as described above). It was determined that these original Liberty Media option holders would not receive new Spingo options, as their future performance will have no impact on the financial results of the businesses of Spingo following the Spin-Off. Further, this adjustment-only approach was not applied to vested awards so as to avoid depriving the holders of such vested awards of the ability to exercise their awards promptly following the distribution.

Except as described above, all other terms of an adjusted Starz option and a new Spingo option (including, for example, the vesting terms thereof) will, in all material respects, be the same as those of the corresponding original Liberty Media option. The terms of the adjusted Starz option will be determined and the new Spingo option will be granted as soon as practicable following the determination of the pre- and post-Spin-Off trading prices of Liberty Media/Starz common stock and Spingo common stock, as applicable.

#### ***SAR Awards***

Except as described below with respect to certain unvested stock appreciation rights, the holder of an outstanding stock appreciation right with respect to shares of Liberty Media common stock on the record date (an **original Liberty Media SAR**) will receive a stock appreciation right with respect to an equivalent number of shares of the corresponding series of our common stock (a **new Spingo SAR**) and an adjustment to the base price of the original Liberty Media SAR (as so adjusted, an **adjusted Starz SAR**). The base prices of the new Spingo SAR and the related adjusted Starz SAR will be determined based upon the base price of the original Liberty Media SAR, the pre-Spin-Off trading price of Liberty Media common stock (determined using the volume weighted average price of Liberty Media common stock over the three-consecutive trading days immediately preceding the Spin-Off) and the relative post-Spin-Off trading prices of Starz's common stock and Spingo common stock (determined using the volume weighted average price of the applicable series of common stock over the three-consecutive trading days beginning on the first trading day following the Spin-Off on which both Starz's common stock and the Spingo common stock trade in the regular way), such that the pre-Spin-Off intrinsic value of the original Liberty Media SAR is allocated between the new Spingo SAR and the adjusted Starz SAR.

The holder of any unvested original Liberty Media SAR who is a current or former direct employee or consultant of Starz, LLC or any of its subsidiaries will not receive any new Spingo SARs

as a result of the distribution. Rather, his or her unvested original Liberty Media SAR will instead be adjusted so as to preserve the pre-Spin-Off intrinsic value of the unvested original Liberty Media SAR based upon the base price of and number of shares subject to such original Liberty Media SAR and the pre-Spin-Off trading price of the Liberty Media common stock and post-Spin-Off trading prices of Starz's common stock (in each case, determined as described above). It was determined that these original Liberty Media SAR holders would not receive new Spinco SARs, as their future performance will have no impact on the financial results of the businesses of Spinco following the Spin-Off. Further, this adjustment-only approach was not applied to vested awards so as to avoid depriving the holders of such vested awards of the ability to exercise their awards promptly following the distribution.

Except as described above, all other terms of an adjusted Starz SAR and a new Spinco SAR (including, for example, the vesting terms thereof) will, in all material respects, be the same as those of the corresponding original Liberty Media SAR. The terms of the adjusted Starz SAR will be determined and the new Spinco SAR will be granted as soon as practicable following the determination of the pre- and post-Spin-Off trading prices of Liberty Media/Starz common stock and Spinco common stock, as applicable.

#### ***Restricted Stock Awards***

Each holder of a restricted stock award with respect to shares of Liberty Media common stock (an **original Liberty Media restricted stock award**) will receive in the distribution one restricted share of the corresponding series of Spinco common stock (a **new Spinco restricted stock award**) for each restricted share of Liberty Media common stock held as of the distribution record date. Except as described above, all new Spinco restricted stock awards (including, for example, the vesting terms thereof) will, in all material respects, be the same as those of the corresponding original Liberty Media restricted stock award.

#### ***Transitional Plan***

All of the new Spinco options, new Spinco SARs and new Spinco restricted stock awards will be issued pursuant to the Spinco Transitional Stock Adjustment Plan (the **transitional plan**), a copy of which is being filed as an exhibit to the Registration Statement on Form 10 of which this information statement forms a part. The transitional plan will govern the terms and conditions of the foregoing Spinco incentive awards but will not be used to make any grants following the Spin-Off.

#### **Material U.S. Federal Income Tax Consequences of the Spin-Off**

The following discussion summarizes the material U.S. federal income tax consequences to holders of Liberty Media common stock as a result of the Spin-Off. This discussion is based on the Code, the Treasury regulations promulgated under the Code and interpretations of such authorities by the courts and the IRS, all as in effect as of the date of this document and all of which are subject to change at any time, possibly with retroactive effect. This section is limited to holders of Liberty Media common stock that are U.S. holders, as defined below, that hold their shares of Liberty Media common stock as capital assets, within the meaning of Section 1221 of the Code. Further, this section does not discuss all tax considerations that may be relevant to holders of Liberty Media common stock in light of their particular circumstances, nor does it address the consequences to holders of Liberty Media common stock subject to special treatment under the U.S. federal income tax laws, such as tax-exempt entities, partnerships (including entities treated as partnerships for U.S. federal income tax purposes), persons who acquired such shares of Liberty Media common stock pursuant to the exercise of employee stock options or otherwise as compensation, financial institutions, insurance companies, dealers or traders in securities, and persons who hold their shares of Liberty Media common stock as part of a straddle, hedge, conversion, constructive sale, synthetic security, integrated investment or other risk-reduction

transaction for U.S. federal income tax purposes. This section does not address any U.S. federal estate, gift or other non-income tax consequences or any state, local or foreign tax consequences.

**Holders of Liberty Media common stock are urged to consult with their tax advisors as to the particular tax consequences to them as a result of the Spin-Off.**

For purposes of this section, a U.S. holder is a beneficial owner of Liberty Media common stock that is, for U.S. federal income tax purposes:

- an individual who is a citizen or a resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States or any state or political subdivision thereof;
- an estate, the income of which is subject to United States federal income taxation regardless of its source; or
- a trust, if (i) a court within the United States is able to exercise primary jurisdiction over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or (ii) it has a valid election in place under applicable Treasury regulations to be treated as a U.S. person.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds shares of Liberty Media common stock, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding shares of Liberty Media common stock should consult its tax advisor regarding the tax consequences of the Spin-Off.

Liberty Media has applied for the Ruling from the IRS, and it is a condition to the Spin-Off that Liberty Media receive such Ruling to the effect that the Spin-Off will qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Code and that, accordingly, for U.S. federal income tax purposes, among other things:

- no gain or loss will be recognized by Liberty Media upon the distribution of (a) shares of Spinco Series A common stock to holders of LMCA and (b) shares of Spinco Series B common stock to holders of LMCA pursuant to the Spin-Off;
- no gain or loss will be recognized by, and no amount will be included in the income of, a holder of Liberty Media common stock upon the receipt of shares of Spinco common stock pursuant to the Spin-Off;
- a Liberty Media stockholder who receives shares of Spinco common stock in the Spin-Off will have an aggregate basis in the common stock of Starz and Spinco following the Spin-Off equal to the aggregate basis of the Liberty Media stock that the stockholder held immediately before the Spin-Off, allocated between the stock of Starz and Spinco in proportion to the fair market value of each; and
- the holding period of the shares of Spinco common stock received in the Spin-Off by a Liberty Media stockholder will include the holding period of its shares of Liberty Media common stock.

This condition, as well as all other conditions to the Spin-Off, may be waived by the Liberty Media board of directors in its sole discretion.

Liberty Media stockholders that have acquired different blocks of Liberty Media common stock at different times or at different prices should consult their tax advisors regarding the allocation of their aggregate adjusted basis among, and their holding period of, shares of Spinco common stock distributed with respect to such blocks of Liberty Media common stock.

Although any Ruling that is obtained will generally be binding on the IRS, the continued validity of the Ruling will be subject to the accuracy of factual statements and representations made to the IRS by Liberty Media upon which the Ruling is based. Further, as a result of the IRS's general ruling policy with respect to transactions under Section 355 of the Code, the Ruling will not represent a determination by the IRS that certain requirements necessary to obtain tax-free treatment to holders of Liberty Media common stock and to Liberty Media under Sections 355 and 368(a)(1)(D) of the Code (specifically, the corporate business purpose requirement, the requirement that the Spin-Off not be used principally as a device for the distribution of earnings and profits, and the non-application of Section 355(e) of the Code to the Spin-Off (discussed below)) have been satisfied. Rather, the Ruling will be based upon representations made to the IRS by Liberty Media that these requirements have been satisfied. If any of the statements or representations upon which the private letter ruling obtained by Liberty Media is based are incorrect or untrue in any material respect, or the facts upon which the ruling is based were materially different from the facts at the time of the Spin-Off, the private letter ruling could be invalidated.

As a result of this IRS ruling policy, the Spin-Off is also conditioned upon the receipt by Liberty Media of the opinion of Skadden, in form and substance reasonably acceptable to Liberty Media, to the effect that the Spin-Off will qualify as a tax-free transaction to Liberty Media and to the holders of Liberty Media common stock for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code. The opinion of counsel will rely on the continued validity of the Ruling, as to the matters covered by the Ruling, and will be based upon certain assumptions, as well as statements, representations and certain undertakings made by officers of Liberty Media and Spinco and Chairman John C. Malone. These assumptions, statements, representations and undertakings are expected to relate to, among other things, Liberty Media's/Starz's business reasons for engaging in the Spin-Off and Liberty Media's/Starz's and Spinco's current plans and intentions to continue conducting certain of its business activities and not to materially modify its ownership or capital structure, in each case following the Spin-Off. If the Ruling is no longer valid, if any of those statements, representations or assumptions is incorrect or untrue in any material respect or any of those undertakings is not complied with, or if the facts upon which the opinion is based are materially different from the facts at the time of the Spin-Off, the conclusions reached in such opinion could be adversely affected. Opinions of counsel are not binding on the IRS or the courts, and the conclusions expressed in such opinion could be challenged by the IRS and a court could sustain such challenge. This condition, as well as all other conditions to the Spin-Off, may be waived by the Liberty Media board of directors in its sole discretion.

If the Spin-Off does not qualify for tax-free treatment for U.S. federal income tax purposes, then, in general, Liberty Media would be subject to tax as if it had sold the Spinco common stock in a taxable sale for its fair market value. Liberty Media's stockholders would be subject to tax as if they had received a taxable distribution equal to the fair market value of Spinco common stock that was distributed to them, taxable as a dividend to the extent of Liberty Media's earnings and profits. The amount of the taxable distribution in excess of Liberty Media's earnings and profits would result first in a non-taxable dollar-for-dollar reduction in the stockholder's basis in its Liberty Media stock, and thereafter would be treated as capital gain from the sale or exchange of such stockholder's Liberty Media stock. It is expected that the amount of any such taxes to Liberty Media's stockholders and Liberty Media would be substantial.

Even if the Spin-Off otherwise qualifies under Sections 355 and 368(a)(1)(D) of the Code, the Spin-Off would result in a significant U.S. federal income tax liability to Liberty Media (but not to holders of Liberty Media common stock) under Section 355(e) of the Code if one or more persons acquire a 50-percent or greater interest (measured by vote or value) in the stock of Liberty Media/Starz or in the stock of Spinco as part of a plan or series of related transactions that includes the Spin-Off. Current tax law generally creates a presumption that any acquisition of the stock of Liberty Media/Starz or the stock of

Spinco within two years before or after the Spin-Off is part of a plan that includes the Spin-Off, although the parties may be able to rebut that presumption. The process for determining whether an acquisition is part of a plan under these rules is complex, inherently factual and subject to an analysis of the facts and circumstances of a particular case. Notwithstanding the opinion of counsel described above, Starz or Spinco might inadvertently cause or permit a prohibited change in Starz's ownership or Spinco's ownership to occur, thereby triggering tax liability to Liberty Media. If the Spin-Off is determined to be taxable to Liberty Media under Section 355(e), Liberty Media would recognize gain equal to the excess of the fair market value of the Spinco common stock held by it immediately before the Spin-Off over Liberty Media's tax basis therein. The Spin-Off would, however, generally be tax-free to each holder of Liberty Media stock who received shares of our stock in the distribution.

Pursuant to the tax sharing agreement that Spinco will enter into with Liberty Media in connection with the Spin-Off, subject to certain limited exceptions, Spinco will be required to indemnify Starz, its subsidiaries, and certain related persons for taxes and losses resulting from the failure of the Spin-Off to qualify as a tax-free transaction described under Sections 355 and 368(a)(1)(D) of the Code. However, Spinco will not be required to indemnify Starz for any taxes or losses that (x) result primarily from, individually or in the aggregate, the breach of certain covenants made by Starz (applicable to actions or failures to act by Starz and its subsidiaries following the completion of the Spin-Off), (y) result from Section 355(e) of the Code applying to the Spin-Off as a result of the Spin-Off being part of a plan (or series of related transactions) pursuant to which one or more persons acquire a 50-percent or greater interest (measured by vote or value) in the stock of Liberty Media/Starz or any successor, or (z) result from deferred intercompany items or excess loss accounts that are triggered by the Spin-Off, and that would otherwise be allocated to Starz. Please see "Certain Relationships and Related Party Transactions—Relationships Between Spinco and Liberty Media/Starz and/or Liberty Interactive—Tax Sharing Agreement" for a more detailed discussion of the tax sharing agreement between our company and Liberty Media.

### **Results of the Spin-Off**

Immediately following the Spin-Off, we expect to have outstanding approximately 110,328,000 shares of our Series A common stock and 9,893,000 shares of Series B common stock, based upon the number of shares of LMCA and LMCA, respectively, outstanding as of October 31, 2012. The actual number of shares of our Series A common stock and Series B common stock to be distributed in the Spin-Off will depend upon the actual number of shares of LMCA and LMCA outstanding on the record date.

Immediately following the Spin-Off, we expect to have approximately 1,600 holders of record of our Series A common stock and 100 holders of record of our Series B common stock, based upon the number of holders of record of LMCA and LMCA, respectively, as of October 31, 2012 (which amount does not include the number of stockholders whose shares are held of record by banks, brokerage houses or other institution, but includes each such institution as one stockholder).

### **Listing and Trading of our Common Stock**

On the date of this information statement, we are a wholly owned subsidiary of Liberty Media. Accordingly, there is no public market for our common stock. In connection with the Spin-Off, Liberty Media will change its name to "Starz" and we will change our name to "Liberty Media Corporation." Accordingly, we have applied to list our Series A common stock and Series B common stock on the Nasdaq Global Select Market under the symbols "LMCA" and "LMCA," respectively, which are the current trading symbols for Liberty Media's Series A and Series B Liberty Capital common stock, respectively. However, we expect our common stock to trade under temporary symbols for no more than 30 days following the Spin-Off, beginning on the first day of trading following the distribution date, so as to avoid market confusion once our common stock begins trading under Liberty Media's

current trading symbols. These temporary symbols will be announced by press release once they are available. Neither we nor Liberty Media can assure you as to the trading price of either series of our common stock after the Spin-Off. The approval of Nasdaq for the listing of our common stock is a condition to the Spin-Off, which may be waived by the Liberty Media board of directors in its sole discretion.

The shares of our common stock distributed to Liberty Media stockholders will be freely transferable, except for shares received by individuals who are our affiliates. Individuals who may be considered our affiliates after the Spin-Off include individuals who control, are controlled by or are under common control with us, as those terms generally are interpreted for federal securities law purposes. Individuals who are our affiliates will be permitted to sell their shares of our common stock only pursuant to an effective registration statement under the Securities Act of 1933, as amended (the **Securities Act**) or an exemption from the registration requirements of the Securities Act, such as the exemptions afforded by Section 4(2) of the Securities Act or Rule 144 thereunder. Our affiliates will not be permitted to sell shares of our common stock under Rule 144 until 90 days after the date on which the registration statement of which this information statement forms a part becomes effective.

#### **Trading Prior to the Record Date**

Prior to the record date, Liberty Media common stock will continue to trade on the Nasdaq Global Select Market in the regular way. During this time, shares of either series of Liberty Media common stock that trade in the regular way will trade with an entitlement to receive shares of the same series of our common stock distributable in the Spin-Off. Therefore, if you own shares of either series of Liberty Media common stock and sell those shares prior to the record date, so that you are not the record holder of such shares on the record date, you will also be selling the shares of our common stock that would have been distributed to you in the Spin-Off with respect to the shares of Liberty Media common stock you sell. If you are a holder of shares of Liberty Media common stock on the record date, you will be entitled to receive the shares of Spinco common stock issuable in respect of those shares sold even if you sell them between the record date and the distribution date. On the first day of trading following the record date, shares of LMCA and LMCB will begin trading without any entitlement to receive shares of our common stock. On the first day of trading following the distribution date, shares of Series A Liberty Capital common stock and Series B Liberty Capital common stock will begin trading under the new symbols "STRZA" and "STRZB," respectively. We expect our common stock to trade under temporary symbols for no more than 30 days following the Spin-Off, beginning on the first day of trading following the distribution date, so as to avoid market confusion once our common stock begins trading under Liberty Media's current trading symbols. These temporary symbols will be announced by press release once they are available. Following this period of time, our Series A and Series B common stock will begin trading under the symbols "LMCA" and "LMCB," respectively.

#### **Reasons for Furnishing this Information Statement**

This information statement is being furnished solely to provide information to Liberty Media stockholders who will receive shares of our common stock in the Spin-Off. It is not and is not to be construed as an inducement or encouragement to buy or sell any of our securities or any securities of Liberty Media. We believe that the information contained in this information statement is accurate as of the date set forth on the cover. Changes to the information contained in this information statement may occur after that date, and neither our company nor Liberty Media undertakes any obligation to update the information except in the normal course of our respective public disclosure obligations and practices.

**SELECTED FINANCIAL DATA**

**Selected Financial Data.**

The following tables present selected historical financial statement information relating to Liberty Media's financial condition and results of operations for the past five years. The following data should be read in conjunction with the accompanying Liberty Media consolidated financial statements. Due to the relative significance of Spinco to Starz and Liberty Media's senior management's continued involvement in Spinco post-Spin-Off, Spinco will be treated as the "accounting successor" to Liberty Media Corporation (which will be renamed Starz) for financial reporting purposes, notwithstanding the legal form of the Spin-Off described elsewhere in this information statement. Therefore, the historical financial statements of Liberty Media will continue to be the historical financial statements of Spinco.

	September 30,	December 31,				
	2012	2011	2010	2009	2008	2007
amounts in millions						
<i>Summary Balance Sheet Data:</i>						
Cash	\$ 1,169	2,070	2,090	3,951	2,228	2,571
Investments in available-for-sale securities and other cost investments	\$ 1,774	1,859	4,550	3,386	2,118	4,876
Investment in affiliates	\$ 3,221	567	91	135	235	257
Assets of discontinued operations	\$ —	—	—	—	14,211	11,050
Total assets	\$ 8,425	7,723	10,792	11,915	24,688	26,323
Current portion of debt	\$ 4	754	37	1,269	441	178
Long-term debt	\$ 537	541	2,101	2,432	2,674	4,360
Deferred tax liabilities, noncurrent	\$ 866	411	—	736	1,144	2,363
Stockholders' equity	\$ 6,398	5,261	5,026	3,315	13,300	12,815

	Nine months ended		Years ended December 31,				
	September 30,						
	2012	2011	2011	2010	2009	2008	2007
amounts in millions, except per share amounts							
<i>Summary Statement of Operations Data:</i>							
Revenue(1)	\$ 1,532	2,051	3,024	2,050	1,853	1,738	1,576
Operating income (loss)(1)(2)	\$ 301	664	957	195	9	(1,664)	(355)
Interest expense	\$ (25)	(13)	(21)	(65)	(132)	(194)	(176)
Share of earnings (loss) of affiliates, net(3)	\$ 1,294	3	49	(64)	(44)	(71)	(68)
Realized and unrealized gains (losses) on financial instruments, net	\$ 175	(81)	68	260	(34)	(20)	1,275
Gains (losses) on dispositions, net	\$ 21	(1)	(10)	36	242	13	634
Other than temporary declines in fair value of investments	\$ —	—	—	—	(9)	(1)	(33)
Earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders(4):							
Liberty Capital common stock	\$ 1,300	198	583	815	127	(592)	1,388
Liberty Starz common stock	NA	180	229	206	213	(960)	95
	<u>\$ 1,300</u>	<u>378</u>	<u>812</u>	<u>1,021</u>	<u>340</u>	<u>(1,552)</u>	<u>1,483</u>
Basic earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share(5):							
Series A and Series B Liberty Capital common stock	\$ 10.83	2.44	6.86	9.06	1.32	(5.24)	10.52
Series A and Series B Liberty Starz common stock	NA	3.53	4.49	4.12	0.46	(1.86)	0.18
Diluted earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share(5):							
Series A and Series B Liberty Capital common stock	\$ 10.48	2.39	6.63	8.76	1.31	(5.24)	10.44
Series A and Series B Liberty Starz common stock	NA	3.40	4.32	3.96	0.46	(1.86)	0.18

- (1) In 2011, TruePosition recognized \$1,029 million of previously deferred revenue and \$409 million of deferred costs associated with two separate contracts.
- (2) Includes \$1,513 million of long-lived asset impairment charges in 2008.
- (3) Sirius recognized approximately \$3.0 billion of tax benefit during the three months ended June 30, 2012. Sirius recorded the tax benefit as the result of significant positive evidence that a valuation allowance was no longer necessary for their recorded deferred tax assets. Liberty Media recognized its portion of this benefit (\$1,229 million) in the three months ended September 30, 2012, based on its ownership percentage at the time of the recognition of the deferred tax benefit by Sirius, due to an election to record earnings (loss) on a three month lag due to timeliness considerations, as discussed in the financial statements.

- (4) Earnings (loss) from continuing operations attributable to Liberty Media stockholders have been allocated to its former Liberty Starz Group and Liberty Capital Group for all the periods based on businesses and assets of each respective group prior to the conversion of all outstanding shares of Liberty Starz common stock into shares of Liberty Capital common stock on November 28, 2011 (the **Conversion**).
- (5) Basic and diluted earnings per share have been calculated for Liberty Capital and Liberty Starz common stock, prior to the Split-Off date, based on the earnings attributable to the businesses and assets to the respective groups divided by the weighted average shares on an as if converted basis for the periods assuming a 4 to 1 and 1 to 1 exchange ratio of Liberty Capital shares into Liberty Starz shares and Liberty Capital shares, respectively, in the March 2008 reclassification and a 1 to 1 exchange ratio for the Split-Off.

**Selected Unaudited Condensed Pro Forma Consolidated Financial Data.**

The following tables present selected historical financial statement information relating to Liberty Spinco, Inc.'s financial condition and results of operations giving effect to the Spin-Off as if it occurred as of each balance sheet date for the balance sheet data and on January 1, 2010 for the statement of operations data for the periods presented elsewhere in this information statement. The following data should be read in conjunction with the accompanying unaudited condensed pro forma consolidated financial statements and the Liberty Media consolidated financial statements.

	September 30, 2012	December 31, 2011      2010	
	amounts in millions		
<i>Summary Balance Sheet Data:</i>			
Cash(1)	\$ 323	970	1,773
Other current assets	\$ 214	1,088	774
Investments in available-for-sale securities and other cost investments	\$ 1,774	1,859	4,550
Investment in affiliates	\$ 3,221	567	91
Total assets	\$ 6,165	5,139	8,961
Current portion of debt	\$ —	750	—
Long-term debt	\$ —	—	2,033
Deferred tax liabilities, noncurrent	\$ 866	377	—
Stockholders' equity	\$ 4,983	3,654	3,565

	Nine months ended September 30,		Years ended December 31,		
	2012	2011	2011	2010	2009
amounts in millions, except per share amounts					
<i>Summary Statement of Operations Data:</i>					
Revenue(2)	\$ 324	868	1,409	424	313
Operating income (loss)(2)	\$ (20)	325	530	(88)	(215)
Other income (expense)	\$ 1,606	(20)	191	287	193
Earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders(3):					
Liberty Capital common stock	\$ 1,092	\$ 198	583	878	214
Liberty Starz common stock	NA	(10)	(13)	(19)	6
	<u>\$ 1,092</u>	<u>\$ 188</u>	<u>570</u>	<u>859</u>	<u>220</u>

- (1) Does not include \$200 million distributed from Starz, LLC to Liberty Media on November 16, 2012 and the additional \$1.2 billion expected to be distributed prior to the Spin-Off.
- (2) In 2011, TruePosition recognized \$1,029 million of previously deferred revenue and \$409 million of deferred costs associated with two separate contracts.
- (3) Earnings (loss) from continuing operations attributable to Liberty Media stockholders have been allocated to the Liberty Starz Group and Liberty Capital Group for all the periods based on businesses and assets of each respective group prior to the Conversion.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying consolidated financial statements and the notes thereto. For purposes of the following discussion, "we," "us," and "our" refer to Liberty Media Corporation.

#### *Explanatory Note*

Liberty Media was previously an indirect, wholly owned subsidiary of Liberty Interactive Corporation (formerly known as Liberty Media Corporation). Liberty Interactive's capital structure previously utilized three tracking stocks: Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock. During the third quarter of 2011, Liberty Interactive completed a plan to separate its Liberty Capital and Liberty Starz tracking stock groups from its Liberty Interactive tracking stock group (the **Split-Off**). The Split-Off was effected by means of a redemption of all of the Liberty Capital common stock and the Liberty Starz common stock in exchange for all of the common stock of Liberty Media, which at the time of the Split-Off held all of the assets, liabilities and businesses attributed to Liberty Interactive's Liberty Capital and Liberty Starz tracking stock groups.

#### *Overview*

We own controlling and non-controlling interests in a broad range of media, communications and entertainment companies. Our more significant operating subsidiaries, which are also our principal reportable segments, are Starz, LLC, Atlanta National League Baseball Club, Inc., and TruePosition, Inc. Starz, LLC provides premium subscription video programming to United States multichannel video distributors, including cable operators, satellite television providers and telecommunications companies. Starz also develops, produces and acquires entertainment content and distributes this content to consumers in the United States and throughout the world. ANLBC owns the Atlanta Braves, a major league baseball club, as well as certain of the Atlanta Braves' minor league clubs. TruePosition provides equipment and technology that deliver location-based services to wireless users.

Our "Corporate and Other" category includes our other consolidated subsidiaries and corporate expenses.

In addition to the foregoing businesses, we hold ownership interests in Sirius XM Radio, Inc. and Live Nation Entertainment, Inc., which we account for as equity method investments; and we maintain investments in public companies such as Barnes & Noble, Inc., Time Warner Inc., Time Warner Cable Inc. and Viacom Corporation, which are accounted for at their respective fair market values and are included in corporate and other.

During August 2012, Liberty Media's Board of Directors authorized the Spin-Off, in which shares of Spinco, which will hold all of the businesses, assets and liabilities of Liberty Media not associated with Starz, LLC (with the exception of the Starz office building), will be distributed to Liberty Media stockholders. The transaction will be effected as a pro-rata dividend of shares, expected to be on a 1 to 1 ratio, of Spinco to the stockholders of Liberty Media. Spinco, which will become a separate public company upon the completion of the Spin-Off, will be renamed Liberty Media Corporation. The businesses, assets and liabilities not included in Spinco will remain part of a separate public company to be renamed Starz. Due to the relative significance of Spinco to Starz and Liberty Media's senior management's continued involvement with Spinco post-Spin-Off, Spinco will be treated as the "accounting successor" to Liberty Media Corporation for financial reporting purposes, notwithstanding

the legal form of the Spin-Off previously described. Therefore, the historical financial statements of Liberty Media will continue to be the historical financial statements of Spinco and will present Starz as discontinued operations upon completion of the Spin-Off.

The Spin-Off is intended to be tax-free to stockholders of Liberty Media and its completion is subject to various conditions, including the registration of the shares to be distributed, the receipt of an IRS private letter ruling, the opinions of tax counsel and any required government approvals. These conditions, as well as all other conditions to the Spin-Off, may be waived by the Liberty Media board of directors in its sole discretion. The Spin-Off will not require a stockholder vote. The Spin-Off is currently expected to occur in late 2012 or early 2013.

Following the Spin-Off, Spinco and Starz will operate independently, and neither will have any stock ownership, beneficial or otherwise, in the other. In connection with the Spin-Off, however, Spinco and Liberty Media/Starz (or certain of its subsidiaries) are entering into certain agreements in order to govern the ongoing relationships between Spinco and Starz after the Spin-Off and to provide for an orderly transition. See "Certain Relationships and Related Party Transactions—Relationships Between Spinco and Liberty Media/Starz and/or Liberty Interactive" and the financial statements included in this information statement. If the proposed Spin-Off is completed, it will be accounted for at historical cost since the Spinco common stock is to be distributed pro rata to the holders of Liberty Media's Liberty Capital common stock.

#### ***Former Tracking Stocks***

Tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. On November 28, 2011, our tracking stock structure was eliminated in the Conversion, through the conversion of each share of Liberty Starz common stock for .88129 of a share of the corresponding series of Liberty Capital common stock (with cash issued in lieu of fractional shares). Prior to the Conversion, we had two tracking stocks—Liberty Starz common stock and Liberty Capital common stock, which were intended to track and reflect the economic performance of the Starz Group and Capital Group, respectively. While the Starz Group and the Capital Group had separate collections of businesses, assets and liabilities attributed to them, no group was a separate legal entity and therefore could not own assets, issue securities or enter into legally binding agreements. Holders of our tracking stocks had no direct claim to the group's stock or assets and were not represented by separate boards of directors. Instead, holders of the tracking stocks were stockholders of our company, with a single board of directors and subject to all of the risks and liabilities of the Company.

On February 9, 2011, Liberty Interactive's board of directors approved the change in attribution of (i) approximately \$1.138 billion principal amount of Liberty Interactive LLC's (formerly known as Liberty Media LLC) 3.125% Exchangeable Senior Debentures due 2023 (the **TWX Exchangeable Notes**), (ii) approximately 22 million shares of Time Warner Inc. common stock, approximately 5 million shares of Time Warner Cable Inc. common stock and approximately 2 million shares of AOL, Inc. common stock, which collectively represent the basket of securities into which the TWX Exchangeable Notes are exchangeable and (iii) \$263.8 million in cash from its Capital Group to its Interactive Group, effective as of the aforementioned date (the **TWX Reattribution**). The TWX Reattribution had no effect on the assets and liabilities attributed to the Starz Group, nor did it effect any change to the obligor of the TWX Exchangeable Notes, which remains Liberty Interactive LLC.

Liberty Interactive had made changes in the attribution of certain assets, liabilities and businesses between the tracking stock groups in prior periods, as discussed in previous financial statements filed with the Securities and Exchange Commission and in the Notes to Condensed Financial Statements included in this information statement.

## ***Strategies and Challenges of Business Units***

***Starz, LLC.*** Starz is focused on several initiatives to increase its revenue. Starz's goal is to provide its distributors and their subscribers with high-quality, differentiated premium video services available on multiple viewing platforms (linear, On-Demand and over the Internet). Starz also intends to utilize its integrated business units to exploit its original programming content in the home video, digital (Internet) and non-pay television markets. To achieve these goals, Starz intends to:

- Expand its original programming lineup over time.
- Renew and extend affiliation agreements with key distributors on favorable terms.
- Rationalize valuable digital rights with both traditional distributors, as well as online video distributors.
- Continue to invest in the Starz brand by focusing its marketing investment on its original series.

Starz faces certain key challenges in its attempt to meet these goals, including;

- Potential loss of subscribers due to economic conditions and competition from other networks and other video programming services.
- Its ability to continue to acquire or produce affordable programming content, including original programming content, that appeals to its distributors and its viewers.
- Its ability to renew and extend affiliation agreements with key distributors on favorable terms.
- Potential consolidation of its distributors.
- Increased rates paid by its distributors to carry broadcast networks and sports networks may make it more difficult for consumers to afford premium video services.
- Its distributor's willingness to market our networks and other services.
- Its ability to react to changes in viewer habits related to technologies such as DVRs, video-on-demand, Internet-based content delivery, Blu-ray players and mobile devices.

***ANLBC, Inc.*** ANLBC is focused on providing the best team, ballpark and entertainment experience to every member of its community (both locally and nationally). It owns and operates the Atlanta Braves Major League Baseball franchise as well as other minor league teams, which creates a player talent pipeline. The Atlanta Braves have earned 14 division championships, five National League pennants, and a World Series title. Based in Atlanta since 1966, the Braves franchise is the longest continuously operating franchise in Major League Baseball. ANLBC derives revenue from the sale of tickets for home games (played at Turner Field), game-day sales of concessions and other goods and services and broadcasting rights (local, regional and national). Key initiatives to help achieve these activities are as follows:

- Investment in acquisition and development of players, coaches and management talent
- Strategic partnerships with Sponsors to mutually grow brand recognition
- Providing patrons with a positive experience regardless of on-field performance by providing top-notch customer service and facility amenities from its expansive HD scoreboard to all-inclusive SunTrust homeplate club
- Catering to a broad patron base by having a variety of game viewing options from suites and club level to general admission tickets
- Expanding season ticket base, group sales and game-day sales through marketing efforts and pricing

- Brand recognition that is reflective of a top tier operation in its industry

**TruePosition.** TruePosition is focused on delivering technology for locating wireless phones and other wireless devices enabling carriers, application providers and other enterprises to provide public safety E-911 services domestically, and other location-based services, including security applications, both domestically and worldwide. TruePosition derives revenue from the sale of hardware, software and ongoing technical and software support.

TruePosition's domestic business is driven by a mandate by the Federal Communication Commission which requires wireless carriers to implement wireless location capability in support of the E911 emergency location system. Other countries have had discussions about adopting similar standards; however, to date, none have done so. As a result, there has been very little public safety market activity outside of the United States of America. TruePosition also pursues international opportunities, and holds contracts where wireless location capability is implemented to support national security and law enforcement. TruePosition actively participates in organizations and forums and engages partners to promote the public safety and security benefits of wireless location capabilities with the goal of expanding its business globally.

TruePosition's product offerings compete with other technologies, the foremost among them being wireless devices capable of determining their position using the Global Positioning System (GPS), a technology that has been widely deployed by wireless carriers. TruePosition's technology allows more accurate location of wireless devices in indoor and urban canyon environments while other GPS related technologies perform well in areas where views to satellites are not obstructed. The FCC is considering whether and in what manner to adopt accuracy standards for wireless calls placed from indoors. For those carriers that have chosen GPS solutions for E-911 services, should the FCC adopt such standards, TruePosition's product offerings can work in conjunction with GPS (and other) technologies to provide an accurate location in multiple environments.

TruePosition is currently out of contract with T-Mobile, one of its two significant U.S. customers. The current contract with AT&T expires December 31, 2015. In addition, consolidations in the wireless industry have continued to change the market. TruePosition could be required to renegotiate key contract terms with U.S. wireless carriers as accuracy standards change and competing technologies evolve.

**Results of Operations—Consolidated—September 30, 2012 and 2011**

**General.** We provide in the tables below information regarding our Consolidated Operating Results and Other Income and Expense, as well as information regarding the contribution to those items from our reportable segments. The "corporate and other" category consists of those assets or businesses which do not qualify as a separate reportable segment. For a more detailed discussion and analysis of the financial results of the principal reporting segments see "Results of Operations—Businesses" below.

**Consolidated Operating Results**

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
	amounts in millions			
<b>Revenue</b>				
Starz, LLC	\$ 400	389	1,208	1,183
ANLBC	114	104	216	199
TruePosition	21	32	60	619
Corporate and other	20	15	48	50
	<u>\$ 555</u>	<u>540</u>	<u>1,532</u>	<u>2,051</u>
<b>Adjusted OIBDA</b>				
Starz, LLC	\$ 108	107	343	356
ANLBC	26	19	31	11
TruePosition	7	7	11	380
Corporate and other	(4)	(4)	(12)	(10)
	<u>\$ 137</u>	<u>129</u>	<u>373</u>	<u>737</u>
<b>Operating Income (Loss)</b>				
Starz, LLC	\$ 99	101	319	337
ANLBC	16	12	9	(19)
TruePosition	8	5	9	380
Corporate and other	(12)	(7)	(36)	(34)
	<u>\$ 111</u>	<u>111</u>	<u>301</u>	<u>664</u>

**Revenue.** Our consolidated revenue increased \$15 million for the three months ended September 30, 2012 and decreased \$519 million for the nine months ended September 30, 2012, as compared to the corresponding prior year periods. The three month increase was primarily due to an overall increase in revenue at Starz, LLC as the changes in revenue at ANLBC and TruePosition were offsetting. The nine month decrease was primarily due to a decrease in revenue at TruePosition, as a result of the recognition of previously deferred revenue in the prior year. See "Results of Operations—Businesses" below for a more complete discussion of the results of operations of certain of our subsidiaries.

**Adjusted OIBDA.** We define Adjusted OIBDA as revenue less operating expenses and selling, general and administrative ("SG&A") expenses (excluding stock compensation). Our chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. We believe this is an important indicator of the operational strength and performance of our businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows us to view operating results, perform analytical comparisons and

benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes such costs as depreciation and amortization, stock-based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. See note 10 to the accompanying condensed consolidated financial statements for a reconciliation of Adjusted OIBDA to Earnings (loss) from continuing operations before income taxes.

Consolidated Adjusted OIBDA increased \$8 million for the three months ended September 30, 2012 and decreased \$364 million for the nine months ended September 30, 2012, as compared to the corresponding prior year periods. The three month increase was primarily driven by the increase in Adjusted OIBDA for ANLBC. The nine month decrease was primarily driven by the decrease in Adjusted OIBDA for TruePosition as a result of a one-time recognition of deferred revenue and costs in the prior year. See "Results of Operations—Businesses" below for a more complete discussion of the results of operations of certain of our subsidiaries.

**Stock-based compensation.** Stock-based compensation includes compensation related to (1) options and stock appreciation rights ("SARs") for shares of our common stock that are granted to certain of our officers and employees, (2) phantom stock appreciation rights ("PSARs") granted to officers and employees of certain of our subsidiaries pursuant to private equity plans and (3) amortization of restricted stock grants.

We recorded \$28 million and \$24 million of stock compensation expense for the nine months ended September 30, 2012 and 2011, respectively. The increase in stock compensation expense in 2012 relates primarily to our liability classified awards due to the overall increase in our stock price in the current period as compared to the prior period increase. As of September 30, 2012, the total unrecognized compensation cost related to unvested Liberty Media equity awards was approximately \$73 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 2.7 years.

**Operating income.** Our consolidated operating income remained relatively flat for the three months ended September 30, 2012 and decreased \$363 million for the nine months ended September 30, 2012, as compared to the corresponding prior year periods. The nine month decrease is primarily the result of a change in operating results for TruePosition, due to a one-time recognition of deferred revenue and costs in the prior year.

### Other Income and Expense

Components of Other Income (Expense) are presented in the table below.

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
	amounts in millions			
Other income (expense):				
Interest expense	(11)	(3)	(25)	(13)
Dividend and interest income	22	9	67	56
Share of earnings (losses) of affiliates	1,281	53	1,294	3
Realized and unrealized gains (losses) on financial instruments, net	135	(257)	175	(81)
Gains (losses) on dispositions, net	21	1	21	(1)
Other, net	49	1	59	5
	<u>1,497</u>	<u>(196)</u>	<u>1,591</u>	<u>(31)</u>

**Interest expense.** Consolidated interest expense increased for the three and nine months ended September 30, 2012 as compared to the corresponding prior year periods. The increase is due to a change in the average interest rate on the outstanding debt period over period. The interest rate on the Starz Credit Facility, which was not in place until the third quarter of 2011, is greater than the interest rate of our bank facility which was repaid in the first quarter of 2012.

**Dividend and interest income.** Consolidated dividend and interest income increased for the three and nine months ended September 30, 2012, as compared to the corresponding prior year periods. The increase in the current period is primarily due to the interest on our Barnes & Noble investment, which was not acquired until the third quarter of 2011.

**Share of earnings (losses) of affiliates.** The following table presents our share of earnings (losses) of affiliates:

	Three months ended		Nine months ended	
	September 30, 2012	2011	September 30, 2012	2011
	amounts in millions			
Sirius	\$ 1,276	42	1,327	34
Live Nation	—	1	(38)	(44)
Other	5	10	5	13
	<u>\$ 1,281</u>	<u>53</u>	<u>1,294</u>	<u>3</u>

Sirius recognized approximately \$3.0 billion of tax benefit during the three months ended June 30, 2012. Sirius recorded the tax benefit as the result of significant positive evidence that a valuation allowance was no longer necessary for their recorded deferred tax assets. We recognized our portion of this benefit (\$1,229 million) in the three months ended September 30, 2012, based on our ownership percentage at the time of the recognition of the deferred tax benefit by Sirius, due to an election to record earnings (loss) on a three month lag as discussed in note 7 in condensed consolidated financial statements. Additionally, during the current year, we have been accumulating additional shares of Sirius, exchanged a portion of our preferred shares for common stock and have requested approval to obtain de jure control of Sirius from the FCC. As of September 30, 2012, we had an approximate 49% equity ownership position. We expect that within the near term a final decision from the FCC will be forthcoming and if we are approved for control we expect to acquire the necessary additional shares to obtain equity ownership above 50% and exercise our rights to control Sirius. If we take control of Sirius, we would be required to apply purchase accounting which would require the recognition of a significant gain (the difference between our carrying value and the fair value of our percentage ownership in Sirius) and we would consolidate Sirius which would considerably change the overall financial statement presentation of our company.

During the second quarter of 2011, we acquired an additional 5.5 million shares of Live Nation which increased our ownership percentage above 20% of the outstanding voting shares. Due to the presumption that an entity with an ownership percentage greater than 20% has significant influence and no other factors to rebut that presumption, we are accounting for the investment as an equity method affiliate. Increases in ownership which result in a change to the equity method of accounting generally require retroactive recognition of an investment's share of earnings (loss) in prior periods. Due to the relative insignificance of our share of losses for Live Nation in previous periods not presented, both quantitatively and qualitatively, we have recorded approximately \$12 million of these losses in the six months ended June 30, 2011.

**Realized and unrealized gains (losses) on financial instruments.** Realized and unrealized gains (losses) on financial instruments are comprised of changes in the fair value of the following:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
	amounts in millions			
Non-strategic Securities	\$ 126	(337)	257	48
Borrowed shares	—	72	—	(46)
Exchangeable senior debentures	—	—	—	(85)
Other derivatives	9	8	(82)	2
	<u>\$ 135</u>	<u>(257)</u>	<u>175</u>	<u>(81)</u>

**Gains (losses) on dispositions, net.** During September 2012, Sirius tendered for certain bonds that we carried as available for sale debt securities. As our basis in these securities was less than the proceeds we received, a gain was recorded for the difference.

**Income taxes.** Our income taxes for the nine months ended September 30, 2012 were lower than the federal rate of 35% as a result of a capital loss realized on the taxable liquidation of a consolidated subsidiary. The realized capital loss was approximately \$285 million and as a result a \$100 million federal tax benefit was recorded and is being carried forward as a deferred tax asset.

**Net earnings.** We had net earnings of \$1,006 million and \$1,301 million for the three and nine months ended September 30, 2012, respectively. The change in net earnings was the result of the above-described fluctuations in our revenue, expenses and other gains and losses.

#### **Results of Operations—Businesses**

**Starz, LLC.** Starz, LLC provides premium subscription video programming to United States multichannel video distributors, including cable operators, satellite television providers and telecommunications companies. Starz, LLC also develops, produces and acquires entertainment content and distributes this content to consumers in the United States and throughout the world. Starz, LLC is managed by and organized around the Starz Channels, Starz Distribution and Starz Animation business units. Starz Distribution includes the Home Video, Digital Media and Worldwide Distribution (previously referred to as Television) businesses.

A large portion of Starz, LLC's revenue is derived from the delivery of movies and original programming content to consumers through Starz Channels' distributors. Certain of Starz, LLC's affiliation agreements with its distributors provide for payments to Starz, LLC based on the number of subscribers that receive the Starz Channels' services ("Consignment"). Starz, LLC also has fixed-rate affiliation agreements with certain of its distributors. Pursuant to these agreements, distributors pay an agreed-upon rate regardless of the number of subscribers. The agreed-upon rate may be increased annually to the extent the contract provides for an increase. The affiliation agreements have various terms ranging from rolling month to month extensions with certain distributors to agreements which last into 2019. Starz, LLC's affiliation agreements expire from time to time and are subject to renegotiation with its distributors. Affiliation agreements accounting for approximately 30% of Starz Channels' revenue for the three and nine months ended September 30, 2012 are set to expire or are subject to renegotiation in the fourth quarter of 2012. A substantial majority of the 30% is accounted for by two distributors who exercised options to renegotiate their affiliation agreements. Recently, Starz, LLC has agreed with one of these distributors for a multi-year extension and has reached agreement on the substantive financial terms with the other distributor for a multi-year extension. The financial terms of the extensions are generally less favorable than the financial terms in the prior

affiliation agreements. These less favorable financial terms would have resulted in an approximate reduction of 3% of Starz Channels' revenue for both the three and nine months ended September 30, 2012, respectively, on a pro-forma basis had the extended agreements been in effect on January 1, 2012. Each of these agreements provide for contractually agreed upon increases in the amounts Starz, LLC receives on an annual basis beginning on the first anniversary of the extensions. During the three months ended September 30, 2012, approximately 58% of the Starz Channels' revenue was generated by its three largest distributors, Comcast, DIRECTV, and Dish Network, each of which individually generated 10% or more of the Starz Channels' revenue for such period.

Starz, LLC's operating results are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	amounts in millions			
Revenue	\$ 400	389	1,208	1,183
Operating expenses	(237)	(226)	(701)	(654)
SG&A expenses	(55)	(56)	(164)	(173)
Adjusted OIBDA	108	107	343	356
Stock-based compensation	(4)	(2)	(10)	(5)
Depreciation and amortization	(5)	(4)	(14)	(14)
Operating income	\$ 99	101	319	337

Starz, LLC's revenue increased \$11 million or 2.8% and \$25 million or 2.1% for the three and nine months ended September 30, 2012, respectively, as compared to the corresponding prior year periods. For the three months ended September 30, 2012, revenue increased for Starz Distribution and remained flat for both the Starz Channels' business and the Starz Animation business. Revenue for the nine months ended September 30, 2012 increased primarily as a result of increases in revenue from the Starz Distribution and Starz Channels' businesses which were partially offset by a decrease in revenue for the Starz Animation business. Starz Channels' revenue represented approximately 80% and 82% of Starz, LLC's total revenue for the three months ended September 30, 2012 and 2011, respectively, and approximately 80% of Starz, LLC's total revenue for each of the nine months ended September 30, 2012 and 2011. The following table sets forth Starz, LLC's total revenue by business unit:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	amounts in millions			
Starz Channels	\$ 317	318	961	950
Starz Distribution	75	62	224	208
Starz Animation	10	10	31	33
Eliminations	(2)	(1)	(8)	(8)
Total Revenue	\$ 400	389	1,208	1,183

Revenue from Starz Channels remained relatively flat and increased \$11 million or 1.2% for the three and nine months ended September 30, 2012, respectively, as compared to the corresponding prior year period. Starz Channels' revenue remained relatively flat for the three months ended September 30, 2012 as an \$8 million increase due to higher effective rates for the Starz Channels' services was offset by a \$9 million decrease in volume. The Starz Channels' growth in revenue for the nine months ended September 30, 2012 resulted from a \$28 million increase due to higher effective rates for the Starz

Channels' services which was partially offset by a \$17 million decrease in volume. The decrease in volume for both the three month and nine months ended September 30, 2012 was due primarily to the non-renewal of the Netflix agreement which was partially offset by growth in the average number of subscriptions for the Starz Channels' services.

The Starz and Encore channels are the primary drivers of Starz Channels' revenue. The following table sets forth information on Starz and Encore subscribers:

	<u>September 30,</u>	
	<u>2012</u>	<u>2011</u>
	amounts in millions	
<b>Starz:</b>		
Fixed-rate subscriptions	12.6	9.0
Consignment subscriptions	8.2	10.0
Total Starz subscriptions	<u>20.8</u>	<u>19.0</u>
<b>Encore:</b>		
Fixed-rate subscriptions	22.6	19.4
Consignment subscriptions	11.7	13.4
Total Encore subscriptions	<u>34.3</u>	<u>32.8</u>

Starz Channels' average subscriptions increased 9.4% and 8.5% for the three and nine months ended September 30, 2012, respectively, compared to the corresponding prior year periods and Encore average subscriptions increased 4.1% and 2.8% for the three and nine months ended September 30, 2012, respectively, compared to the corresponding prior year periods. The impact on revenue due to subscription increases is affected by the relative percentages of increases under consignment agreements and fixed-rate agreements. In this regard, as of September 30, 2012, subscriptions under fixed-rate agreements were 35.2 million while subscriptions under consignment agreements were 19.9 million. As of September 30, 2011, subscriptions under fixed-rate affiliation agreements were 28.4 million while subscriptions under consignment agreements were 23.4 million. The increase in fixed-rate subscriptions includes 3.9 million of subscriptions for certain distributors which moved from consignment to fixed-rate agreements.

Revenue from Starz Distribution increased \$13 million or 21.0% and \$16 million or 7.7% for the three and nine months ended September 30, 2012, respectively, as compared to the corresponding prior year periods. The increase for the three month period is primarily due to increased revenue from the Home Video and Digital Media businesses. The Home Video and Digital Media businesses were positively impacted during the third quarter of 2012 by the distribution of the AMC Network's original series "The Walking Dead." Revenue from Starz, LLC's original series "Spartacus" (primarily home video revenue) also contributed to Starz Distribution's increase in revenue during the third quarter of 2012. The increase for the nine months is primarily due to increased revenue from Worldwide Distribution and Digital Media businesses which was offset by a decrease in revenue from the Home Video business. The Digital Media business experienced an increase in revenue from films released under the distribution agreement with The Weinstein Company ("TWC") while the Home Video business experienced a decrease in revenue from TWC's films during the nine months ended September 30, 2012 as compared to the corresponding prior year period. Home Video revenue was positively impacted in 2011 by the release of TWC's "The King's Speech," which won four Academy Awards®, including Best Picture, Best Actor, Best Director and Best Original Screenplay.

Operating expenses increased \$11 million or 4.9% and \$47 million or 7.2% during the three and nine months ended September 30, 2012, respectively, as compared to corresponding prior year periods. The increase for the three month period is primarily due to an increase in participation expense which

is partially offset by a decrease in programming expense. The increase for the nine month period is due primarily to higher programming costs and participation expense.

Programming expenses are Starz, LLC's primary operating expense and totaled approximately \$165 million, \$170 million, \$505 million and \$482 million for the three and nine months ended September 30, 2012 and 2011, respectively. Programming expenses decreased during the most recent three month period primarily due to lower box office results for films licensed under its output agreements, partially offset by an increase in expense related to its original programming. Programming expenses for the nine month period have increased in large part due to increased exhibitions of its original programming content and the higher production cost (which resulted in higher amortization) of its 2012 original series as compared to its 2011 series. We expect that programming costs related to original programming will continue to increase in the future as Starz, LLC continues to invest in original content. Participation expense represents amounts paid or due to participants under agreements it has whereby Starz Distribution distributes content in which a participant has an ownership interest in the content (e.g., TWC, AMC Networks, producers or writers of our original programming, etc.). The increase in participation expense for both the three and nine months ended September 30, 2012 as compared to the corresponding prior year periods is due to an increase in Starz Distribution revenue and a higher gross margin in 2012 on films distributed for TWC which was primarily the result of higher advertising and marketing costs in 2011 as described below.

Starz, LLC's SG&A expenses decreased by \$1 million or 1.8% and \$9 million or 5.2% for the three and nine months ended September 30, 2012, respectively, as compared to the corresponding prior year periods. The decrease in SG&A expenses for the three and nine month periods was due primarily to a decrease in advertising and marketing for Starz Distribution. Advertising and marketing for Starz Distribution was higher in 2011 primarily as a result of the home video release of "The King's Speech." Advertising and marketing for Starz Channels was relatively flat for the three and nine months ended September 30, 2012 as compared to the corresponding prior year periods. However, we expect that advertising expenses related to original programming will increase in future periods as Starz, LLC continues to invest in original content.

Starz, LLC's Adjusted OIBDA increased \$1 million or 0.9% and decreased \$13 million or 3.7% for the three and nine months ended September 30, 2012, as compared to the corresponding prior year periods. The primary reason for the decrease in Adjusted OIBDA during the nine month period was an increase in the number of exhibitions and an increase in programming amortization resulting from increased production costs associated with its 2012 original series.

**ANLBC.** The three and nine months ended September 30, 2012 showed improved results in all aspects as compared to the corresponding prior year periods. During the three months ended September 30, 2012 the Braves had slightly higher revenue due to greater attendance and a slightly higher price per ticket. Revenue contributed to the increase in Adjusted OIBDA as compared to the corresponding prior year periods as well as an overall decrease in player compensation. Player compensation is down due to the movement of certain players in the off season and those costs being recognized in the fourth quarter of 2011. Additionally, there was a reduction in amortization which resulted in an incremental improvement to ANLBC's operating loss, as compared to the prior year periods, due to certain intangible assets becoming fully amortized throughout 2011.

**TruePosition.** The dramatic reduction in Revenue, Adjusted OIBDA and Operating Income during the nine months ended September 30, 2012 was a direct result of a significant recognition of deferred revenue and deferred costs during the nine months ended September 30, 2011. TruePosition recognized approximately \$538 million of deferred revenue and \$167 million of associated deferred costs during the three months ended March 31, 2011. In the first quarter of 2011 TruePosition amended and extended its agreement with AT&T under which TruePosition sells hardware, licenses software and provides ongoing technical and software support to AT&T which are used in the provision of E-911

services domestically. Under the relevant accounting guidance a material modification requires that elements under the agreement that meet the separation criteria that have been delivered be recognized as of the modification date. The revenue and associated costs had been deferred under the previous accounting guidance as Vendor Specific Objective Evidence for undelivered items (specified upgrades committed to in November of 2006) did not exist. Additionally, as discussed in Liberty Media's most recent Annual Report on Form 10-K, TruePosition is out of contract with one of its large customers and has experienced no business activity with this customer for the nine months ended September 30, 2012. While TruePosition continues to have ongoing discussions with this customer, with regards to a new contract, it is uncertain as to when, if any, business activity with this customer will materialize in the current year. If a new agreement cannot be negotiated we anticipate that TruePosition's Revenue, Adjusted OIBDA and Operating Income will be significantly adversely impacted for the year ended December 31, 2012.

**Results of Operations—Consolidated—December 31, 2011, 2010 and 2009**

**General.** We provide in the tables below information regarding our Consolidated Operating Results and Other Income and Expense, as well as information regarding the contribution to those items from our reportable segments. The "corporate and other" category consists of those assets or businesses which do not qualify as a separate reportable segment. For a more detailed discussion and analysis of the financial results of our principal reporting segments, see "Results of Operations—Businesses" below.

**Consolidated Operating Results**

	December 31,		
	2011	2010	2009
amounts in millions			
<b>Revenue</b>			
Starz, LLC	\$ 1,615	1,626	1,540
ANLBC	208	203	206
TruePosition	1,138	143	32
Corporate and other	63	78	75
	<u>\$ 3,024</u>	<u>2,050</u>	<u>1,853</u>
<b>Adjusted OIBDA</b>			
Starz, LLC	449	343	283
ANLBC	(6)	6	8
TruePosition	634	(3)	(77)
Corporate and other	(17)	(22)	(15)
	<u>\$ 1,060</u>	<u>324</u>	<u>199</u>
<b>Operating Income (Loss)</b>			
Starz, LLC	424	281	222
ANLBC	(39)	(47)	(40)
TruePosition	632	34	(84)
Corporate and other	(60)	(73)	(89)
	<u>\$ 957</u>	<u>195</u>	<u>9</u>

**Revenue.** Our consolidated revenue increased \$974 million and \$197 million for the years ended December 31, 2011 and 2010, as compared to the corresponding prior year periods. The current year increase was primarily due to a one time recognition of previously deferred revenue from two separate contracts at TruePosition which aggregated \$1,029 million. The prior year increase was due to increases

in home video and channels for Starz and timing of revenue recognition at TruePosition. See Results of Operations—Businesses below for a more complete discussion of the results of operations of certain of our significant subsidiaries.

**Adjusted OIBDA.** We define Adjusted OIBDA as revenue less operating expenses and SG&A expenses (excluding stock compensation). Our chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. We believe this is an important indicator of the operational strength and performance of our businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows us to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes such costs as depreciation and amortization, stock-based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. See note 20 to the accompanying consolidated financial statements for a reconciliation of Adjusted OIBDA to Earnings (loss) from continuing operations before income taxes.

Consolidated Adjusted OIBDA increased \$736 million and \$125 million for the years ended December 31, 2011 and 2010, as compared to the corresponding prior year periods. The current year increase was primarily driven by the one time recognition of previously deferred revenues and costs at TruePosition which accounted for \$620 million of the increase in 2011. The prior year increase is primarily due to improved results for Starz, LLC and timing of recognition of certain deferred revenue and costs at TruePosition. See Results of Operations—Businesses below for a more complete discussion of the results of operations of certain of our significant subsidiaries.

**Stock-based compensation.** Stock-based compensation includes compensation related to (1) options and SARs for shares of our common stock that are granted to certain of our officers and employees, (2) PSARs granted to officers and employees of certain of our subsidiaries pursuant to private equity plans and (3) amortization of restricted stock grants.

We recorded \$32 million, \$83 million and \$81 million of stock compensation expense for the years ended December 31, 2011, 2010 and 2009, respectively. The decrease in stock compensation expense in 2011 relates primarily to our liability classified awards due to a less significant increase in our stock prices in 2011 as compared to the prior period and a decreased number of stock options granted during 2011. As of December 31, 2011, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately \$68 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 2.2 years.

**Operating income.** Our consolidated operating income increased \$762 million and \$186 million for the years ended December 31, 2011 and 2010 as compared to the corresponding prior year periods. The increases are primarily the result of increases for TruePosition and the improved results for Starz, LLC, as described above.

## Other Income and Expense

Components of Other Income (Expense) are presented in the table below.

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Other income (expense):			
Interest expense	\$ (21)	(65)	(132)
Dividend and interest income	79	88	117
Share of earnings (losses) of affiliates	49	(64)	(44)
Realized and unrealized gains (losses) on financial instruments, net	68	260	(34)
Gains (losses) on dispositions, net	(10)	36	242
Other, net	5	10	12
	<u>\$ 170</u>	<u>265</u>	<u>161</u>

**Interest expense.** Interest expense decreased \$44 million and \$67 million for the years ended December 31, 2011 and 2010, as compared to the corresponding prior year periods. The overall decreases in interest expense related to a lower average debt balance throughout the periods, as compared to the corresponding prior year periods. The lower average debt balance is primarily due to the changes in attribution of certain parent debt to Liberty Interactive's Interactive Group prior to the Split-Off.

**Dividend and interest income.** Interest income decreased in 2011 and 2010 primarily due to lower interest rates and a reduction in our interest bearing investment balances.

**Share of earnings (losses) of affiliates.** The following table presents our share of earnings (losses) of affiliates:

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Sirius	\$ 68	(41)	(28)
Live Nation	(34)	—	—
Other	15	(23)	(16)
	<u>\$ 49</u>	<u>(64)</u>	<u>(44)</u>

During June 2011, we acquired an additional 5.5 million shares of Live Nation, which increased Liberty's ownership percentage above 20% of the outstanding voting shares. Due to a presumption that an entity with an ownership percentage greater than 20% has significant influence absent other factors to rebut that presumption, we are accounting for the investment as an equity method affiliate. We have elected to record its share of earnings (loss) for Live Nation on a three-month lag due to timeliness considerations. Increases in ownership which result in a change to the equity method of accounting generally require retroactive recognition of an investment's share of earnings (loss) in prior periods. Due to the relative insignificance of our share of losses for Live Nation in previous periods, both quantitatively and qualitatively, we have recorded such amounts in 2011. Approximately \$12 million of the losses recorded for the year ended December 31, 2011 relate to the prior year.

**Realized and unrealized gains (losses) on financial instruments.** Realized and unrealized gains (losses) on financial instruments are comprised of changes in the fair value of the following:

	Years ended December 31, 2011		
	2011	2010	2009
	amounts in millions		
Non-strategic Securities(1)	\$ 254	669	1,076
Borrowed shares(1)	(104)	(254)	(301)
Net change in Non-strategic Securities(1)	150	415	775
Exchangeable senior debentures(2)	(85)	(111)	(670)
Equity collars	—	(2)	(101)
Other derivatives	3	(42)	(38)
	\$ 68	260	(34)

- (1) Based on the nature of the borrowed share accounting, as described in note 9 in the accompanying financial statements, gains and (losses) on borrowed shares completely offset the gains and (losses) on the same Non-strategic Securities owned by the Company. During the current year we settled all borrowed share arrangements through the release of those shares, held as collateral, to the counterparty.
- (2) Prior to the Split-Off, all the Exchangeable Senior Debentures were transferred to Liberty Interactive through reattributions in the current or prior years.

**Gains (losses) on dispositions.** Gains on dispositions primarily related to gains associated with the repayment of certain Sirius debt securities in the prior years.

**Income taxes.** Our effective tax rate for the year ended December 31, 2011 is 28%. During the years ended December 31, 2010 and December 31, 2009 we recognized net income tax benefits of \$558 million and \$170 million, respectively. Our effective tax rate for all three years were impacted for the following reasons:

- During the fourth quarter of 2011, we recognized previously unrecognized tax benefits of \$104 million as we reached an agreement with the IRS with respect to all disputed items reported on our 2010 income tax return.
- During the fourth quarter of 2010, we recognized a net federal tax benefit of \$211 million as we reached an agreement with the IRS with respect to the settlement of derivative contracts reported on our 2009 income tax return. Also during the fourth quarter of 2010, we recognized a deferred tax benefit of \$462 million from the sale of certain consolidated subsidiaries (this item was settled as part of the agreement reached with the IRS during the fourth quarter of 2011).
- In 2009, due to the completion of audits with taxing authorities, we recognized previously unrecognized tax benefits of \$201 million.

**Net earnings.** We had net earnings of \$808 million, \$1,018 million and \$6,204 million for the years ended December 31, 2011, 2010 and 2009, respectively. The change in net earnings was the result of the above-described fluctuations in our revenue, expenses and other gains and losses. The significant variance in 2009 is due to a gain that was recognized related to the split-off of Liberty Interactive's former subsidiary, Liberty Entertainment, Inc., that is included in discontinued operations.

## Liquidity and Capital Resources

As of September 30, 2012, substantially all of our cash and cash equivalents were invested in U.S. Treasury securities, other government securities or government guaranteed funds, AAA rated money market funds and other highly rated financial and corporate debt instruments.

Liberty Media does not have a debt rating as, subsequent to the Split-Off, it has no public debt outstanding.

The following are potential sources of liquidity: available cash balances, cash generated by the operating activities of our subsidiaries (to the extent such cash exceeds the working capital needs of the subsidiaries and is not otherwise restricted), proceeds from asset sales, monetization of our public investment portfolio (including derivatives), debt (including availability under the Starz Credit Facility prior to the Spin-Off) and equity issuances, and dividend and interest receipts.

As of September 30, 2012 we had a cash balance of \$1,169 million along with additional sources of liquidity of \$1,479 million of Non-strategic AFS securities and \$995 million of availability under the Starz Credit Facility. To the extent we recognize any taxable gains from the sale of assets, we may incur tax expense and be required to make tax payments, thereby reducing any cash proceeds.

	Nine months ended September 30,		Years ended December 31,		
	2012	2011	2012	2011	2010
amounts in millions					
<b>Cash Flow Information</b>					
Net cash provided (used) by operating activities	\$ 228	316	276	121	360
Net cash provided (used) by investing activities	\$ (133)	(205)	(274)	(484)	1,290
Net cash provided (used) by financing activities	\$ (996)	(264)	(22)	(1,498)	202

Our primary uses of cash during the years ended December 31, 2011, 2010 and 2009 were additional investments in cost and equity method investees (\$350 million, \$405 million and \$726 million, respectively), the reattribution of cash to Liberty Interactive (\$264 million, \$807 million and zero, respectively), repurchases of common stock (\$465 million, \$754 million and \$18 million, respectively) and debt repayments (\$59 million, \$1,047 million and \$2,144 million, respectively). These uses of cash were funded by cash provided by operating activities, net sales of short term investments, repayments of loans by cost and equity method investees, proceeds from the settlement of financial instruments, debt borrowings and cash on hand. Our operating businesses have provided, on average, approximately \$250 million in annual operating cash flow over the prior three years, and we do not anticipate any significant reductions in that amount, absent the proposed Spin-Off (see discussion below).

Our primary uses of cash during the nine months ended September 30, 2012 were \$1,253 million in debt repayments, which was repaid using restricted cash and cash proceeds from the sale of investments, \$1,423 million for additional investments in available-for-sale and equity method investees and \$242 million for repurchases of Series A Liberty Capital common stock. These uses of cash were funded by cash provided by operating activities, borrowings of debt, sales of short term marketable securities and other securities and cash on hand.

The projected uses of our cash are the investment in existing or new businesses and the potential buyback of common stock under approved share buyback programs. Between the end of the most recent quarter and October 31, 2012 we acquired approximately 191,500 shares, for \$20 million, of Series A Liberty Capital common stock. We may be required to make net payments of income tax liabilities to settle items under discussion with tax authorities.

As previously discussed, Liberty Media's Board of Directors has authorized the Spin-Off, prior to which, if completed, Starz, LLC will distribute to Liberty Media approximately \$1.8 billion of cash, \$400 million of which was already distributed to Liberty Media during the three months ended September 30, 2012 (and \$200 million of which was distributed thereafter). Additionally, the entirety of Liberty Media's outstanding debt balances will remain with Starz, LLC in the Spin-Off. As discussed above our operating businesses have provided, on average, approximately \$250 million in annual operating cash flow over the prior three years which was primarily provided by Starz, LLC. Therefore, we expect that Spinco on a standalone basis, in its current form, would not have any significant annual operating cash flow. We believe the cash on hand and liquidity of Non-Strategic AFS securities at Spinco, upon the completion of the Spin-Off, will be sufficient to meet the anticipated obligations (which are minimal as the majority of the financial obligations of Liberty Media will remain with Starz, LLC) in the near term and the longer-term. We believe that, upon the completion of the Spin-Off, the primary use of cash for Spinco will be the investment in existing or new businesses and the potential buyback of common stock, if a share buyback program is approved.

#### ***Off-Balance Sheet Arrangements and Aggregate Contractual Obligations***

Starz has entered into agreements with a number of motion picture producers which obligate Starz to pay fees **Programming Fees** for the rights to exhibit certain films that are released by these producers. In March 2010, Starz entered into a new, exclusive long-term licensing agreement for theatrically released films from the Disney studios through 2015, which provides Starz with exclusive pay TV rights to exhibit qualifying theatrically released live-action and animated feature films from Walt Disney Pictures, Walt Disney Animation Studios, Disney-Pixar, Touchstone Pictures, Marvel Entertainment and Hollywood Pictures labels. Theatrically released films from DreamWorks Studios and Miramax Films will not be licensed to us under the new agreement. In addition, we are obligated to pay programming fees for all qualifying films that are released theatrically in the United States by Sony's Columbia Pictures, Screen Gems and Sony Pictures Classics through 2016, subject to certain limitations. Films are generally available to Starz for exhibition 8-12 months after their theatrical release. The Programming Fees to be paid by Starz are based on the quantity and the domestic theatrical exhibition receipts of qualifying films.

The unpaid balance of Programming Fees for films that were available for exhibition by Starz at December 31, 2011, is reflected as a liability in the accompanying combined balance sheet. The balance due as of December 31, 2011, is payable as follows: \$64 million in 2012 and \$2 million in 2013.

Under the above output agreements, Starz is also obligated to pay fees for the rights to exhibit films that have been released theatrically, but are not available for exhibition by Starz until some future date. These amounts have not been accrued at December 31, 2011. In addition, Starz has agreed to pay Sony Pictures Entertainment ("Sony") (i) a total of \$142.5 million in three additional equal annual installments through 2014, and (ii) a total of \$120 million in three equal annual installments beginning in 2015 for a new output agreement. Starz's estimate of amounts payable under these agreements is as follows: \$443 million in 2012; \$129 million in 2013; \$73 million in 2014; \$59 million in 2015; \$51 million in 2016 and \$59 million thereafter.

Starz is also obligated to pay fees for films that have not been released in theatres. Starz is unable to estimate the amounts to be paid under these output agreements for films that have not yet been released in theatres; however, such amounts are expected to be significant.

Our company guarantees Starz's obligations under certain of its studio output agreements. At December 31, 2011, our guarantees for obligations for films released by such date aggregated \$511 million. While the guarantee amount for films not yet released is not determinable, such amount is expected to be significant. As noted above, Starz has recognized the liability for a portion of its obligations under the output agreements. As this represents a direct commitment of Starz, a

wholly-owned subsidiary of our company, we have not recorded a separate indirect liability for its guarantee of these obligations.

The Atlanta Braves have entered into long-term employment contracts with certain of their players and coaches whereby such individuals' compensation is guaranteed. Amounts due under guaranteed contracts as of December 31, 2011 aggregated \$107 million, which is payable as follows: \$61 million in 2012, \$20 million in 2013, \$13 million in 2014, \$13 million in 2015. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

Information concerning the amount and timing of required payments, both accrued and off-balance sheet, under our contractual obligations is summarized below.

	Payments due by period				
	Total	Less than 1 year	2 - 3 years	4 - 5 years	After 5 years
	amounts in millions				
<i>Consolidated contractual obligations</i>					
Long-term debt(1)	\$ 1,295	754	59	465	17
Interest payments(2)	69	16	28	25	—
Programming Fees(3)	814	443	202	110	59
Operating lease obligations	69	12	23	16	18
Employment agreements	107	61	33	13	—
Purchase orders and other obligations	536	431	60	25	20
Total consolidated	\$ 2,890	1,717	405	654	114

- (1) Amounts are stated at the face amount at maturity of our debt instruments and capital lease obligations. Amounts do not assume additional borrowings or refinancings of existing debt.
- (2) Amounts (i) are based on our outstanding debt at December 31, 2011, (ii) assume the interest rates on our variable rate debt remain constant at the December 31, 2011 rates and (iii) assume that our existing debt is repaid at maturity.
- (3) Does not include Programming Fees for films not yet released theatrically, as such amounts cannot be estimated.

#### **Recent Accounting Pronouncements**

In September 2009, the Financial Accounting Standards Boards amended the Accounting Standards Codification (**ASC**) as summarized in Accounting Standards Update (**ASU**) 2009-14, *Software (Topic 985): Certain Revenue Arrangements That Include Software Elements*, and ASU 2009-13, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements*. As summarized in ASU 2009-14, ASC Topic 985 has been amended to remove from the scope of industry specific revenue accounting guidance for software and software related transactions, tangible products containing software components and non-software components that function together to deliver the product's essential functionality. As summarized in ASU 2009-13, ASC Topic 605 has been amended (1) to provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) to require an entity to allocate revenue in an arrangement using estimated selling prices of deliverables if a vendor does not have vendor-specific objective evidence or third-party evidence of selling price; and (3) to eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method. The

accounting changes summarized in ASU 2009-14 and ASU 2009-13 are effective for fiscal years beginning on or after June 15, 2010, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application.

We adopted the revenue guidance on a prospective basis as of January 1, 2011. There was no financial statement impact on that date as a result of the adoption of the new accounting guidance. In the first quarter of 2011 TruePosition, a consolidated subsidiary of our company, entered into an amended contract with AT&T (one of TruePosition's largest customers) that materially changed the terms of the existing contract. The transition provisions of the new accounting guidance require that when a contract is materially modified it is subject to the new accounting requirements. This resulted in our company recognizing revenue for all the delivered elements meeting the separation criteria, previously deferred under the previous accounting guidance. TruePosition recognized approximately \$538 million of revenue and \$167 million of deferred cost associated with the delivered elements as of the modification date. Previously, TruePosition did not have Vendor Specific Objective Evidence for the undelivered specified upgrade, which changed the timing of revenue recognition for the entire arrangement. Under the new guidance TruePosition utilized the estimated selling price to determine what portion of the overall consideration to allocate to the delivered and undelivered elements.

In September 2011, the Financial Accounting Standards Boards amended the ASC as summarized in ASU 2011-08, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. As summarized in ASU 2011-08, ASC Topic 350 has been amended to simplify how entities test goodwill for impairment by permitting entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350. Previously, under ASC Topic 350 an entity would be required to test goodwill, on at least an annual basis, by comparing the fair value of a reporting unit with its carrying amount, then, if the carrying amount was greater than the fair value of the reporting unit, step two of the test would be required to determine whether an impairment was necessary. In evaluating goodwill on a qualitative basis we reviewed the business performance of each reporting unit and evaluated other relevant factors as identified in ASU 2011-08 to determine whether it was more likely than not that an indicated impairment existed for any of our reporting units. As part of the analysis we also considered fair value determinations for certain reporting units that had been made at various points throughout the year for other purposes. We do not believe the outcome of performing a qualitative analysis versus performing a step one test had any financial statement impact.

#### ***Critical Accounting Estimates***

The preparation of our financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Listed below are the accounting estimates that we believe are critical to our financial statements due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported. All of these accounting estimates and assumptions, as well as the resulting impact to our financial statements, have been discussed with our audit committee.

***Non-Financial Instruments.*** Our non-financial instrument valuations are primarily comprised of our annual assessment of the recoverability of our goodwill and other nonamortizable intangibles, such as trademarks and our evaluation of the recoverability of our other long-lived assets upon certain triggering events. If the carrying value of our long-lived assets exceeds their estimated fair value, we are required to write the carrying value down to fair value. Any such writedown is included in impairment of long-lived assets in our combined statement of operations. A high degree of judgment is required to estimate the fair value of our long-lived assets. We may use quoted market prices, prices for similar

assets, present value techniques and other valuation techniques to prepare these estimates. We may need to make estimates of future cash flows and discount rates as well as other assumptions in order to implement these valuation techniques. Due to the high degree of judgment involved in our estimation techniques, any value ultimately derived from our long-lived assets may differ from our estimate of fair value. As each of our operating segments has long-lived assets, this critical accounting policy affects the financial position and results of operations of each segment.

As of December 31, 2011, the intangible assets not subject to amortization for each of our significant reporting units was as follows (amounts in millions):

	<u>Goodwill</u>	<u>Other</u>	<u>Total</u>
Starz, LLC	\$ 132	—	132
ANLBC	180	143	323
TruePosition	20	—	20
Consolidated	<u>\$ 332</u>	<u>143</u>	<u>475</u>

We perform our annual assessment of the recoverability of our goodwill and other nonamortizable intangible assets as of December 31, except for ANLBC which is evaluated as of October 31. As discussed above, in the Recent Accounting Pronouncements, we adopted the recent accounting guidance relating to annual assessments of recoverability of goodwill and we utilized a qualitative assessment for determining whether step one of the goodwill impairment analysis was necessary.

**Carrying Value of Investments.** We periodically evaluate our investments to determine if decreases in fair value below our cost bases are other than temporary. If a decline in fair value is determined to be other than temporary, we are required to reflect such decline in our combined statement of operations. Other than temporary declines in fair value of our cost investments are recognized on a separate line in our combined statement of operations, and other than temporary declines in fair value of our equity method investments are included in share of losses of affiliates in our combined statement of operations.

The primary factors we consider in our determination of whether declines in fair value are other than temporary are the length of time that the fair value of the investment is below our carrying value; the severity of the decline; and the financial condition, operating performance and near term prospects of the investee. In addition, we consider the reason for the decline in fair value, be it general market conditions, industry specific or investee specific; analysts' ratings and estimates of 12 month share price targets for the investee; changes in stock price or valuation subsequent to the balance sheet date; and our intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value. Fair value of our publicly traded cost and equity investments is based on the market prices of the investments at the balance sheet date. We estimate the fair value of our non-public cost and equity investments using a variety of methodologies, including cash flow multiples, discounted cash flow, per subscriber values, or values of comparable public or private businesses. Impairments are calculated as the difference between our carrying value and our estimate of fair value. As our assessment of the fair value of our investments and any resulting impairment losses and the timing of when to recognize such charges requires a high degree of judgment and includes significant estimates and assumptions, actual results could differ materially from our estimates and assumptions.

Our evaluation of the fair value of our investments and any resulting impairment charges are made as of the most recent balance sheet date. Changes in fair value subsequent to the balance sheet date due to the factors described above are possible. Subsequent decreases in fair value will be recognized in our combined statement of operations in the period in which they occur to the extent such decreases are deemed to be other than temporary. Subsequent increases in fair value will be recognized in our combined statement of operations only upon our ultimate disposition of the investment.

**Program Rights.** Programming costs are our most significant individual operating cost. Program rights for films and television programs exhibited by Starz Channels are generally amortized on a film-by-film basis over the anticipated number of exhibitions. We estimate the number of exhibitions based on the number of exhibitions allowed in the agreement and the expected usage of the content. Our company generally has rights to two separate windows (typically a 16 to 18 month period under the first window and a 12 to 13 month period for the second window) under our pay-television output agreements. For films with multiple windows, the license fee is allocated between the first and second window based upon the proportionate estimated value of each window. Our company has allocated a substantial portion of the programming costs to the first window as first-run content is believed to have greater appeal to subscribers when it is newer and therefore deemed to have greater value to us in acquiring and retaining subscribers. Certain other program rights are amortized to expense using the straight-line method over the respective lives of the agreements.

Additionally, our company allocates programming costs associated with its original productions between the pay television window and the ancillary revenue markets (e.g. home video, digital platforms, international television, etc.) based on the estimated relative fair values of these markets. Costs allocated to the pay television window are amortized to expense over the anticipated number of exhibitions for each original production while costs associated with the ancillary revenue markets are amortized to expense based on the proportion that current revenue from the original productions bears to an estimate of the remaining unrecognized revenue (ultimate revenue). Estimates of fair value for the pay television and ancillary markets involve uncertainty as well as estimates of ultimate revenue.

Changes in management's estimate of the anticipated exhibitions of films, television programs and original productions on our company's networks and the estimate of ultimate revenue could result in the earlier recognition of our programming costs than anticipated. Conversely, scheduled exhibitions may not capture the appropriate usage of the program rights in current periods which could lead to the write-off of additional program rights in future periods and have a significant impact on our future results of operations and our financial position.

**Income Taxes.** We are required to estimate the amount of tax payable or refundable for the current year and the deferred income tax liabilities and assets for the future tax consequences of events that have been reflected in our financial statements or tax returns for each taxing jurisdiction in which we operate. This process requires our management to make judgments regarding the timing and probability of the ultimate tax impact of the various agreements and transactions that we enter into. Based on these judgments we may record tax reserves or adjustments to valuation allowances on deferred tax assets to reflect the expected realizability of future tax benefits. Actual income taxes could vary from these estimates due to future changes in income tax law, significant changes in the jurisdictions in which we operate, our inability to generate sufficient future taxable income or unpredicted results from the final determination of each year's liability by taxing authorities. These changes could have a significant impact on our financial position.

#### ***Results of Operations—Businesses***

**Starz, LLC.** Starz provides premium subscription video programming to United States multichannel video distributors, including cable operators, satellite television providers and telecommunications companies. Starz also develops, produces and acquires entertainment content and distributes this content to consumers in the United States and throughout the world. Starz is managed by and organized around the following business units: Starz Channels, Home Video, Digital Media, Television, Animation and Theatrical.

A large portion of Starz's revenue is derived from the delivery of movies and original programming content to consumers through the Starz Channels' distribution partners. Some of Starz's affiliation agreements with its distribution partners provide for payments to Starz based on the number of

subscribers that receive the Starz Channels' services consignment agreements. Starz also has fixed-rate affiliation agreements with certain of its distribution partners. Pursuant to these agreements, the distribution partners pay an agreed-upon rate regardless of the number of subscribers. The agreed-upon rate may be increased annually to the extent the contract provides for an increase. The affiliation agreements have various terms ranging from rolling month to month extensions with certain distributors to agreements which last through 2018. During the year ended December 31, 2011, approximately 56% of the Starz Channels' revenue was generated by its three largest customers, Comcast, DIRECTV and Dish Network, each of which individually generated 10% or more of the Starz Channels' revenue for such period.

Starz's operating results were as follows:

	<u>Years ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
	amounts in millions		
Revenue	\$ 1,615	1,626	1,540
Operating expenses	(928)	(981)	(906)
SG&A expenses	(238)	(302)	(351)
Adjusted OIBDA	449	343	283
Stock-based compensation	(7)	(39)	(35)
Depreciation and amortization	(18)	(23)	(26)
Operating income	<u>\$ 424</u>	<u>281</u>	<u>222</u>

Starz's revenue decreased \$11 million or 0.7% and increased \$86 million or 5.6% for the years ended December 31, 2011 and 2010, respectively, as compared to the corresponding prior year. Revenue for the year ended December 31, 2011 decreased primarily as a result of the decision to shut down the theatrical production and distribution operations in 2010 and a decrease in revenue from Animation due to the sale of a portion of the Animation business. Such decreases were partially offset by an increase in revenue from Starz Channels and Home Video. Revenue for the year ended December 31, 2010 increased primarily as a result of increases in Home Video and Starz Channels which were partially offset by a decrease in Theatrical due to the decision to shut down the theatrical production and distribution operations in 2010. Starz Channels' revenue represented 78.6%, 75.3% and 77.2% and Home Video revenue represented 15.0%, 14.0% and 11.0% of Starz's total revenue for the years ended December 31, 2011, 2010 and 2009, respectively.

Revenue from Starz Channels increased \$46 million or 3.7% and \$35 million or 3.0% for the years ended December 31, 2011 and 2010, respectively. The Starz Channels' growth in revenue for the year ended December 31, 2011 resulted from a \$21 million increase due to higher effective rates for the Starz Channels' services and a \$25 million increase due to growth in the average number of subscriptions for the Starz Channels' services. The Starz Channels' growth in revenue for the year ended December 31, 2010 resulted from a \$16 million increase due to higher effective rates for the Starz Channels' services and a \$19 million increase due to growth in the average number of subscriptions.

The *Starz* and *Encore* channels are the primary drivers of Starz's revenue. Starz average subscriptions increased 8.8% in 2011 and were relatively flat in 2010 and Encore average subscriptions increased 4.0% in 2011 and 1.2% in 2010. The impact on revenue due to subscription increases is affected by the relative percentages of increases under consignment agreements and fixed-rate agreements. In this regard, as of December 31, 2011, subscriptions under fixed-rate agreements were 29.0 million while subscriptions under consignment agreements were 23.8 million. As of December 31, 2010, subscriptions under fixed-rate affiliation agreements were 28.1 million while subscriptions under consignment agreements were 22.9 million. The increase in consignment subscribers during the year

ended December 31, 2011 was negatively impacted by the lack of opportunity for us to participate in cooperative marketing campaigns with certain of our distribution partners.

Revenue from Home Video increased \$15 million or 6.6% and \$58 million or 35.4% for the years ended December 31, 2011 and 2010, respectively. Revenue from Home Video was positively impacted in both 2011 and 2010 by our original programming (primarily *Spartacus*). In addition, in January 2011, Starz entered into a distribution agreement with The Weinstein Company LLC (**TWC**) for the distribution by the Home Video and Digital Media business units of certain of TWC's theatrical releases. This distribution agreement also had a positive impact on revenue in 2011 and the number of films released by Overture Films on home video positively impacted 2010.

Operating expenses decreased by \$53 million in 2011 and increased \$75 million in 2010. Approximately \$38 million of such 2011 decrease was the result of lower production and acquisition costs, lower home video costs and no theatrical releases in the current year. The increase in 2010 was primarily due to an increase in production and acquisition costs. Such increase was largely impacted by changes we made in our ultimate revenue estimates, which resulted in impairments of \$47 million in 2010. Programming expenses are Starz's primary operating expense and totaled approximately \$651 million, \$648 million and \$642 million for the years ended December 31, 2011, 2010 and 2009, respectively. We expect that programming costs related to original programming will continue to increase in the future as Starz continues to invest in original content.

Starz's SG&A expenses decreased by \$64 million and \$49 million for the years ended December 31, 2011 and 2010 as compared to the corresponding prior years. The primary driver in decreased SG&A expenses as compared to the prior years was decreased advertising, marketing and overhead costs due to the decision made to exit the theatrical film business. This decrease was partially offset by increased advertising expenses related to original programming content and increased personnel costs associated with the Starz Channels' business. We expect that advertising expenses related to original programming will continue to increase in future periods as we continue to invest in original content.

Starz's Adjusted OIBDA increased \$106 million and \$60 million for the years ended December 31, 2011 and 2010 as compared to the corresponding prior years. The increase in Adjusted OIBDA was a combination of improved results by the Starz Channels' business and the decision made to exit the theatrical film business in the prior year. As discussed above, the elimination of theatrical film releases resulted in less revenue which was more than offset by no spending in the current year on advertising and marketing associated with the theatrical exhibition of such productions, lower production and acquisition costs and lower home video costs.

**ANLBC, Inc.** ANLBC's business is primarily driven by the results of the Atlanta Braves Major League Baseball team. Attendance, viewership, partnerships with sponsors and player talent are significant factors in the overall financial success of the organization. For the year ended December 31, 2011 the baseball club increased revenues by \$5 million or 2.5% as compared to the prior year, due to slightly greater fan attendance and an increase in overall broadcasting revenues. ANLBC's adjusted OIBDA was impacted primarily by player salaries. The most significant increase came during the fourth quarter as the Braves traded one of their pitchers to another baseball club and agreed to pay a portion of that player's 2012 guaranteed salary in the trade. This will free up additional salary in 2012 to be utilized in the acquisition of additional player talent. This one transaction had the impact of swinging adjusted OIBDA from earnings to a loss in the current year.

**TruePosition, Inc.** TruePosition provides equipment and service for locating mobile phones and other wireless devices enabling wireless carriers, application providers and other enterprises to provide E-911 services domestically and other location based services to mobile users. The increase of \$995 million in revenue for TruePosition is related to the non-recurring one-time recognition of previously deferred revenue under two separate contracts. As discussed in the Recent Accounting

Pronouncements section TruePosition recognized \$538 million of deferred revenue associated with their AT&T contract due to a material modification of the contract in the first quarter of 2011. Additionally, in the fourth quarter of 2011 all the remaining obligations were satisfied under the T-Mobile contract as the contract expired and the maintenance period associated with the contract lapsed. Therefore, TruePosition recognized another \$491 million of deferred revenue in the fourth quarter of 2011. TruePosition had deferred costs associated with these contracts as well that were recorded in the first and fourth quarters of 2011 for \$167 million and \$242 million, respectively. These one-time accounting anomalies explain the 2011 increases in TruePosition's Adjusted OIBDA and Operating Income. In 2010, TruePosition began recognizing revenue under the AT&T contract due to the delivery of the final specified upgrade required under that contract. The recognition of the revenue under the previous guidance was to amortize the deferred amounts over the remainder of the period which requires the delivery of additional services (the maintenance period). In 2010 TruePosition recognized deferred revenue and costs of \$117 million and \$40 million, respectively. We expect that future revenue will trend at approximately \$100 million if certain contracts can be successfully negotiated in the current year.

**Quantitative and Qualitative Disclosures about Market Risk.**

We are exposed to market risk in the normal course of business due to our ongoing investing and financial activities. Market risk refers to the risk of loss arising from adverse changes in stock prices, interest rates and foreign currency exchange rates. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. We have established policies, procedures and internal processes governing our management of market risks and the use of financial instruments to manage our exposure to such risks.

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We manage our exposure to interest rates by maintaining what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. We have achieved this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity, (ii) issuing variable rate debt with appropriate maturities and interest rates and (iii) entering into interest rate swap arrangements when we deem appropriate. As of September 30, 2012, our debt is comprised of the following amounts:

Variable rate debt		Fixed rate debt	
Principal amount	Weighted avg interest rate	Principal amount	Weighted avg interest rate
dollar amounts in millions			
\$ 5	2.0%	\$ 536	5.0%

We are exposed to changes in stock prices primarily as a result of our significant holdings in publicly traded securities. We continually monitor changes in stock markets, in general, and changes in the stock prices of our holdings, specifically. We believe that changes in stock prices can be expected to vary as a result of general market conditions, technological changes, specific industry changes and other factors. We periodically use equity collars and other financial instruments to manage market risk associated with certain investment positions. These instruments are recorded at fair value based on option pricing models and other appropriate methods.

At September 30, 2012, the fair value of our AFS equity securities was \$1,774 million. Had the market price of such securities been 10% lower at September 30, 2012, the aggregate value of such securities would have been \$177 million lower. Additionally, our stock in SIRIUS XM and Live Nation (two of our equity method affiliates) are publicly traded securities which are not reflected at fair value in our balance sheet. These securities are also subject to market risk that is not directly reflected in our statement of operations and had the market price of such securities been 10% lower at September 30, 2012 the aggregate value of such securities would have been \$860 million lower.

## DESCRIPTION OF OUR BUSINESS

### Overview

Spinco is currently a wholly owned subsidiary of Liberty Media. Prior to the Spin-Off, Liberty Media will effect the internal restructuring, following which the businesses and ownership interests described below will be held by us. Following the Spin-Off, we will be primarily engaged in the media, communications and entertainment industries through our ownership of interests in subsidiaries and other companies. Our principal businesses and assets will include our consolidated subsidiaries Atlanta National League Baseball Club, Inc. and TruePosition, Inc., our equity affiliates Sirius XM Radio Inc. and Live Nation Entertainment, Inc. and minority investments in public companies such as Barnes & Noble, Inc., Time Warner Inc., Time Warner Cable, Inc., Viacom Inc. and Sprint Nextel Corporation.

Based on pro forma information, the percentage of revenue, total assets and total liabilities of Liberty Media, as of September 30, 2012, December 31, 2011 and December 31, 2010, attributable to the businesses and liabilities that will (i) be transferred to Spinco in connection with the Spin-Off and (ii) remain with Starz are as follows:

	Revenue	Total Assets	Total Liabilities
<b>September 30, 2012</b>			
Spinco	21%	73%	58%
Starz	79%	27%	42%
<b>December 31, 2011</b>			
Spinco	47%	67%	60%
Starz	53%	33%	40%
<b>December 31, 2010</b>			
Spinco	21%	83%	94%
Starz	79%	17%	6%

The following description of our consolidated subsidiaries and equity affiliates assumes that the internal restructuring has been completed.

### Atlanta National League Baseball Club, Inc.

Atlanta National League Baseball Club, Inc., or ANLBC, a wholly owned subsidiary, owns and operates the Atlanta Braves Major League Baseball (**MLB**) franchise and five minor league baseball clubs (the Gwinnett Braves, the Mississippi Braves, the Rome Braves, the Danville Braves and the GCL Braves). Turner Field, which is leased from the City of Atlanta and Fulton County Recreation Authority, is the home stadium of the Atlanta Braves. Turner Field is located just outside the downtown area of Atlanta and offers a range of activities and eateries for fans, from interactive gaming and family-themed areas to social gathering places such as the Braves Chop House. ANLBC also operates a baseball academy in the Dominican Republic and leases a baseball facility from a third party in connection with its academy

With respect to the Braves MLB franchise, ANLBC derives revenue from both local and national sources. Locally, ANLBC receives revenue from the sale of tickets for games played at Turner Field, as well as from in-stadium advertising, game-day sales of concessions and other goods and services in and around Turner Field. ANLBC also derives substantial revenue from the sale of broadcasting rights to the Atlanta Braves baseball games. ANLBC has long-term local broadcasting agreements with Superstation, Inc., a subsidiary of Turner Broadcasting, Inc., Turner Regional Entertainment Network, Inc. and Sportsouth Network, Ltd. Nationally, ANLBC participates in the revenues generated from the national broadcasting and radio arrangements negotiated by MLB on behalf of the 30 baseball clubs with ESPN, Turner Broadcasting, Inc., Fox Sports and Sirius (the **National Broadcast Rights**).

Under the MLB rules, the Commissioner of Major League Baseball (the **Commissioner**) has the authority, acting as the agent on behalf of all of the MLB Clubs, to enter into and administer all contracts for the sale of National Broadcast Rights.

As the owner of a MLB franchise, ANLBC must comply with rules promulgated by the MLB Commissioner and MLB's constitution and bylaws. Each franchise is required to share locally derived revenue with the other MLB franchises and their owners through MLB's revenue sharing plan. Under the MLB rules, each MLB franchise participates in the MLB Central Fund, which acts as a conduit of centrally derived revenue (primarily from National Broadcast Rights, national sponsorships and licensing deals, and the MLB All Star Game) to the clubs, and funds certain expenses (such as contributions to the MLB Players Benefit Plan, administrative and operational expenses of the Commissioner's office, a reserve fund for the Commissioner's office, and administrative expenses of the Central Fund) on behalf of the MLB Clubs. Each MLB Club's share of the Central Fund, following certain adjustments which are made under the MLB revenue share arrangements, are paid to each MLB Club by the end of each year, unless otherwise determined by the Commissioner. Also under the MLB rules, each MLB franchise is required to participate in and contribute to certain profit sharing initiatives, such as MLB Advanced Media L.P., MLB's interactive media and internet company which runs MLB's official website and all of the MLB teams' websites.

#### **TruePosition, Inc.**

TruePosition is a wholly owned subsidiary that develops and markets technology for locating wireless phones and other wireless devices enabling wireless carriers, application providers and other enterprises to provide E-911 services domestically and other location-based services to mobile users both domestically and worldwide. "E-911" or "Enhanced 911" refers to an FCC mandate requiring wireless carriers to implement wireless location capability. AT&T began deploying TruePosition's technology in late 2002, and T-Mobile USA began deploying such technology in 2003. Both wireless carriers have deployed TruePosition's technology for E-911 and selected other services. AT&T is TruePosition's largest customer by a significant margin, and T-Mobile USA is no longer under contract, having ceased using TruePosition's services at the end of 2011. In addition, as of September 30, 2012, **[nine]** smaller wireless carriers and government agencies had deployed or are deploying TruePosition's technology.

TruePosition earns revenue from the sale of hardware and licensing of software required to generate location records for wireless phones and other wireless devices on a cellular network and from the design, installation, testing and commissioning of such hardware and software. In addition, TruePosition earns software maintenance revenue through the provision of ongoing technical and software support. TruePosition has contractual rights to earn additional revenue from its deployed product base if its customers use such deployed equipment to provide commercial services. However, to date, TruePosition has not earned any significant revenue from other location-based services.

TruePosition's location system is a passive network overlay system designed to enable mobile wireless service providers to determine the location of all network wireless devices, including cellular and PCS telephones. Using its patented uplink time difference of arrival (U-TDOA) and angle of arrival (AOA) technology, TruePosition's location system calculates the latitude and longitude of a designated wireless telephone or transmitter and forwards the information in real time to application software. TruePosition's offerings cover major wireless air interfaces including Time Division Multiple Access (TDMA), Advanced Mobile Phone System (AMPS), Code Division Multiple Access (CDMA), Global System Mobile (GSM) and Universal Mobile Telecommunications System (UMTS).

## **Sirius XM Radio Inc.**

Sirius XM Radio Inc. broadcasts its music, sports, entertainment, comedy, talk, news, traffic and weather channels in the United States on a subscription fee basis through its two proprietary satellite radio systems. Subscribers can also receive certain of its music and other channels over the Internet, including through applications for mobile devices.

As of September 30, 2012, Sirius had approximately 23.4 million subscribers of which approximately 19 million were self-pay subscribers and approximately 4.3 million were paid promotional subscribers. Sirius' subscriber totals include subscribers under its regular pricing plans; discounted pricing plans; subscribers that have prepaid, including payments either made or due from automakers for subscriptions included in the sale or lease price of a vehicle; activated radios in daily rental fleet vehicles; certain subscribers to Sirius' Internet services; and certain subscribers to its Backseat TV, data, traffic, and weather services.

Sirius' primary source of revenue is subscription fees, with most of its customers subscribing on an annual, semi-annual, quarterly or monthly basis. Sirius offers discounts for prepaid and long-term subscription plans as well as discounts for multiple subscriptions on each platform. Sirius also derives revenue from activation and other fees, the sale of advertising on select non-music channels, the direct sale of satellite radios and accessories, and other ancillary services, such as weather, traffic, data and Backseat TV services.

Sirius' satellite radios are primarily distributed through automakers (**OEMs**); retail locations nationwide; and through its website. Sirius has agreements with every major automaker to offer satellite radios in their vehicles. Satellite radio services are also offered to customers of certain rental car companies.

### ***Programming***

Sirius offers a dynamic programming lineup of commercial-free music, sports, entertainment, talk, news, traffic and weather. The channel line-ups for its services vary in certain respects and are available at [siriusxm.com](http://siriusxm.com).

Sirius' subscription packages allow most listeners to enhance its standard programming lineup. The "XM Premier" package offers subscribers the Howard Stern channels, Martha Stewart Living Radio, SiriusXM NFL Radio, SiriusXM NASCAR Radio, Playboy Radio, Spice Radio and play-by-play NFL games and college sports programming. The "Sirius Premier" package offers subscribers Oprah Radio, Opie and Anthony, SiriusXM Public Radio, MLB Network Radio, NHL Home Ice, SiriusXM PGA Radio, Sirius Fantasy Sports Radio and select play-by-play of NBA and NHL games and college sports programming. Subscribers with a la carte-capable radios may customize the programming they receive through a la carte subscription packages. Sirius also offers family friendly, "mostly music" and "mostly sports, news and talk" packages.

In October 2011, Sirius launched an expanded channel lineup, including new music, sports and comedy channels as well as SiriusXM Latino, a suite of Latin channels. These channels, available online and over certain new radios, are the first phase of SiriusXM 2.0, an upgrade and evolution of its satellite and Internet delivered service that will ultimately span hardware, software, audio, and data services.

Sirius makes changes to its programming lineup from time to time as it strives to attract new subscribers and offer content which appeals to a broad range of audiences and to its existing subscribers.

### *Music Programming*

Sirius offers an extensive selection of music genres, ranging from rock, pop and hip-hop to country, dance, jazz, Latin and classical. Within each genre it offers a range of formats, styles and recordings.

All of Sirius' original music channels are broadcast commercial free. Certain of its music channels are programmed by third parties and air commercials. Sirius' channels are produced, programmed and hosted by a team of experts in their fields, and each channel is operated as an individual radio station, with a distinct format and branding. Sirius also provides special features, such as the *Artist Confidential* series which provides interviews and performances from some of the biggest names in music, and an array of "pop up" channels featuring the music of particular artists.

### *Sports Programming*

Live play-by-play sports is an important part of Sirius programming strategy. Sirius is the Official Satellite Radio Partner of the National Football League (NFL), Major League Baseball (MLB), NASCAR, National Basketball Association (NBA), National Hockey League (NHL) and PGA TOUR, and broadcasts most major college sports, including NCAA Division I football and basketball games. Soccer coverage includes matches from the Barclays Premier League. Sirius also airs FIS Alpine Skiing, FIFA World Cup events and horse racing.

Sirius offers many exclusive talk channels and programs such as MLB Network Radio, SiriusXM NASCAR Radio, SiriusXM NFL Radio and Chris "Mad Dog" Russo's *Mad Dog Unleashed* on Mad Dog Radio, as well as two ESPN channels, ESPN Radio and ESPN Xtra. Simulcasts of select ESPN television shows, including *SportsCenter*, can be found on ESPN Xtra.

### *Talk and Entertainment Programming*

Sirius offers a multitude of talk and entertainment channels for a variety of audiences. Its diverse spectrum of talk programming is a significant differentiator from terrestrial radio and other audio entertainment providers. Sirius' talk radio offerings feature dozens of popular talk personalities, many creating radio shows that air exclusively on its services, including Howard Stern, Oprah Winfrey, Martha Stewart, Dr. Laura Schlessinger, Opie and Anthony, Bob Edwards, Senator Bill Bradley and doctors from the NYU Langone Medical Center. Its comedy channels present a range of humor such as Jamie Foxx's *The Foxxhole*, *Laugh USA*, *Blue Collar Comedy* and *Raw Dog Comedy*. Other talk and entertainment channels include SiriusXM Book Radio, Kids Place Live and Radio Disney, as well as *OutQ*, *Road Dog Trucking* and *Playboy Radio*. Its religious programming includes *The Catholic Channel*, which is programmed with the Archdiocese of New York, EWTN, a Global Catholic Radio Network, and *Family Talk*.

### *News and Information Programming*

Sirius offers a wide range of national, international and financial news, including news from BBC World Service News, Bloomberg Radio, CNBC, CNN, FOX News, HLN, MSNBC, NPR and World Radio Network. It also airs a range of political call-in talk shows on a variety of channels including its exclusive channel, POTUS. Sirius offers continuous, local traffic reports for 22 metropolitan markets throughout the United States.

### *Distribution of Radios*

*Automakers.* Sirius' primary means of distributing satellite radios is through the sale and lease of new vehicles. Sirius has agreements with every major automaker to offer satellite radios in their vehicles and satellite radios are available as a factory or dealer-installed option in substantially all vehicle makes sold in the United States. Many automakers include a subscription to Sirius' radio

service in the sale or lease price of their vehicles. In many cases, Sirius receives subscription payments from automakers in advance of the activation of its service. Sirius shares with certain automakers a portion of the revenues it derives from subscribers using vehicles equipped to receive its service. Sirius also reimburses various automakers for certain costs associated with the satellite radios installed in their vehicles, including in certain cases hardware costs, tooling expenses and promotional and advertising expenses.

*Previously Owned Vehicles.* Sirius expects to acquire an increasing number of subscribers through the sale and lease of previously owned vehicles with factory-installed satellite radios. Sirius has entered into agreements with many automakers to market subscriptions to purchasers and lessees of vehicles which include satellite radios sold through their certified pre-owned programs. In addition, Sirius works directly with many franchise and independent dealers on similar programs for non-certified vehicles. Sirius has developed systems and methods to identify purchasers and lessees of previously owned vehicles which include satellite radios and have established marketing plans to promote its services to these potential subscribers.

*Retail.* Sirius sells satellite and Internet radios directly to consumers through its website. Satellite and Internet radios are also marketed and distributed through major national and regional retailers. Sirius develops in-store merchandising materials and provides sales force training for several retailers.

#### ***Sirius' Satellite Radio Systems***

Sirius' satellite radio systems are designed to provide clear reception in most areas despite variations in terrain, buildings and other obstructions. Subscribers can receive Sirius' transmissions in all outdoor locations in the continental U.S. where the satellite radio has an unobstructed line-of-sight with one of its satellites or is within range of one of its terrestrial repeaters. Sirius continually monitors its infrastructure and regularly evaluates improvements in technology.

The FCC has allocated the portion of the S-band located between 2320 MHz and 2345 MHz exclusively for satellite radio. Each of Sirius' services uses 12.5 MHz of this bandwidth to transmit its respective signals. Uplink transmissions (from the ground to its satellites) use 12.5 MHz of bandwidth in the 7060-7072.5 MHz band.

Sirius' satellite radio systems have three principal components: satellites, terrestrial repeaters and other satellite facilities; studios; and radios.

#### ***Satellites, Terrestrial Repeaters and Other Satellite Facilities***

*Satellites.* Sirius currently owns a fleet of nine orbiting satellites. Sirius has invested in more technologically advanced satellites and satellite deployment to provide for improved coverage, increased redundancy and more efficient use of its spectrum. Space Systems/Loral has constructed another satellite, FM-6, for use in Sirius' system. Sirius expects to launch this satellite on a Proton rocket in the first half of 2013. Sirius uses four of its orbiting satellites in the Sirius system. These satellites, FM-1, FM-2, FM-3 and FM-5, are of the Loral FS-1300 model series. Its FM-1, FM-2 and FM-3 satellites travel in a geosynchronous orbit. Its FM-5 satellite is deployed in a geostationary orbit. Sirius owns five orbiting satellites for use in the XM system which operate in a geostationary orbit. Four of these satellites were manufactured by Boeing Satellite Systems International and one was manufactured by Space Systems/Loral.

*Satellite Insurance.* Sirius holds in-orbit insurance for its FM-5 and XM-5 satellites. These policies provide coverage for a total, constructive total or partial loss of the satellites that occurs during the first five in-orbit years. Sirius also has negotiated launch and in-orbit insurance for its FM-6 satellite. This insurance provides coverage for a total, constructive total or partial loss of the FM-6 that occurs from launch through the end of the first annual in-orbit period. The insurance does not cover the full cost of

constructing, launching and insuring new satellites, nor will it protect Sirius from the adverse effect on business operations due to the loss of a satellite. The policies contain standard commercial satellite insurance provisions, including coverage exclusions. Sirius uses launch and in-orbit insurance to mitigate the potential financial impact of satellite fleet launch and in-orbit failures unless the premium costs are considered to be uneconomical relative to the risk of satellite failure.

*Terrestrial Repeaters.* In some areas with high concentrations of tall buildings, such as urban centers, signals from Sirius' satellites may be blocked and reception of satellite signals can be adversely affected. In many of these areas, Sirius has deployed terrestrial repeaters to supplement satellite coverage. Sirius operates over 140 terrestrial repeaters in the Sirius system and over 560 terrestrial repeaters in the XM system.

*Other Satellite Facilities.* Sirius controls and communicates with its satellites from facilities in North America and maintains earth stations in Panama and Ecuador to control and communicate with several of its Sirius satellites. Its satellites are monitored, tracked and controlled by a third party satellite operator.

### ***Studios***

Sirius' programming originates principally from studios in New York City and Washington, D.C., and, to a lesser extent, from smaller studio facilities in Cleveland, Los Angeles, Memphis, Nashville and Orlando. Its New York City offices house its corporate headquarters. Both its New York City and Washington D.C. offices house facilities for programming origination, programming personnel and facilities to transmit programming.

### ***Radios***

Sirius designs, establishes specifications for, sources or specifies parts and components for, and manages various aspects of the logistics and production of satellite and Internet radios. Sirius does not manufacture radios. Sirius has authorized manufacturers and distributors to produce and distribute radios, and has licensed its technology to various electronics manufacturers to develop, manufacture and distribute radios under certain brands. Sirius purchases radios from independent manufacturers that are distributed through Sirius' website. To facilitate the sale of radios, Sirius may subsidize a portion of the radio manufacturing costs to reduce the hardware price to consumers.

Radios are manufactured in four principal configurations: in-dash radios, Dock & Play radios, home or commercial units and portable or wearable radios.

- In-dash satellite radios are integrated into vehicles and allow the user to listen to satellite radio with the push of a button. Aftermarket in-dash radios are available at retailers nationally, and to automakers for factory or dealer installation.
- Dock & Play satellite radios enable subscribers to transport their radios easily to and from their cars, trucks, homes, offices, boats or other locations with available adapter kits. Dock & Play radios adapt to existing audio systems through FM modulation or direct audio connection and can be easily installed. Audio systems and boom boxes, which enable subscribers to use their radios virtually anywhere, are available for various models. The Stratus 6, Starmate 5 and Starmate 8 Dock & Play radios also support a la carte channel selection.
- Radios that provide Sirius' satellite or Internet service to home and commercial audio systems.
- Portable or wearable radios offer live satellite or Internet radio and recorded satellite, MP3 or WMA content "on the go".

Sirius has introduced an interoperable radio called MiRGE. This radio has a unified control interface allowing for easy switching between Sirius' two satellite radio networks. Sirius also offers the

XM SkyDock, which connects to an Apple iPhone and iPod touch and provides live XM satellite radio using the control capability of the iPhone or iPod touch. In 2011, Sirius introduced Edge, a Dock & Play radio capable of receiving its SiriusXM 2.0 expanded channel lineup, including SiriusXM Latino, and Lynx, a portable radio with SiriusXM 2.0 satellite and Internet radio capability and features.

#### ***Internet Radio***

Sirius streams music channels and select non-music channels over the Internet. Its Internet service also includes channels and features that are not available on its satellite service. Access to certain Internet services is offered to subscribers for a fee. Sirius has available products that provide access to its Internet services without the need for a personal computer. Sirius also offers applications to allow consumers to access its Internet services on certain smartphones and tablet computers. Subscribers to its Internet services are not included in its subscriber count, unless the service is purchased separately and not as part of a satellite radio subscription.

#### ***Canada***

Sirius also has an equity interest in the satellite radio services offered in Canada through Sirius Canada. In June 2011, Canadian Satellite Radio Holdings Inc. (CSR), the parent company of XM Canada, and Sirius Canada completed a transaction to combine their operations. Following this merger, Sirius owns approximately 38.0% of the equity of CSR, which operates as Sirius Canada.

#### ***Other Services***

*Commercial Accounts.* Sirius' music services are also available for commercial establishments. Commercial accounts are available through providers of in-store entertainment solutions and directly from Sirius. Certain commercial subscribers are included in its subscriber count.

*Satellite Television Service.* Certain of Sirius' music channels are offered as part of certain programming packages on the DISH Network satellite television service. Subscribers to the DISH Network satellite television service are not included in its subscriber count.

Sirius offers Backseat TV, a service offering television content designed primarily for children in the backseat of vehicles. Backseat TV is available as a factory-installed option in select Chrysler, Dodge and Jeep models, and at retail for aftermarket installation. Sirius offers Travel Link, a suite of data services that includes graphical weather, fuel prices, sports schedules and scores, and movie listings. It also offers services that provide graphic information as to road closings, traffic flow and incident data to consumers with compatible in-vehicle navigation systems. Sirius offer several real-time weather services designed for improving situational awareness in vehicle, marine and/or aviation use. Subscribers to these services are not included in Sirius' subscriber count, unless the applicable service is purchased by the subscriber separately and not as part of a radio subscription to Sirius' services.

#### ***Terms of Investment in Sirius***

At November 28, 2012, we beneficially owned 3,246,786,978 shares of Sirius common stock, which represented approximately 49.8% of the issued and outstanding shares as of November 23, 2012. In addition to our shares of common stock, our Sirius securities include (i) 6,250,100 shares of Sirius Series B-1 preferred stock (each share being convertible into 206.9581409 shares of common stock, subject to anti-dilution adjustments), which represents all of the outstanding shares of such stock, and (ii) \$11 million aggregate principal amount of Sirius 7% Exchangeable Senior Subordinated Notes due 2012 (convertible into 5,866,666 shares of Sirius common stock, subject to anti-dilution adjustments).

Our Series B-1 preferred stock votes with the common stock, on an as-converted basis, on all matters voted on by the holders of the common stock other than the election of directors. The

preferred stock entitles us to elect directors (of whom one must qualify as an independent director) to the 13 member Sirius board of directors. The number of directors we are entitled to elect depends upon our ownership of Series B-1 preferred stock. Currently, five of the 13 members of Sirius' board of directors are persons elected by us. Because of our conversion on September 17, 2012 of 6,249,900 shares of Series B-1 preferred stock, at the next meeting of Sirius' stockholders for the election of directors we will be entitled, by virtue of our ownership of Series B-1 preferred stock, to elect three members of Sirius' 13-member board of directors. Were we to convert additional shares of Series B-1 preferred stock, our entitlement to elect members of Sirius' board of directors may be reduced. Were we to own fewer than 1,000,000 shares of Series B-1 preferred stock, we will not be entitled to elect directors by virtue of our ownership of Series B-1 preferred stock. So long as there are more than 6,250,000 shares of Series B-1 preferred stock outstanding, the consent of the holders of a majority of the outstanding shares of the Series B-1 preferred stock is required before Sirius may take certain corporate actions, including, among other things, issuing shares of capital stock or any options, rights or warrants, effecting a merger or combination, a sale of all or substantially all assets, or a liquidation dissolution or winding up, acquiring or disposing of assets with a value in excess of \$10 million, incurring debt in excess of \$10 million (other than to refinance existing debt) amending its charter or bylaws in a manner that would adversely affect the powers, rights or preferences of the holders of the Series B-1 preferred stock, or changing the size of the board of directors of Sirius.

Pursuant to an investment agreement with Sirius, we have been approved as an interested stockholder and exempted from the restrictions on business combinations set forth in Section 203 of the Delaware General Corporation Law (**DGCL**), and Sirius is prohibited from adopting a rights plan in a manner that would materially and adversely affect our ability to acquire or dispose of Sirius equity securities.

On August 17, 2012, Liberty Media filed with the FCC an application for FCC consent to the transfer of *de jure* control of Sirius. Consistent with our previous public statements, we presently intend to acquire beneficial ownership of additional shares of Sirius common stock such that our beneficial ownership represents over 50% of Sirius' outstanding shares and, subject to receipt of FCC approval, seek to assert control over Sirius. By doing so, we believe we can enhance the value of our interest in Sirius for the benefit of our stockholders by, among other things, pursuing a transaction with or involving Sirius or our interest in Sirius. No assurance can be given, however, that the FCC will consent to our acquisition of *de jure* control of Sirius. The FCC has issued a public notice establishing a pleading cycle for the submission of any comments on, or petitions to deny, the application. During this period, the FCC received a single opposition filing concerning the application. Despite the lack of substantial public opposition, approval of Liberty Media's application remains subject to the FCC's review. Given the lack of public opposition, Liberty Media believes that the FCC may make its determination during the first quarter of 2013 or before. However, the FCC is not obligated to act by a specific date, and no assurance can be given as to the timing of a decision by the FCC. See "Risk Factors—Our acquisition of voting control of Sirius remains subject to FCC approval."

#### **Live Nation Entertainment, Inc.**

Live Nation is considered the largest live entertainment company in the world and seeks to innovate and enhance the live entertainment experience for artists and fans: before, during and after the show. In 2011 and 2010, Live Nation operated in five segments: Concerts, Ticketing, Artist Nation, eCommerce and Sponsorship. Beginning in 2012, Live Nation no longer presents eCommerce as a reportable segment and has changed the name of its Sponsorship segment to Sponsorship & Advertising. These changes were made to be consistent with how the four key components of Live Nation's business are now being managed. Live Nation now includes the business previously reported in the eCommerce segment within the Ticketing and Sponsorship & Advertising segments. However, for purposes of the description of Live Nation's business below, we have included descriptions of Live

Nation's segments as of December 31, 2011, as they are the most fulsome descriptions available in Live Nation's public filings.

### ***Operating Segments***

***Concerts.*** The Concerts segment principally involves the global promotion of live music events in Live Nation's owned and/or operated venues and in rented third-party venues, the operation and management of music venues and the production of music festivals across the world. During 2011, the Concerts business generated approximately \$3.5 billion, or 65.1%, of Live Nation's total revenue. Live Nation promoted over 22,000 live music events in 2011, including artists such as U2, Lady Gaga, Roger Waters, Prince, Shakira and Jay-Z, and through festivals such as Rock Werchter, Reading and T in the Park. While the Concerts segment operates year-round, Live Nation experiences higher revenue during the second and third quarters due to the seasonal nature of shows at Live Nation's outdoor amphitheaters and festivals, which primarily occur May through September.

As a promoter, Live Nation earns revenue primarily from the sale of tickets and pays artists under one of several formulas, including a fixed guaranteed amount and/or a percentage of ticket sales or event profits. For each event, Live Nation either uses a venue it owns and/or operates, or rents a third-party venue. Revenue is generally related to the number of events, volume of ticket sales and ticket prices. Event costs such as artist and production service expenses are included in direct operating expenses and are typically substantial in relation to the revenue. As a result, significant increases or decreases in promotion revenue do not typically result in comparable changes to operating income.

As a venue operator, Live Nation generates revenue primarily from the sale of concessions, parking, premium seating, rental income, venue sponsorships and ticket rebates or service charges earned on tickets sold through its internal ticketing operations or by third parties under ticketing agreements. In its amphitheaters, the sale of concessions is outsourced and Live Nation receives a share of the net revenue from the concessionaire which is recorded in revenue with no significant direct operating expenses associated with it. Revenue generated from venue operations typically have a higher margin than promotion revenue and therefore typically have a more direct relationship to operating income.

As a festival operator, Live Nation typically books artists, secures festival sites, provides for third-party production services, sells tickets and advertises events to attract fans. Live Nation also arranges for third-parties to provide operational services as needed such as concessions, merchandising and security. Live Nation earns revenue from the sale of tickets and typically pays artists a fixed guaranteed amount. It also earns revenue from the sale of concessions, camping fees, festival sponsorships and ticket rebates or service charges earned on tickets sold. For each event, Live Nation either uses a festival site it owns or rents a third-party festival site. Revenue is generally related to the number of events, volume of ticket sales and ticket prices. Event costs such as artist and production service expenses are included in direct operating expenses and are typically substantial in relation to the revenue. As a result, significant increases or decreases in festival promotion revenue do not typically result in comparable changes to operating income.

***Ticketing.*** The Ticketing segment is primarily an agency business that sells tickets for events on behalf of Live Nation's clients and retains a convenience charge and order processing fee for its services. Live Nation sells tickets for its events and also for third-party clients across multiple live event categories, providing ticketing services for leading arenas, stadiums, amphitheaters, music clubs, concert promoters, professional sports franchises and leagues, college sports teams, performing arts venues, museums and theaters. Live Nation sells tickets through a combination of websites, ticket outlets and call center services. During the year ended December 31, 2011, 78%, 15% and 7% of primary tickets were sold through these channels, respectively. During 2011, the Ticketing segment generated approximately \$1.2 billion, or 22.1% of Live Nation's total revenue, which excludes the face value of

tickets sold. Through all of its ticketing services, Live Nation sold over 141 million tickets in 2011 and sold an additional 135 million tickets through its venue clients' box offices. Live Nation's ticketing sales are impacted by fluctuations in the availability of events for sale to the public, which may vary depending upon event scheduling by its clients.

Live Nation generally enters into written agreements with individual clients to provide primary ticketing services for specified multi-year periods, typically ranging from three to five years. Pursuant to these agreements, clients generally communicate what tickets will be available for sale, when such tickets will go on sale to the public and what the ticket face price will be. Agreements with venue clients generally grant Live Nation the right to sell tickets for all events presented at the relevant venue for which tickets are made available to the general public. Agreements with promoter clients generally grant Live Nation the right to sell tickets for all events presented by a given promoter at any venue, unless that venue is already covered by an existing exclusive agreement with Live Nation's ticketing business or another ticketing service provider. Where Live Nation has exclusive contracts, clients may not utilize, authorize or promote the services of third-party ticketing companies or technologies while under contract with Live Nation. While it generally has the right to sell a substantial portion of its clients' tickets, venue and promoter clients often sell and distribute group sales and season tickets in-house. In addition, under many written agreements between promoters and Live Nation's clients, the client often allocates certain tickets for artist, promoter, agent and venue use and does not make those tickets available for sale by Live Nation. It also generally allows clients to make a certain limited number of tickets available for sale through fan clubs, or other similar arrangements, from which Live Nation generally derives no revenue unless selected by the club to facilitate the sales. As a result, Live Nation does not sell all of its clients' tickets and the amount of tickets that it sells varies from client to client and from event to event, and varies as to any single client from year to year.

Live Nation currently offers ticket resale services through TicketsNow (in the United States and Canada), its TicketExchange service (in the United States, Europe and Canada) and GET ME IN! (in the United Kingdom). Through TicketsNow and GET ME IN!, Live Nation enters into listing agreements with ticket resellers to post ticket inventory for sale at a purchase price equal to a ticket resale price determined by the ticket reseller plus an amount equal to a percentage of the ticket resale price and a pre-determined service fee. Live Nation remits the reseller-determined ticket resale price to the ticket resellers and retains the remainder of the purchase price. While Live Nation does not generally acquire tickets for sale on its own behalf, it may do so from time to time on a limited basis. In addition to enabling premium primary ticket sales, the TicketExchange service allows consumers to resell and purchase tickets online for certain events that were initially sold for Live Nation's venue clients who elect to participate in the TicketExchange service. Sellers and buyers each pay a fee that has been negotiated with the relevant client, a portion of which is shared with the client.

*Artist Nation.* The Artist Nation segment primarily provides management services to music recording artists in exchange for a commission on the earnings of these artists. The Artist Nation segment also sells merchandise associated with musical artists at live performances, to retailers and directly to consumers via the internet and provides other services to artists. During 2011, the Artist Nation business generated approximately \$393 million, or 7.3%, of Live Nation's total revenue. Revenue earned from the Artist Nation segment is impacted to a large degree by the touring schedules of the artists Live Nation represents. Generally, Live Nation experiences higher revenue during the second and third quarters as the period from May through September tends to be a popular time for touring events.

*eCommerce.* The eCommerce segment manages Live Nation's online activities including enhancements to its websites, bundling product offerings and online advertising at its websites. Through its websites, Live Nation sells tickets to its own events as well as tickets for its ticketing clients and disseminates event and related merchandise information online. This segment records a fee per ticket that is paid to it by the Ticketing segment on every ticket sold online via [www.livenation.com](http://www.livenation.com) and [www.ticketmaster.com](http://www.ticketmaster.com) both domestically and internationally. During 2011, the eCommerce business generated approximately \$144 million, or 2.7%, of Live Nation's total revenue.

*Sponsorship.* The Sponsorship segment employs a sales force that creates and maintains relationships with sponsors, through a combination of strategic, international, national and local opportunities for businesses to reach customers through Live Nation's concert, venue, artist relationship and ticketing assets. Live Nation works with its corporate clients to help create marketing programs that drive their businesses. During 2011, the Sponsorship business generated approximately \$180 million, or 3.3%, of Live Nation's total revenue.

Live Nation believes that it has a unique opportunity to connect the music fan to corporate sponsors and therefore seek to optimize this relationship through strategic sponsorship programs. Live Nation continues to also pursue the sale of national and local sponsorships, both domestically and internationally, and placement of advertising, including signage, online advertising and promotional programs. Many of its venues have venue naming rights sponsorship programs. Live Nation believes national and international sponsorships allow it to maximize its network of venues and to arrange multi-venue branding opportunities for advertisers. Live Nation's sponsorship programs include companies such as Starwood, Vodafone, Anheuser Busch, Citi®, American Express and Hertz (each of the preceding brands is a registered trademark of the sponsor). Live Nation's local and venue-focused sponsorships include venue signage, promotional programs, on-site activation, hospitality and tickets, and are derived from a variety of companies across various industry categories.

#### ***Terms of Live Nation Investment***

At November 28, 2012, we beneficially owned approximately 48.7 million shares of Live Nation common stock, which represented approximately 25.5% of the issued and outstanding shares as of October 31, 2012.

Under a stockholders agreement with Live Nation, we have the right to nominate two directors (one of whom must qualify as an independent director) to the Live Nation board of directors, currently comprised of 12 directors, for so long as our ownership interest provides us with not less than 5% of the total voting power of Live Nation's equity securities. We also have the right to cause one of our nominees to serve on the audit committee and the compensation committee of the board, provided they meet the independence and other qualifications for membership on those committees.

We have agreed under the stockholders agreement not to acquire beneficial ownership of Live Nation equity securities that would result in our having in excess of 35% of the voting power of Live Nation's equity securities. That percentage is subject to decrease for specified transfers of our Live Nation stock. We have been exempted from the restrictions on business combinations set forth in Section 203 of the DGCL, and Live Nation has agreed in the stockholders agreement not to take certain actions that would materially and adversely affect our ability to acquire Live Nation securities up to the voting percentage referred to above.

#### **Barnes & Noble, Inc.**

Barnes & Noble, Inc., one of the nation's largest booksellers, is a leading content, commerce and technology company providing customers easy and convenient access to books, magazines, newspapers and other content across its multi-channel distribution platform. As of April 28, 2012, Barnes & Noble operated 1,338 bookstores in 50 states, including 647 bookstores on college campuses, operates one of the internet's largest eCommerce sites and develops digital content products and software. Given the dynamic nature of the book industry, the challenges faced by traditional booksellers, and the robust innovation pipeline fueling new opportunities in hardware, software and content creation and delivery, Barnes & Noble is utilizing the strength of its retail footprint to bolster its leadership and fuel sales growth across multiple channels.

Of the 1,338 bookstores, 691 operate primarily under the Barnes & Noble Booksellers trade name. Barnes & Noble College Booksellers, LLC (**B&N College**), a wholly-owned subsidiary of

Barnes & Noble, operates 647 college bookstores at colleges and universities across the United States. Barnes & Noble Retail **B&N Retail**) operates the 691 retail bookstores. Retail also includes Barnes & Noble's eCommerce site and Sterling Publishing Co., Inc. (**Sterling** or **Sterling Publishing**), a leader in general trade book publishing. The NOOK segment represents Barnes & Noble's digital business, including the development and support of Barnes & Noble's NOOK product offerings. The digital business includes digital content such as eBooks, digital newsstand, apps and sales of NOOK® devices and accessories to third-party distribution partners, B&N Retail and B&N College. Barnes & Noble employed approximately 35,000 full and part-time employees as of April 28, 2012.

Barnes & Noble's principal business is the sale of trade books (generally hardcover and paperback consumer titles), mass market paperbacks (such as mystery, romance, science fiction and other popular fiction), children's books, eBooks and other digital content, NOOK® (references to NOOK® include the Company's NOOK 1<sup>st</sup> Edition™, NOOK Wi-Fi 1<sup>st</sup> Edition™, NOOK Color™, NOOK Simple Touch™, NOOK Tablet™ and NOOK Simple Touch with GlowLight™ eBook Reader devices) and related accessories, bargain books, magazines, gifts, café products and services, educational toys & games, music and movies direct to customers through its bookstores or on barnesandnoble.com. On September 30, 2009, Barnes & Noble completed the acquisition of Barnes & Noble College Booksellers, Inc. from Leonard Riggio and Louise Riggio pursuant to a Stock Purchase Agreement dated as of August 7, 2009 among Barnes & Noble and the sellers. The acquisition of B&N College has allowed Barnes & Noble to expand into sales of textbooks and course-related materials, emblematic apparel and gifts, trade books, school and dorm supplies, and convenience and café items on college and university campuses. In the fiscal year ended April 30, 2011, B&N College began offering a textbook rental option to its customers, and expanded its electronic textbooks and other course materials through a proprietary digital platform (NOOK Study™). B&N College offers its customers a full suite of textbook options—new, used, digital and rental. Barnes & Noble previously licensed the "Barnes & Noble" trade name from B&N College under certain agreements. The acquisition gave Barnes & Noble exclusive ownership of its trade name.

To address dynamic changes in the book selling industry, Barnes & Noble has been transforming its business from a store-based model to a multi-channel model centered on its retail stores, Internet and digital commerce. Barnes & Noble is currently the only enterprise to offer readers the option of store visits, eCommerce, and digital delivery of books to Barnes & Noble-branded devices or other devices of their choosing.

Barnes & Noble's strategy is to:

- continue to invest in the digital business to fuel NOOK and content sales;
- use its infrastructure to deliver digital content to customers wirelessly and online;
- utilize the strong Barnes & Noble brand and retail footprint to attract customers to its multi-channel platform; and
- expand its distribution channels through strategic partnerships with world-class hardware and software companies and retail partners.

Barnes & Noble has a multi-channel marketing strategy that deploys various merchandising programs and promotional activities to drive traffic to both its stores and website. At the center of this program is Barnes & Noble's website, barnesandnoble.com.

#### *Agreement With Microsoft*

On April 27, 2012, Barnes & Noble entered into an investment agreement among Barnes & Noble, Morrison Investment Holdings, Inc. (**Morrison**), and Microsoft Corporation (**Microsoft**), which investment was completed on October 4, 2012. Pursuant to the investment agreement, Barnes & Noble

formed a Delaware limited liability company (**NewCo**), and transferred to NewCo Barnes & Noble's digital device, digital content and college bookstore businesses and NewCo sold to Morrison, and Morrison purchased, 300 million convertible preferred membership interests in NewCo for an aggregate purchase price of \$300.0 million. Concurrently with its entry into this agreement, Barnes & Noble also entered into a commercial agreement with Microsoft, pursuant to which, among other things, NewCo will develop and distribute a Windows 8 application for e-reading and digital content purchases, and an intellectual property license and settlement agreement with Microsoft and Microsoft Licensing GP.

As part of the partnership with Microsoft described above, Barnes & Noble, through NewCo, plans to launch the NOOK® digital bookstore in 10 countries within 12 months, putting NOOK.com websites onto the screens of tens of millions of Windows users. Once the NOOK digital bookstore is launched, customers in these countries will have access to one of the world's largest marketplaces of digital copyright content and reading technologies, enabling them to buy and consume books, magazines and other forms of content on the world's best mobile platforms, including Windows™, iOS™, and Android™. Barnes & Noble is also exploring opportunities to give consumers outside of the U.S. access to its award-winning NOOK portfolio of reading products through potential distribution partnerships yet to be announced. While there can be no assurances, Barnes & Noble intends to have one or more distribution agreements in place to sell NOOK® devices in certain countries outside the U.S. prior to the 2012 holiday season.

#### ***Terms of Barnes & Noble Investment***

At November 28, 2012, we beneficially owned 204,000 shares of Barnes & Noble Series J preferred stock, each share of which is convertible into 58.8235 shares of Barnes & Noble common stock, subject to anti-dilution adjustments (an aggregate 12,000,000 shares) and thus owned approximately 16.7% of the issued and outstanding shares as of that date, on an as-converted basis. The Series J preferred stock votes with the common stock on an "as converted" basis, subject to certain limitations. For so long as we hold at least 127,500 shares, we have the right to designate two directors to the board of directors (which reduces to one director if we own less than 127,500 but at least 76,500 Series J shares).

Under an investment agreement with Barnes & Noble, there are restrictions on our ability to transfer our Barnes & Noble stock prior to February 18, 2013. For so long as we own at least 102,000 shares of the Series J Preferred Stock, we have the right to participate in certain new issuances of equity securities by Barnes & Noble to maintain our interest in that company, and we have veto rights over certain corporate actions. Those veto rights cover, among other things, certain spinoffs and split-offs, certain merger and other business combination transactions, fundamental changes to the business of Barnes & Noble, certain related party transactions and any amendment to the rights plan of Barnes & Noble that would adversely affect our rights under the Series J preferred stock.

#### **Other Minority Investments**

We also own a portfolio of minority equity investments in publicly traded media companies, including CenturyLink, Inc. (NYSE: CTL), Crown Media Holdings, Inc. (Nasdaq: CRWN); Sprint Nextel Corporation (NYSE: S), Time Warner Cable Inc. (NYSE: TWC), Time Warner Inc. (NYSE: TWX) and Viacom Inc. (Nasdaq: VIA). These are assets that were acquired mostly in tax-efficient transactions and are currently held as non-core assets. From time to time we enter into swaps and other derivatives to monetize these investments and mitigate balance sheet risk. We intend to continue to monetize these investments, which may include further derivative and structured transactions as well as public and private sales.

## **Geographic Areas**

We do nearly all our business domestically, so a discussion regarding financial information about geographic areas is not considered necessary.

## **Regulatory Matters**

### *Satellite Digital Audio Radio Services*

Sirius operates satellite systems and must comply with the FCC's regulations regarding satellite licensing, the prevention of interference and other matters. For example, Sirius must apply for renewal of its satellite licenses prior to the expiration of the current license terms. Sirius also must obtain FCC equipment certifications for certain satellite radios. As a result of the 2008 merger transaction between Sirius Satellite Radio Inc. and XM Satellite Radio Holdings, Inc., Sirius must implement voluntary commitments regarding matters such as a la carte programming and channel set asides for independently-owned entities. Other aspects of Sirius' operations, such as the export of satellite radio system components and technical data, are subject to U.S. export licensing requirements.

Sirius must obtain any necessary music performance rights from the rights holders. The rights generally are controlled by music performance rights organizations such as American Society of Composers, Authors and Publishers, Broadcast Music, Inc. and SESAC, Inc., each with rights to the music of various artists. Sound recording rights holders are represented primarily by SoundExchange, which negotiates licenses, and collects and distributes royalties on behalf of record companies and performing artists. Pursuant to the Digital Performance Right in Sound Recordings Act of 1995 and the Digital Millennium Copyright Act of 1998, Sirius may negotiate royalty arrangements with the sound recording copyright owners. If such negotiations are unsuccessful, the Copyright Royalty Board of the Library of Congress will establish the royalty rate.

### *Internet Services*

To the extent that the businesses in which we have interests engage in the provision of goods and services over the Internet, such businesses must comply with federal and state laws and regulations applicable to online communications and commerce. For example, the Children's Online Privacy Protection Act prohibits web sites from collecting personally identifiable information online from children under age 13 without parental consent and imposes a number of operational requirements. Certain email activities are subject to the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, commonly known as the CAN-SPAM Act. The CAN-SPAM Act regulates the sending of unsolicited commercial email by requiring the email sender, among other things, to comply with specific disclosure requirements and to provide an "opt-out" mechanism for recipients. Both of these laws include statutory penalties for non-compliance. Various states also have adopted laws regulating certain aspects of Internet communications. In 2007, Congress enacted legislation extending the moratorium on state and local taxes on Internet access and commerce until 2014.

Congress and individual states may consider additional online privacy legislation. Other Internet-related laws and regulations enacted in the future may cover issues such as defamatory speech, copyright infringement, pricing and characteristics and quality of products and services. The future adoption of such laws or regulations may slow the growth of commercial online services and the Internet, which could in turn cause a decline in the demand for the services and products of the Internet companies in which we have interests and increase such companies' costs of doing business or otherwise have an adverse effect on their businesses, operating results and financial conditions. Moreover, the applicability to commercial online services and the Internet of existing laws governing issues such as property ownership, libel, personal privacy and taxation is uncertain and could expose these companies to substantial liability.

### ***Other Regulation***

We also have ownership interests in other entities, such as Sprint Nextel Corporation and Time Warner Cable Inc., which are extensively regulated. For example, Sprint Nextel and Time Warner Cable are subject not only to federal regulation but also to regulation in varying degrees, depending on the jurisdiction, by state and local regulatory authorities.

### ***Proposed Changes in Regulation***

The regulation of Internet and satellite-based services is subject to the political process and has been in constant flux over the past decade. Further material changes in the law and regulatory requirements must be anticipated and there can be no assurance that our business will not be adversely affected by future legislation, new regulation or deregulation.

### **Competition**

ANLBC faces competition from many alternative forms of leisure entertainment. During the baseball season, ANLBC competes with other sporting and live events for game day attendance, which is integral to ANLBC's ticket, concession and souvenir sales revenue. The broadcasting of ANLBC's games, which is another significant source of revenue for ANLBC, competes against a multitude of other media options for viewers, including premium programming, home video, pay-per-view services, online activities, movies and other forms of news and information. In addition, ANLBC competes with the other Major League Baseball teams for a limited pool of player talent. Player talent contributes to ANLBC's winning record and league standings, which are critical components of ANLBC's competitiveness.

TruePosition faces competition from Commscope, which provides a similar location-based product and service to TruePosition. More cell phones are being equipped with GPS chips which eventually could make the TruePosition product and service less relevant, although TruePosition's products work in areas where GPS is not available due to lack of connection to satellites.

Sirius faces significant competition for both listeners and advertisers from traditional AM/FM radio, HD radio, internet radio and mobile media devices. Unlike satellite radio, traditional AM/FM radio has had a well-established demand for its services and generally offers free broadcasts paid for by commercial advertising rather than by a subscription fee. Many radio stations have begun broadcasting digital signals, which have sound quality similar to Sirius signals. Major media companies make near CD-quality digital streams available through the Internet for free or, in some cases, for a fraction of the cost of a satellite radio subscription. We believe that the principal competitive factors for Sirius are the quantity, quality, exclusivity and variety of the programming offered and the effectiveness of marketing efforts.

Live Nation faces competition in the live music industry, in attracting touring artists to the venues it owns and operates, from ticketing services primarily through online channels but also through phone, outlet and box office channels, and in its artist management and sponsorships businesses. Competition in the live entertainment industry is intense. Live Nation believes that it competes primarily on the basis of its ability to deliver quality music products, sell tickets and provide enhanced fan and artist experiences. It believes that its primary strengths include the quality of service delivered to its artists, fans and corporate sponsors, its track record in promoting and producing live music events and tours both domestically and internationally, artist relationships, ticketing software and services, distribution platform (venues), the scope and effectiveness in its expertise of marketing and sponsorship programs and its financial stability.

Barnes & Noble's divisions face strong competition. B&N Retail competes with other bookstores, including Books-A-Million and faces competition from many online businesses, notably Amazon.com

and Apple. Increases in consumer spending via the Internet may significantly affect its ability to generate sales in B&N Retail stores. B&N Retail also faces competition from mass merchandisers, such as Costco, Target and Wal-Mart. Some of Barnes & Noble's competitors have greater financial and other resources and different business strategies than B&N Retail does. B&N Retail stores also compete with specialty retail stores that offer books in particular subject areas, independent store operators, variety discounters, drug stores, warehouse clubs, mail-order clubs and other retailers offering books, music, toys, games, gifts and other products in its market segments. The Barnes & Noble store experience is customized for its customer base, and considered by Barnes & Noble to be a differentiating factor. B&N College competes with educational institutions themselves as well as online textbook rental companies. In addition, publishers are increasing efforts to sell directly to students, and technology companies like Apple and Amazon are increasing their digital offerings to students. The eReader business, in particular, is highly competitive. NOOK competes primarily on price and device functionality. The importance of price varies depending on the competitor, with some of NOOK's competitors engaging in significant discounting and other promotional activities. NOOK competes primarily with other eReaders and smart tablets on functionality, consumer appeal, availability of digital content and price. NOOK competes with many online digital businesses, notably Amazon.com and Apple. Some of Barnes & Noble's competitors may have greater financial and other resources and different business strategies than those utilized for the NOOK.

### Employees

We currently have no corporate employees. We anticipate that, subsequent to the Spin-Off, all of Liberty Media's corporate employees and executive officers (not including the employees and officers of Liberty Media's subsidiaries) will instead become corporate employees and executive officers of Spinco, with certain of Spinco's executive officers continuing to serve in the same capacities at Starz. Spinco will provide Starz with certain transitional services pursuant to a services agreement (the **services agreement**), including the services of certain of Spinco's officers. See "Certain Relationships and Related Party Transactions—Relationships Between Spinco and Liberty Media/Starz and/or Liberty Interactive—Services Agreements." As of December 31, 2011 (and assuming the internal restructuring had been effected on that date), Spinco's consolidated subsidiaries had an aggregate of approximately 1,200 full-time and part-time employees. None of these employees is represented by a labor union or covered by a collective bargaining agreement. Spinco believes that these employee relations are good.

### Properties

Following the internal restructuring, Spinco will own, through a wholly owned subsidiary, its corporate headquarters in Englewood, Colorado, including the corporate headquarters of Starz, LLC in Englewood, Colorado (the **Starz building**). Such subsidiary will lease the Starz building to Starz, LLC. See "Certain Relationships and Related Party Transactions—Relationships Between Spinco and Liberty Media/Starz and/or Liberty Interactive—Lease Agreement for Starz Building." All of Spinco's other real or personal property is owned or leased by its subsidiaries and business affiliates.

In addition, in connection with the Spin-Off, Liberty Media will enter into a facilities sharing agreement with a subsidiary of Spinco, pursuant to which Starz will share office facilities with Spinco located at 12300 Liberty Boulevard, Englewood, Colorado. See "Certain Relationships and Related Party Transactions—Relationships Between Spinco and Liberty Media/Starz and/or Liberty Interactive—Facilities Sharing Agreements—Facilities Sharing Agreement with Liberty Media."

ANLBC leases Turner Field, its home stadium and corporate headquarters, from the City of Atlanta and Fulton County Recreation Authority under a long-term lease arrangement. ANLBC also leases the home stadiums of its minor league baseball clubs and its baseball academy in the Dominican Republic.

## Legal Proceedings

*In re Sirius XM Shareholder Litigation, Consol. C.A. No. 7800-CS (Del. Ch.).* On August 21, 2012, plaintiff City of Miami Police Relief and Pension Fund (the **Fund**) filed a complaint in the Court of Chancery of the State of Delaware against Liberty Media, Sirius, Liberty Radio LLC and certain Liberty Media designees on the board of directors of Sirius (David J.A. Flowers, Gregory B. Maffei, John C. Malone, Carl E. Vogel, and Vanessa A. Wittman (together, the **Sirius Designees**)). On August 24, 2012, plaintiff Brian Cohen filed a complaint in the Court of Chancery of the State of Delaware against the same individuals and seeking substantially similar relief as set forth in the complaint filed by the Fund. By Order of the Court dated October 2, 2012, the two actions were consolidated under the caption *In re Sirius XM Shareholder Litigation*. On October 5, 2012, plaintiffs in the consolidated action filed an Amended Verified Class Action and Derivative Complaint (the **Amended Complaint**). The Amended Complaint alleges that Liberty Media and the Sirius Designees are breaching their alleged fiduciary duties to the Sirius stockholders by acquiring shares of Sirius common stock in the market and applying to the Federal Communications Commission for consent to the transfer of *de jure* control of the various FCC licenses and authorizations held by Sirius or its subsidiaries. The Amended Complaint also seeks a declaration that a provision in an investment agreement entered into between Liberty Media and Sirius that prohibits Sirius from adopting certain anti-takeover provisions is invalid under Delaware law and a declaration that upon the expiration of the three year standstill in the investment agreement Liberty Media became an interested stockholder subject to the restrictions and limitations set forth by Section 203 of the Delaware General Corporation Law. On November 29, 2012, Liberty Media, Liberty Radio LLC and the Sirius Designees filed a motion to dismiss the Amended Complaint, and the remaining defendants filed an Answer to the Amended Complaint.

*Montero v. Sirius XM Radio Inc., Index No. 653012/2012 (N.Y. Sup. Ct. Cnty. of New York).* On August 27, 2012, plaintiff Andrew Montero brought a shareholder class action on behalf of the shareholders of the common stock of Sirius against Sirius, the Sirius Designees, Liberty Media and Liberty Radio LLC. The action was commenced in the Supreme Court for the State of New York in New York County. Mr. Montero alleges breaches of fiduciary duty, aiding and abetting breach of fiduciary duty, and seeks a declaratory judgment, with allegations and relief sought substantially similar to those in the consolidated action above.

## MANAGEMENT

### Directors

The following sets forth certain information concerning the persons who are expected to serve as the initial directors of Spinco immediately following the Spin-Off, including their ages, directorships held and a description of their business experience, including current positions held with Liberty Media. Certain of the following directors may also serve on Starz's board immediately following the Spin-Off. Notwithstanding this possible overlap, Liberty Media and Spinco believe the following persons are the most qualified to serve as the initial directors of Spinco given their in-depth knowledge of and experience with the businesses attributed to Spinco. No assurance can be given, however, as to whether these directors will serve on either board following the expiration of their respective terms, as their re-election will be subject to the approval of each company's stockholders.

<u>Name</u>	<u>Position and Experience</u>
John C. Malone Age: [71]	<p>Chairman of the Board and a director of Spinco.</p> <p><i>Professional Background:</i> Mr. Malone has served as the Chairman of the Board of Liberty Media since August 2011 and a director since December 2010. Mr. Malone served as the Chief Executive Officer of Liberty Interactive Corporation from August 2005 to February 2006. Mr. Malone served as Chairman of the Board of Tele-Communications, Inc. (TCI) from November 1996 until March 1999, when it was acquired by AT&amp;T Corp. (AT&amp;T), and as Chief Executive Officer of TCI from January 1994 to March 1997.</p> <p><i>Other Public Company Directorships:</i> Mr. Malone has served as a director and Chairman of the Board of Liberty Interactive Corporation (including its predecessors, Liberty Interactive), Liberty Media's former parent company, since 1994 and as Chairman of the Board of Liberty Global, Inc. (LGI) since June 2005. Previously, he served as Chairman of the Board of LGI's predecessor, Liberty Media International, Inc. (LMI), from March 2004 to June 2005, as Chairman of the Board of DIRECTV from November 2009 to June 2010 and as Chairman of the Board of DIRECTV's predecessor, the DIRECTV Group, Inc. (DTVG), from February 2008 to November 2009. He has served as a director of Discovery Communications, Inc. (Discovery) since September 2008 and served as Chairman of the Board of Discovery Holding Company (DHC) from March 2005 to September 2008, and as a director of DHC from May 2005 to September 2008. Mr. Malone served as a director of United Global Com, Inc. (UGC), now a subsidiary of LGI from January 2002 to June 2005. Mr. Malone has served as a director of Sirius since April 2009. Mr. Malone served as a director of (i) Ascent Capital Group, Inc. from January 2010 to September 2012, (ii) Expedia, Inc. (Expedia) from August 2005 to September 2012 (iii) Live Nation from January 2010 to February 2011, (iv) IAC/InterActiveCorp from May 2006 to June 2010, (v) the Bank of New York Company, Inc. from June 2005 to April 2007 and (vi) Cablevision Systems Corp. from March 2005 to June 2005.</p>

Name

Position and Experience

Gregory B. Maffei  
Age: [52]

Board Membership Qualifications: Mr. Malone, as President of TCI, co-founded Liberty Interactive's former parent company and is considered one of the preeminent figures in the media and telecommunications industry. He is well known for his sophisticated problem solving and risk assessment skills

Chief Executive Officer, President and a director of Spinco.

*Professional Background:* Mr. Maffei has served as a director and the President and Chief Executive Officer of Liberty Media since May 2007 and as a director of our company since August 2012. He has served as the Chief Executive Officer and President of Liberty Interactive since February 2006. He also served as its CEO-Elect from November 2005 through February 2006. Prior thereto, Mr. Maffei served as President and Chief Financial Officer of Oracle Corporation during 2005 and as Chairman and Chief Executive Officer of 360networks Corporation from 2000 until 2005. Previously, Mr. Maffei was the Chief Financial Officer of Microsoft Corporation from 1997 to 2000.

*Other Public Company Directorships:* Mr. Maffei has served as a director of (i) Electronic Arts, Inc. since June 2003, (ii) Zillow, Inc. since May 2005, (iii) Liberty Interactive since November 2005, (iv) Sirius since March 2009, (v) Live Nation since February 2011 and (vi) Barnes & Noble since September 2011. Mr. Maffei served as a director of DIRECTV from November 2009 to June 2010 and as a director of its predecessor, DTVG, from February 2008 to November 2009. Mr. Maffei served as a director of Expedia from 1999 to 2003, and as a director of Starbucks Corporation from 1999 to 2006. Mr. Maffei was also Chairman of the Board of Expedia from 1999 to 2002.

*Board Membership Qualifications:* Mr. Maffei brings to Spinco's board significant financial and operational experience based on his senior policy making positions at Liberty Media, Liberty Interactive, Oracle, 360networks and Microsoft and his public company board experience. He provides our board with executive leadership perspective on the operations and management of large public companies and risk management principles.

A director of Spinco.

Robert R. Bennett  
Age: [54]

*Professional Background:* Mr. Bennett has served as a director of Liberty Media since September 2011. Mr. Bennett serves as Managing Director of Hilltop Investments LLC, a private investment company. Mr. Bennett served as the Chief Executive Officer of Liberty Interactive from April 1997 to August 2005 and its President from April 1997 to February 2006 and held various executive positions with Liberty Interactive from 1994 to 1997.

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Other Public Company Directorships: Mr. Bennett previously served as a director of Liberty Interactive from September 1994 to December 2011. He has served as a director of Discovery since September 2008 and served as a director of its predecessor, DHC, from May 2005 to September 2008. Mr. Bennett also served as a director of LMI, from March 2004 through June 2005, as a director of UGC, from January 2002 to June 2005 and as a director of OpenTV Corp. from August 2002 to January 2007. Mr. Bennett has served as a director of Sprint Nextel Corporation since October 2006 and Demand Media, Inc. since January 2011.

*Board Membership Qualifications:* Mr. Bennett brings to Spinco's board in-depth knowledge of the media and telecommunications industry generally and Spinco specifically. He has experience in significant leadership positions with Liberty Interactive, especially as a past CEO and President, and will provide Spinco with strategic insights. Mr. Bennett also has an in-depth understanding of finance, and has held various financial management positions during the course of his career.

A director of Spinco.

Donne F. Fisher

Age: [74]

*Professional Background:* Mr. Fisher has served as a director of Liberty Media since September 2011. Mr. Fisher has served as President of Fisher Capital Partners, Ltd., a venture capital partnership, since December 1991. Mr. Fisher also served as Executive Vice President of TCI from January 1994 to January 1996 and served as a consultant to TCI, including its successors AT&T Broadband LLC and Comcast Corporation, from 1996 to December 2005.

*Other Public Company Directorships:* Mr. Fisher served as a director of General Communication, Inc. from 1980 to December 2005, as a director of LMI, the predecessor of LGI, from May 2004 to June 2005 and as a director of Liberty Interactive from October 2001 to September 2011. Mr. Fisher was also Chairman of the Board of General Communication, Inc. from June 2002 to December 2005.

*Board Membership Qualifications:* Mr. Fisher brings extensive industry experience to Spinco's board and a critical perspective on its business, having held several executive positions over many years with TCI, Liberty Interactive's former parent company, and through his previous service as a director of Liberty Interactive and his current role as a director of Liberty Media. In addition, Mr. Fisher's financial expertise includes a focus on venture capital investment, which is different from the focus of Spinco's other board members and helpful to the board in formulating investment objectives and determining the growth potential of businesses both within Spinco and those that the board evaluates for investment purposes.

Name	Position and Experience
M. Ian G. Gilchrist <b>Age: [63]</b>	<p>A director of Spinco.</p> <p><i>Professional Background:</i> Mr. Gilchrist has served as a director of Liberty Media since September 2011. Mr. Gilchrist held various officer positions including Managing Director at Citigroup/Salomon Brothers from 1995 to 2008, CS First Boston Corporation from 1988 to 1995, and Blyth Eastman Paine Webber from 1982 to 1988 and served as a Vice President of Warburg Paribas Becker Incorporated from 1976 to 1982. Previously, he worked in the venture capital field and as an investment analyst.</p> <p><i>Other Public Company Directorships:</i> Mr. Gilchrist has served as a director of Liberty Interactive since July 2009.</p> <p><i>Board Membership Qualifications:</i> Mr. Gilchrist's field of expertise is in the media and telecommunications sector, having been involved with companies in this industry during much of his 32 years as an investment banker. Mr. Gilchrist brings to Spinco's board significant financial expertise and a unique perspective on the company and the media and telecommunications sector. He is also an important resource with respect to the financial services firms that Spinco will employ from time to time.</p>
Evan D. Malone <b>Age: [42]</b>	<p>A director of Spinco.</p> <p><i>Professional Background:</i> Dr. Malone has served as a director of Liberty Media since September 2011. He has served as President of NextFab Studio, LLC, a high-tech workshop offering technical training, consulting, and product design and prototyping services, since June 2009 and has been an engineering consultant for more than the past five years. Since January 2008, Dr. Malone has served as the owner and manager of a real estate property and management company, 1525 South Street LLC. During 2008, Dr. Malone also served as a post-doctoral research assistant at Cornell University and an engineering consultant with Rich Food Products, a food processing company. Dr. Malone has served as co-owner and director of Drive Passion PC Services, CC, an Internet café, telecommunications and document services company, in South Africa since 2007 and served as an applied physics technician for Fermi National Accelerator Laboratory, part of the national laboratory system of the Office of Science, U.S. Department of Energy, from 1999 until 2001. He also is a founding member of Jet Wine Bar, LLC, a start-up company in Philadelphia, which began operations in 2010.</p> <p><i>Other Public Company Directorships:</i> Dr. Malone has served as a director of Liberty Interactive since August 2008.</p>

Name

Position and Experience

David E. Rapley  
Age: [71]

*Board Membership Qualifications:* Dr. Malone, Spinco's youngest director, brings an applied science and engineering perspective to the board. Dr. Malone's perspectives will assist the board in developing business strategies and adapting to technological changes facing the industries in which Spinco competes. In addition, his entrepreneurial experience will assist the board in evaluating strategic opportunities.

A director of Spinco.

*Professional Background:* Mr. Rapley has served as a director of Liberty Media since September 2011. Mr. Rapley founded Rapley Engineering Services, Inc. (RESI) and served as its CEO and President from 1985 to 1998. Mr. Rapley also served as Executive Vice President of Engineering of VECO Corp. Alaska (a company that acquired RESI in 1998) from January 1998 to December 2001. Mr. Rapley has served as the President and Chief Executive Officer of Rapley Consulting, Inc. since January 2000.

*Other Public Company Directorships:* Mr. Rapley has served as a director of Liberty Interactive since July 2002, having previously served as a director during 1994. He has served as a director of LGI since June 2005 and served as a director of its predecessor, LMI, from May 2004 to June 2005.

*Board Membership Qualifications:* Mr. Rapley brings to Spinco's board the unique perspective of his lifelong career as an engineer. The industries in which Spinco will compete are heavily dependent on technology, which continues to change and advance. Mr. Rapley's perspectives will assist the board in adapting to these changes and developing strategies for Spinco's businesses.

Larry E. Romrell  
Age: [72]

A director of Spinco.

*Professional Background:* Mr. Romrell has served as a director of Liberty Media since September 2011. Mr. Romrell held numerous executive positions with TCI from 1991 to 1999. Previously, Mr. Romrell held various executive positions with Westmarc Communications, Inc.

*Other Public Company Directorships:* Mr. Romrell has served as a director of Liberty Interactive from March 1999 to September 2011 and since December 2011. He has served as a director of LGI since June 2005 and served as a director of its predecessor, LMI, from May 2004 to June 2005.

*Board Membership Qualifications:* Mr. Romrell brings extensive experience, including venture capital experience, in the telecommunications industry to Spinco's board and is an important resource with respect to the management and operations of companies in the media and telecommunications sector.

**Name**

Andrea L. Wong

**Age:** [46]

**Position and Experience**

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A director of Spinco.

*Professional Background:* Ms. Wong has served as a director of Liberty Media since September 2011. Ms. Wong has served as President, International Production for Sony Pictures Television and President, International for Sony Pictures Entertainment since September 2011. She previously served as President and CEO of Lifetime Entertainment Services from 2007 to April 2010. Ms. Wong also served as an Executive Vice President with ABC, Inc., a subsidiary of The Walt Disney Company, from 2003 to 2007. Ms. Wong serves on the advisory boards of several media and entertainment societies and organizations.

*Other Public Company Directorships:* Ms. Wong has served as a director of Liberty Interactive since April 2010.

*Board Membership Qualifications:* Ms. Wong brings to Spinco's board significant experience in the media and entertainment industry, having an extensive background in media programming across a variety of platforms, as well as executive leadership experience with the management and operation of companies in the entertainment sector. Her experience with programming development, brand enhancement and marketing brings a pragmatic and unique perspective to Spinco's board. Her professional expertise, combined with her continued involvement in the media and entertainment industry, makes her a valuable member of Spinco's board.

## Executive Officers

The following sets forth certain information concerning the persons (other than Messrs. Malone and Maffei who are also expected to serve as directors of Spinco and are described above) who are the existing executive officers of Liberty Media and who are expected to serve as Spinco's initial executive officers immediately following the Spin-Off, including their ages, directorships held and a description of their business experience, including positions held with Liberty Media (including its predecessors). All of these executive officers also hold the positions indicated below with Liberty Interactive and provide such services pursuant to a services agreement entered into between Liberty Interactive and Liberty Media in connection with the Split-Off. Notwithstanding the multiple roles to be served by these persons at Spinco, Starz and/or Liberty Interactive following the Spin-Off, Spinco and Liberty Media believe the following persons are the most qualified and appropriate to serve in these multiple roles during the post-Spin-Off transition period given such persons' in-depth knowledge of and experience with the businesses of Spinco, Liberty Media and Liberty Interactive. No assurance can be given, however, as to whether or how long these executive officers will continue to serve at any of the companies.

<u>Name</u>	<u>Positions</u>
Charles Y. Tanabe <b>Age: [61]</b>	Executive Vice President and the General Counsel of Spinco. Executive Vice President and the General Counsel of Liberty Media since May 2007. Secretary of Liberty Media from May 2007 to December 2008 and a director from May 2007 to September 2011. Executive Vice President of Liberty Interactive since January 2007 and General Counsel of Liberty Interactive since 1999. A Senior Vice President of Liberty Interactive from January 1999 to December 2006, and the Secretary of Liberty Interactive from April 2001 to December 2007.
Albert E. Rosenthaler <b>Age: [53]</b>	A Senior Vice President of Spinco. A Senior Vice President of Liberty Media since May 2007. A Senior Vice President of Liberty Interactive since April 2002.
Christopher W. Shean <b>Age: [47]</b>	A Senior Vice President of Spinco. A Senior Vice President of Liberty Media since May 2007 and the Chief Financial Officer since November 2011. The Controller of Liberty Media from May 2007 to October 2011. A Senior Vice President of Liberty Interactive since January 2002 and the Chief Financial Officer since November 2011. The Controller of Liberty Interactive from October 2000 to October 2011 and a Vice President of Liberty Interactive from October 2000 to January 2002.

Mr. Tanabe has announced his resignation from Liberty Media effective December 31, 2012. He will be replaced by Rich Baer, Age 55, who will be named Senior Vice President and General Counsel of Liberty Media effective January 1, 2013. Mr. Baer has served as Executive Vice President and Chief Legal Officer of UnitedHealth Group Incorporated since May 2011, and previously served as Executive Vice President and General Counsel of Qwest Communications International Inc. from December 2002 to April 2011 and Chief Administrative Officer from August 2008 to April 2011. If the Spin-Off occurs following January 1, 2013, it is expected that Mr. Baer will replace Mr. Tanabe as an executive officer of Spinco.

Spinco's executive officers will serve in such capacities until the first annual meeting of its board of directors, or until their respective successors have been duly elected and have been qualified, or until their earlier death, resignation, disqualification or removal from office.

## Directors and Executive Officers

There is no family relationship between any of Spinco's executive officers or directors, by blood, marriage or adoption, except that Dr. Evan Malone is the son of John C. Malone.

During the past ten years, none of the above persons has had any involvement in such legal proceedings as would be material to an evaluation of his or her ability or integrity.

## Director Independence

It will be Spinco's policy that a majority of the members of its board of directors will be independent of its management. For a director to be deemed independent, Spinco's board of directors must affirmatively determine that the director has no direct or indirect material relationship with the company. To assist Spinco's board of directors in determining which of its directors will qualify as independent, the nominating and corporate governance committee of Spinco's board is expected to follow the Corporate Governance Rules of the Nasdaq Stock Market on the criteria for director independence.

In accordance with these criteria, it is expected that the Spinco board of directors will determine that each of Messrs. Bennett, Fisher, Gilchrist, Rapley and Romrell and Ms. Wong qualifies as an independent director of Spinco.

## Board Composition

The board of Spinco will be comprised of directors with a broad range of backgrounds and skill sets, including in media and telecommunications, science and technology, venture capital, auditing and financial engineering. The board will also be chronologically diverse with its members' ages spanning over three decades. Detailed information on Spinco's policies with respect to board candidates will be available following the establishment of the board's nominating and corporate governance committee.

The following directors will serve in the following classes upon completion of the Spin-Off:

<u>Class I</u>	<u>Class II</u>	<u>Class III</u>
Evan D. Malone	Donne F. Fisher	John C. Malone
David E. Rapley	Gregory B. Maffei	Robert R. Bennett
Larry E. Romrell	Andrea L. Wong	M. Ian G. Gilchrist

Those directors who also serve on the Liberty Media board have been assigned to the same class as they serve currently on such board to ensure that their respective terms in office are not artificially elongated as a result of the Spin-Off.

## Committees of the Board

It is expected that Spinco's board of directors will form the following committees: audit committee, compensation committee, nominating and corporate governance committee and executive committee, which will have comparable responsibilities to the corresponding committees of Liberty Media's board. It is currently contemplated that the following persons will serve on the following committees upon completion of the Spin-Off:

<u>Executive Committee</u>	<u>Compensation Committee</u>	<u>Audit Committee</u>	<u>Nominating and Corporate Governance Committee</u>
John C. Malone	M. Ian G. Gilchrist (Chairman)	Donne F. Fisher (Chairman)	David E. Rapley (Chairman)
Gregory B. Maffei	Donne F. Fisher	M. Ian G. Gilchrist	M. Ian G. Gilchrist
Robert R. Bennett	David E. Rapley	Larry E. Romrell	Larry E. Romrell
	Andrea L. Wong		Andrea L. Wong

In addition, it is currently contemplated that Mr. Gilchrist will be designated an "audit committee financial expert" for purposes of the Exchange Act and the rules and regulations of Nasdaq.

#### **Compensation Committee Interlocks and Insider Participation**

Spinco's board of directors does not currently have a compensation committee. It is expected that no member of Spinco's compensation committee (once formed) will be or will have been, during 2011, an officer or employee of Spinco or Liberty Media, or will have engaged in any related party transaction in which Spinco or Liberty Media was a participant. It is expected that no interlocking relationship will exist between the Spinco board and its compensation committee and the board of directors or compensation committee of any other company.

### **EXECUTIVE COMPENSATION**

#### **Executive Officers of Spinco**

The initial executive officers of Spinco will be comprised of the current executive officers of Liberty Media. Spinco is a newly formed company, and therefore has not paid any compensation to any of its executive officers. The amount and timing of compensation to be paid to Spinco executive officers following the Spin-Off will be determined by the compensation committee of the Spinco board of directors, except that the compensation of Messrs. Malone and Maffei will be governed by the terms of their respective employment agreements, which were assumed by Liberty Media following the Split-Off and which will be assumed by our company following the Spin-Off. In connection with the Split-Off, Liberty Media and Liberty Interactive entered into a services agreement pursuant to which Liberty Interactive compensates Liberty Media for the portion of the salary and other cash compensation Liberty Media pays to its employees, including the named executive officers, that is allocable to Liberty Interactive for time spent by each such employee on matters related to that company. Thus, for information concerning the compensation paid to the "named executive officers" of Spinco for their service to each of Liberty Media and Liberty Interactive for the year ended December 31, 2011, including Messrs. Malone and Maffei, and certain related information, see Exhibit 99.2 to the registration statement on Form 10, of which this information statement forms a part, which includes the "Executive Compensation" sections of Liberty Media's definitive proxy statement on Schedule 14A filed with the SEC on July 5, 2012 relating to its 2012 annual meeting of stockholders and the proxy statement/prospectus forming a part of Amendment No. 3 to Liberty Interactive's Registration Statement on Form S-4 filed with the SEC on June 29, 2012 relating to its 2012 annual meeting of stockholders. Prior to November 2011, Liberty Media's common stock was divided into two tracking stock groups, the Capital Group and the Starz Group, which were not separate entities. Accordingly, the historical compensation information included in the section of Exhibit 99.2 entitled "Liberty Media Corporation" is not solely attributable to services performed on behalf of the Capital Group or the Starz Group, rather it reflects the full amount of the compensation paid by Liberty Media to each applicable person during the applicable period. Similarly, prior to the Split-Off, Liberty Interactive's common stock was divided into three tracking stock group, the Capital Group, the Starz Group and the Interactive Group, which were not separate entities. Accordingly, the historical compensation information included in the section of Exhibit 99.2 entitled "Liberty Interactive Corporation" is not solely attributable to services performed on behalf of the Capital Group, the Starz Group or the Interactive Group, rather it reflects the full amount of compensation paid by Liberty Interactive to each applicable person during the applicable period.

In connection with the Spin-Off, Spinco and Liberty Media will enter into a services agreement, pursuant to which Starz will compensate Spinco for the portion of the salary and other cash compensation Spinco pays to its employees, including the named executive officers, that is allocable to Starz for time spent by each such employee on matters related to Starz. The existing services agreement entered into between Liberty Media and Liberty Interactive in connection with the Split-Off

will be assumed by Spinco in connection with the Spin-Off. For more information regarding this agreement, please see "Certain Relationships and Related Party Transactions—Relationships Between Spinco and Liberty Media/Starz and/or Liberty Interactive—Services Agreements."

The amount and timing of any equity-based compensation to be paid to the Spinco executive officers following the Spin-Off (other than awards issued pursuant to the transitional plan) will be determined by the compensation committee of the Spinco board of directors. Any equity incentive awards granted to executive officers of Spinco following the Spin-Off will generally be granted pursuant to the Liberty Spinco, Inc. 2012 Incentive Plan, which is described under "—Equity Incentive Plans" below.

## **Directors**

Spinco's directors will receive cash compensation directly from Spinco in such amounts and at such times as the Spinco board of directors shall determine. The amount and timing of any equity-based compensation to be paid to the Spinco directors following the Spin-Off (other than awards issued pursuant to the transitional plan) will be determined by the Spinco board of directors. Any equity incentive awards granted to nonemployee directors of Spinco following the Spin-Off will generally be granted pursuant to the Liberty Spinco, Inc. 2012 Nonemployee Director Incentive Plan, which is described under "—Equity Incentive Plans" below. For information concerning the compensation paid to the directors of Liberty Media and Liberty Interactive for the year ended December 31, 2011 and certain related information, see Exhibit 99.2 to the registration statement on Form 10, of which this information statement forms a part.

## **Equity Incentive Plans**

### ***Liberty Spinco, Inc. 2012 Incentive Plan***

In connection with the Spin-Off, Spinco will adopt the Liberty Spinco, Inc. 2012 Incentive Plan (the **incentive plan**), which will be administered by the compensation committee of Spinco's board of directors. This committee will have full power and authority to grant eligible persons the awards described below and to determine the terms and conditions under which any awards are made. The incentive plan is designed to provide additional remuneration to certain employees and independent contractors for exceptional service and to encourage their investment in Spinco. The compensation committee may grant non-qualified stock options, SARs, restricted shares, restricted stock units, cash awards, performance awards or any combination of the foregoing under the incentive plan (collectively, **awards**). The maximum number of shares of Spinco common stock with respect to which awards may be granted is [            ], subject to anti-dilution and other adjustment provisions of the incentive plan. With limited exceptions, under the incentive plan, no person may be granted in any calendar year awards covering more than [            ] shares of Spinco common stock, subject to anti-dilution and other adjustment provisions of the incentive plan. In addition, no person may receive payment for cash awards during any calendar year in excess of [            ]. Shares of Spinco common stock issuable pursuant to awards will be made available from either authorized but unissued shares or shares that have been issued but reacquired by Spinco.

### ***Liberty Spinco, Inc. 2012 Nonemployee Director Incentive Plan***

Also, in connection with the Spin-Off, Spinco will adopt the Liberty Spinco, Inc. 2012 Nonemployee Director Incentive Plan (the **director plan**), which will be administered by Spinco's entire board of directors. Spinco's board will have full power and authority to grant eligible persons the awards described below and to determine the terms and conditions under which any awards are made. The director plan is designed to provide Spinco's nonemployee directors with additional remuneration for services rendered, to encourage their investment in Spinco common stock and to aid in attracting

persons of exceptional ability to become nonemployee directors of Spinco. Spinco's board may grant non-qualified stock options, SARs, restricted shares, restricted stock units and cash awards or any combination of the foregoing under the director plan (collectively, **director awards**). The maximum number of shares of Spinco common stock with respect to which director awards may be granted under the director plan is [ ], subject to anti-dilution and other adjustment provisions of the director plan. Shares of Spinco common stock issuable pursuant to director awards will be made available from either authorized but unissued shares or shares that have been issued but reacquired by Spinco.

***Liberty Spinco, Inc. 2012 Transitional Stock Adjustment Plan***

At the time of the Spin-Off, Spinco will also have awards outstanding under the transitional plan as described under "The Spin-Off—Effect of the Spin-Off on Outstanding Liberty Media Incentive Awards."

**Equity Compensation Plan Information**

At the time of the Spin-Off, Spinco will have three equity compensation plans, each of which is listed below. The only plan under which awards will be outstanding immediately following the Spin-Off is the transitional plan.

The following table reflects the awards that would have been outstanding as of December 31, 2011 assuming that (i) the Spin-Off had occurred on that date and (ii) the treatment of the outstanding

Liberty Media incentive awards described under "The Spin-Off—Effect of the Spin-Off on Outstanding Liberty Media Incentive Awards."

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</u>	<u>Weighted average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
<b>Equity compensation plans not approved by security holders-None</b>			
<b>Equity compensation plans approved by security holders(1)</b>	0	N/A	[     ]
Liberty Spinco, Inc. 2012 Incentive Plan:			
<b>Series A</b>	0	N/A	[     ]
<b>Series B</b>	0	N/A	
Liberty Spinco, Inc. 2012 Nonemployee Director Incentive Plan:			
<b>Series A</b>	0	N/A	[     ]
<b>Series B</b>	0	N/A	
Liberty Spinco, Inc. 2012 Transitional Stock Adjustment Plan:			
<b>Series A</b>	[     ]	[     ]	0
<b>Series B</b>	[     ]	[     ]	
<b>Total</b>			
<b>Series A</b>	[     ]	[     ]	[     ]
<b>Series B</b>	[     ]	[     ]	[     ]

- (1) Each plan will be approved by Liberty Media in its capacity as the sole stockholder of Spinco prior to the Spin-Off. Following the Spin-Off, Spinco will seek stockholder approval of each plan at its first annual meeting of stockholders.
- (2) Each plan permits grants of, or with respect to, shares of any series of Spinco common stock, subject to a single aggregate limit.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

**Security Ownership of Certain Beneficial Owners**

Prior to the Spin-Off, all of the outstanding shares of our common stock will be owned by Liberty Media. The following table sets forth information, to the extent known by Liberty Media or ascertainable from public filings, with respect to the estimated beneficial ownership of each person or entity (other than certain persons who will serve as directors or executive officers of Spinco, whose ownership information follows) who is expected to beneficially own more than five percent of the outstanding shares of any series of Spinco common stock, assuming that the distribution had occurred at 5:00 p.m., New York City time, on October 31, 2012. The percentage voting power is presented on an aggregate basis for all series of Spinco common stock.

The security ownership information for Spinco common stock has been estimated based upon the distribution ratio of 1-for-1 and outstanding stock information for Liberty Media's common stock as of October 31, 2012, and, in the case of percentage ownership information, has been estimated based upon 110,328,009 shares of Spinco's Series A common stock and 9,893,541 shares of Spinco's Series B common stock estimated to have been issued in the distribution.

So far as is known to Liberty Media, the persons indicated below would have sole voting power with respect to the shares estimated to be owned by them, except as otherwise stated in the notes to the table.

<u>Name and Address of Beneficial Owner</u>	<u>Title of Class</u>	<u>Amount and Nature of Beneficial Ownership</u> <u>(in thousands)</u>	<u>Percent of Class (%)</u>	<u>Voting Power (%)</u>
John C. Malone 12300 Liberty Boulevard Englewood, CO 80112	Series A	1,943(1)	1.8	40.5
	Series B	8,287(1)	83.8	
Robert R. Bennett 12300 Liberty Boulevard Englewood, CO 80112	Series A	20(2)	*	5.4
	Series B	1,128(2)	11.4	
Capital Research and Management Company 333 South Hope Street Los Angeles, CA 90071	Series A	5,969(3)	5.4	2.9
	Series B	—	—	
Comcast QVC, Inc. c/o Comcast Corporation One Comcast Center Philadelphia, PA 19103	Series A	6,763(4)	6.1	3.2
	Series B	—	—	
Horizon Kinetics LLC 470 Park Avenue South, 4th Floor South New York, NY 10016	Series A	6,175(5)	5.6	3.0
	Series B	—	—	

\* Less than one percent.

(1) Information with respect to shares of our common stock beneficially owned by Mr. Malone, our Chairman of the Board, is also set forth in "—Security Ownership of Management." For additional footnote disclosure concerning the shares of our common stock beneficially owned by Mr. Malone, please see footnotes (1), (2), (3), (4), (5), (6) and (7) under "—Security Ownership of Management."

- (2) Information with respect to shares of our common stock beneficially owned by Mr. Bennett, a director of our company, is also set forth in "—Security Ownership of Management." For additional footnote disclosure concerning the shares of our common stock beneficially owned by Mr. Bennett, please see footnotes (3), (4) and (8) under "—Security Ownership of Management."
- (3) Based on Schedule 13G, dated February 9, 2012, filed by Capital World Investors (**CWI**), a division of Capital Research and Management Company (**CRMC**), an investment adviser, which states that CWI is deemed to be the beneficial owner of such shares as a result of CRMC acting as an investment advisor to various investment companies and that CWI has sole voting and sole dispositive power over such shares.
- (4) Based on Amendment No. 1 to Schedule 13G, dated February 14, 2012, filed by Comcast QVC, Inc., Comcast Programming Holdings, Inc., Comcast Holdings Corporation and Comcast Corporation, which states that each of such entities has shared voting power and dispositive power over such shares.
- (5) Based on Schedule 13G, dated January 23, 2012, filed by Horizon Kinetics LLC (**Horizon**), which states that Horizon has sole dispositive and sole voting power over such shares.

### Security Ownership of Management

The following table sets forth information with respect to the estimated beneficial ownership by each person who is expected to serve as an executive officer or director of Spinco and all of such persons as a group of shares of Spinco's Series A common stock and Series B common stock, assuming that the distribution had occurred at 5:00 p.m., New York City time, on October 31, 2012. The percentage voting power is presented on an aggregate basis for all series of Spinco common stock.

The security ownership information for Spinco common stock has been estimated based upon the distribution ratio of 1-for-1 and outstanding stock information for Liberty Media's common stock as of October 31, 2012, and, in the case of percentage ownership information, has been estimated based upon 110,328,009 shares of Spinco's Series A common stock and 9,893,541 shares of Spinco's Series B common stock estimated to have been issued in the distribution.

Shares of restricted stock that will be issued pursuant to the transitional plan are included in the outstanding share numbers provided throughout this information statement. Shares issuable upon exercise or conversion of options, warrants and convertible securities that would have been exercisable or convertible on or within 60 days after October 31, 2012 are deemed to be outstanding and to be beneficially owned by the person holding the options, warrants or convertible securities for the purpose of computing the percentage ownership of the person and for the aggregate percentage owned by the directors and named executive officers as a group, but are not treated as outstanding for the purpose of computing the percentage ownership of any other individual person. For purposes of the following presentation, beneficial ownership of shares of Spinco's Series B common stock, though convertible on a one-for-one basis into shares of Spinco Series A common stock, is reported as beneficial ownership of Series B common stock, and not as beneficial ownership of Series A common stock, but the voting power of the Series A common stock and Series B common stock have been aggregated.

The number of shares indicated as owned by the following persons includes interests in shares that would have been held by the Liberty Media 401(k) Savings Plan (the **Liberty 401(k) Savings Plan**) as of October 31, 2012. The shares held by the trustee of the Liberty 401(k) Savings Plan for the benefit of these persons are voted as directed by such persons.

So far as is known to Liberty Media, the persons indicated below would have sole voting power with respect to the shares estimated to be owned by them, except as otherwise stated in the notes to the table.

Name of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class (%)	Voting Power (%)
		(In thousands)		
John C. Malone Chairman of the Board	Series A	1,943(1)(2)(3)(4)(5)(6)(7)	1.8	40.5
	Series B	8,287(1)(4)	83.8	
Gregory B. Maffei President, Chief Executive Officer and Director	Series A	1,351(2)(3)(8)(9)	1.2	*
	Series B	—	—	
Robert R. Bennett Director	Series A	20(2)(3)(10)	*	5.4
	Series B	1,128(10)	11.4	
Donne F. Fisher Director	Series A	35(2)(3)	*	*
	Series B	38	*	
M. Ian G. Gilchrist Director	Series A	1(2)	*	*
	Series B	—	—	
Evan D. Malone Director	Series A	8(2)(3)	*	*
	Series B	—	—	
David E. Rapley Director	Series A	3(2)	*	*
	Series B	—	—	
Larry E. Romrell Director	Series A	19(2)(3)	*	*
	Series B	**	*	
Andrea L. Wong Director	Series A	3(2)	*	*
	Series B	—	—	
Charles Y. Tanabe Executive Vice President and General Counsel	Series A	39(2)(3)(8)	*	*
	Series B	—	—	
Albert E. Rosenthaler Senior Vice President	Series A	23(2)(3)(8)	*	*
	Series B	—	—	
Christopher W. Shean Senior Vice President and Chief Financial Officer	Series A	13(2)(3)(8)	*	*
	Series B	—	—	
All directors and executive officers as a group (12 persons)	Series A	3,458(1)(2)(3)(4)(5)(6)(7)(8)(9) (10)	3.1	46.7
	Series B	9,453(1)(4)(10)	95.5	

\* Less than one percent

\*\* Less than 1,000 shares

(1) Includes 101,778 Series A common stock shares and 230,564 Series B common stock shares held by Mr. Malone's wife, Mrs. Leslie Malone, as to which shares Mr. Malone has disclaimed beneficial ownership.

- (2) Includes restricted shares of Series A common stock, none of which are vested, as follows:

John C. Malone	1,676
Gregory B. Maffei	3,483
Robert R. Bennett	1,806
Donne F. Fisher	706
M. Ian G. Gilchrist	706
Evan D. Malone	706
David E. Rapley	1,806
Larry E. Romrell	706
Andrea L. Wong	1,806
Charles Y. Tanabe	850
Albert E. Rosenthaler	475
Christopher W. Shean	441
<b>Total</b>	<b><u>15,167</u></b>

- (3) Includes beneficial ownership of shares of Series A common stock that may be acquired upon exercise of, or which relate to, stock options and stock appreciation rights exercisable within 60 days after October 31, 2012.

John C. Malone	56,854
Gregory B. Maffei	783,236
Robert R. Bennett	7,053
Donne F. Fisher	13,081
Evan D. Malone	5,724
Larry E. Romrell	13,081
Charles Y. Tanabe	12,450
Albert E. Rosenthaler	6,643
Christopher W. Shean	6,643
<b>Total</b>	<b><u>904,765</u></b>

- (4) Includes 34,759 shares of Series A common stock and 124,145 shares of Series B common stock held by two trusts which are managed by an independent trustee, of which the beneficiaries are Mr. Malone's adult children and in which Mr. Malone has no pecuniary interest. Mr. Malone retains the right to substitute assets held by the trusts and has disclaimed beneficial ownership of the shares held by the trusts.
- (5) Includes 1,652,812 shares of Series A common stock pledged to Fidelity Brokerage Services, LLC (Fidelity) in connection with a margin loan facility extended by Fidelity to Mr. Malone.
- (6) Includes 622 shares of Series A common stock pledged to Bank of America in connection with a loan facility extended to Mr. Malone.
- (7) Includes 250,000 shares of Series A common stock held by the Malone Family Land Preservation Foundation and 306,500 shares of Series A common stock held by the Malone Family Foundation, as to which shares Mr. Malone has disclaimed beneficial ownership.

(8) Includes shares of Series A common stock held in the Liberty 401(k) Savings Plan as follows:

Gregory B. Maffei	11,742
Charles Y. Tanabe	1,511
Albert E. Rosenthaler	2,131
Christopher W. Shean	4,154
<b>Total</b>	<b><u>19,538</u></b>

(9) Includes 50,000 shares of Series A common stock held by the Maffei Foundation, as to which shares Mr. Maffei has disclaimed beneficial ownership.

(10) Includes 6,986 Series A common stock shares and 217,741 Series B common stock shares owned by Hilltop Investments, LLC, which is jointly owned by Mr. Bennett and his wife, Deborah Bennett.

#### **Change of Control**

Other than as contemplated by the Spin-Off, we know of no arrangements, including any pledge by any person of its securities, the operation of which may at a subsequent date result in a change in control of our company. For more information about the Spin-Off, please see "The Spin-Off."

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We expect that our board of directors will adopt a formal written policy for the review, approval or ratification of any transactions or arrangements involving related parties. All of our directors, executive officers and employees will be subject to the policy and will be asked to promptly report any such related party transaction. No related party transaction will be effected without the approval of the independent committee of the board designated by the board to address such actual or potential conflicts. Directors will be asked to recuse themselves from any discussion or decision by the board or a board committee that involves or affects their personal, business or professional interests.

### **Relationships Between Spinco and Liberty Media/Starz and/or Liberty Interactive**

Following the Spin-Off, Starz and Spinco will operate independently, and neither will have any ownership interest in the other. In order to govern certain of the ongoing relationships between Starz and Spinco after the Spin-Off and to provide mechanisms for an orderly transition, Liberty Media/Starz and Spinco are entering into certain agreements, the terms of which are summarized below. Also summarized below is an agreement entered into between Liberty Media and Liberty Interactive, which will be assumed by Spinco following the Spin-Off, and an agreement previously entered into between Liberty Interactive and a subsidiary of Liberty Media which will be a subsidiary of Spinco following the Spin-Off. The parties may amend these agreements from time to time as they deem necessary. In the event these agreements are amended in any material respect following the Spin-Off, Spinco and Liberty Media/Starz will communicate any such amendments to their respective stockholders by means of filing a Current Report on Form 8-K.

In addition to the agreements described below, Starz may enter into, from time to time, agreements and arrangements with Spinco and certain of its related entities, in connection with, and in the ordinary course of, its business.

#### ***Reorganization Agreement***

Prior to the effective time of the Spin-Off, Spinco will enter into a reorganization agreement with Liberty Media to provide for, among other things, the principal corporate transactions (including the internal restructuring) required to effect the Spin-Off, certain conditions to the Spin-Off and provisions governing the relationship between Spinco and Liberty Media with respect to and resulting from the Spin-Off.

The reorganization agreement will provide that, prior to the distribution date, Liberty Media will transfer to Spinco, or cause its other subsidiaries to transfer to Spinco, directly or indirectly, the Spin-Off Assets and Liabilities. The reorganization agreement will also provide for mutual indemnification obligations, which are designed to make Spinco financially responsible for substantially all of the liabilities that may exist relating to the businesses and assets included in Spinco at the time of the Spin-Off together with liabilities arising out of or resulting from any breach of, failure to perform or comply with any covenant, undertaking or obligation of Spinco or any of its subsidiaries under the reorganization agreement, any agreement relating to the internal restructuring or any agreement to be entered into in connection with the Spin-Off, as well as for all liabilities incurred by Spinco after the Spin-Off, and to make Starz financially responsible for all potential liabilities of Spinco which are not related to Spinco's businesses, including, for example, any liabilities arising as a result of Spinco having been a subsidiary of Liberty Media, together with liabilities (i) relating to Spinco's guarantee of the obligations of Starz or its subsidiaries under certain studio output agreements to which Starz or its subsidiaries are a party or (ii) arising out of or resulting from any breach of, failure to perform or comply with any covenant, undertaking or obligation of Starz or any of its subsidiaries under the reorganization agreement, any agreement relating to the internal restructuring or any agreement to be entered into in connection with the Spin-Off. These indemnification obligations exclude any matters

relating to taxes. For a description of the allocation of tax-related obligations, please see "—Tax Sharing Agreement" below.

In addition, the reorganization agreement will provide for each of Spinco and Starz to preserve the confidentiality of all confidential or proprietary information of the other party for five years following the Spin-Off, subject to customary exceptions, including disclosures required by law, court order or government regulation.

The reorganization agreement may be terminated and the Spin-Off may be abandoned, at any time prior to the distribution date, by and in the sole discretion of the Liberty Media board of directors. In such event, Liberty Media will have no liability to any person under the reorganization agreement or any obligation to effect the Spin-Off.

This summary is qualified by reference to the full text of the reorganization agreement, a form of which is filed as an exhibit to the registration statement of which this information statement forms a part, and is hereby incorporated by reference herein.

#### ***Tax Sharing Agreement***

Prior to the effective time of the Spin-Off, Spinco will enter into a tax sharing agreement with Liberty Media that governs Starz's and Spinco's respective rights, responsibilities and obligations with respect to taxes and tax benefits, the filing of tax returns, the control of tax audits and other tax matters. References in this summary (i) to the terms "tax" or "taxes" mean U.S. federal, state, local and foreign taxes as well as any interest, penalties, additions to tax or additional amounts in respect of such taxes, (ii) to the term "Spin-Off tax-related losses" refer to losses arising from the failure of the Spin-Off and related restructuring transactions to be tax-free, (iii) to the term "Conversion tax-related losses" refer to losses arising from the failure of the conversion of Liberty Media's Liberty Starz common stock into its Liberty Capital common stock on November 28, 2011 (the **Starz Conversion**) to be tax-free (except with respect to the issuance of cash in lieu of fractional shares), (iv) to the term "Split-Off tax-related losses" refer to losses arising from the Split-Off and certain related restructuring transactions as a result of (x) the failure of such transactions to be tax-free or (y) any series of stock of Liberty Interactive or Liberty Media not being treated as stock of Liberty Interactive or Liberty Media, respectively, or being treated as Section 306 stock within the meaning of Section 306(c) of the Code, for U.S. federal income tax purposes, and (v) to the term "Compensatory Equity Interests" refer to any equity interests, stock, options, stock appreciation rights, or similar rights granted prior to the Spin-Off (including any such interests or rights which are adjusted in connection with the Spin-Off) in connection with employee, independent contractor or director compensation.

In addition, references to the "Starz group" mean, following the effective time of the Spin-Off, Starz and its subsidiaries; and references to the "Starz business" generally mean, (x) with respect to any tax year (or portion thereof) ending at or before the effective time of the Spin-Off, the assets, liabilities and businesses of, and any equity or debt interests in, Starz, LLC, Starz Entertainment LLC, Starz Media Group, LLC (**Starz Media**), any predecessor of any of the foregoing, and each of their respective subsidiaries, and (y) with respect to any tax year (or portion thereof) beginning after the effective time of the Spin-Off, the assets, liabilities, and businesses of the Starz group. References to the "Spinco group" mean, following the effective time of the Spin-Off, Spinco and its subsidiaries; and references to the "Spinco business" generally mean, (x) with respect to any tax year (or portion thereof) ending at or before the effective time of the Split-Off, the assets, liabilities and businesses of Liberty Interactive (or its predecessor, Liberty Interactive LLC) and their respective subsidiaries (other than (1) the Starz business, (2) the assets, liabilities and businesses that were tracked during such tax year (or portion thereof), and only for so long as so tracked, by Liberty Interactive's Liberty Interactive common stock, and (3) with respect to any tax year (or portion thereof) ending prior to May 9, 2006, the assets, liabilities and businesses of, and any equity or debt interests in, QVC, Inc., Provide

Commerce, Inc. and their respective subsidiaries), (y) with respect to any tax year (or portion thereof) beginning after the effective time of the Split-Off and ending at or before the effective time of the Spin-Off, the assets, liabilities and businesses of Liberty Media and its subsidiaries (other than the Starz business), and (z) with respect to any tax year (or portion thereof) beginning after the effective time of the Spin-Off, the assets, liabilities, and businesses of the Spinco group.

Spinco and certain of Liberty Media's eligible subsidiaries that will be contributed to Spinco currently join with Liberty Media in the filing of a consolidated return for U.S. federal income tax purposes and also join with Liberty Media in the filing of certain consolidated, combined, and unitary returns for state, local, and foreign tax purposes. However, generally for tax periods beginning after the Spin-Off, Spinco and the members of its group will not join with Starz in the filing of federal, state, local or foreign consolidated, combined or unitary tax returns.

Under the tax sharing agreement, Starz will be liable for the taxes (determined without regard to tax benefits) allocated to it, as reduced first by any tax benefits allocated to it and then by any tax benefits allocated to Spinco (to the extent such benefits are not first used by Spinco), and must pay such taxes, as so reduced, to the applicable tax authority or to Spinco (if Spinco is responsible for preparing the applicable tax return), and Starz will be liable for paying Spinco for any tax benefits allocated to Spinco that are used by Starz to reduce the taxes allocated to it. Similarly, Spinco will be liable for the taxes (determined without regard to tax benefits) allocated to Spinco, as reduced first by any tax benefits allocated to it and then by any tax benefits allocated to Starz (to the extent such benefits are not first used by Starz), and must pay such taxes, as so reduced, to the applicable tax authority or to Starz (if Starz is responsible for preparing the applicable tax return), and Spinco will be liable for paying Starz for any tax benefits allocated to Starz that are used by Spinco to reduce the taxes allocated to it.

Generally, taxes (determined without regard to tax benefits) for any tax year (or portion thereof) shall be allocated between Starz and Spinco in proportion to the taxable income or other applicable items of the Starz business and the Spinco business that contribute to such taxes, and tax benefits shall be allocated between Starz and Spinco in proportion to the losses, credits or other applicable items of the Starz business and the Spinco business that contribute to such tax benefits. Tax items attributable to the Spinco business that are carried forward or back and used as a tax benefit in another tax year generally shall be allocated to Spinco, and tax items attributable to the Starz business that are carried forward or back and used as a tax benefit in another tax year shall be allocated to Starz. Special allocation rules will apply, however, as follows:

- Spinco shall be allocated any taxes and Spin-Off tax-related losses that result from the Spin-Off and related restructuring transactions (other than a portion of any transfer taxes as described below), except that Starz shall be allocated any such taxes or Spin-Off tax-related losses that (i) result primarily from, individually or in the aggregate, a breach by Starz of any of its restrictive covenants described below, (ii) result from Section 355(e) of the Code applying to the Spin-Off as a result of the Spin-Off being part of a plan (or series of related transactions) pursuant to which one or more persons acquire a 50-percent or greater interest (measured by vote or value) in the stock of Liberty Media/Starz, or (iii) result from deferred intercompany items or excess loss accounts that are triggered by the Spin-Off, and that would otherwise be allocated to Starz;
- Spinco shall be allocated any taxes and Conversion tax-related losses resulting from the Starz Conversion, except that Starz shall be allocated any such taxes or Conversion tax-related losses that result primarily from, individually or in the aggregate, a breach by Starz of any of its restrictive covenants described below;
- Spinco shall be allocated any taxes and Split-Off tax-related losses resulting from the Split-Off and related restructuring transactions, except that Starz shall be allocated any such taxes or

Split-Off tax-related losses that (i) result primarily from, individually or in the aggregate, a breach by Starz of any of its restrictive covenants described below, (ii) result from Section 355(e) of the Code applying to the Split-Off as a result of the Split-Off being part of a plan (or series of related transactions) pursuant to which one or more persons acquire a 50-percent or greater interest (measured by vote or value) in the stock of Liberty Media/Starz, or (iii) result from deferred intercompany items or excess loss accounts that are triggered by the Split-Off, and that would otherwise be allocated to Starz;

- Spinco shall be allocated any taxes and losses resulting from (i) the treatment of the Liberty Capital common stock or the Liberty Starz common stock as other than stock of Liberty Media, or as Section 306 stock within the meaning of Section 306(c) of the Code, in any taxable period (or portion thereof) ending at or before the Spin-Off, or (ii) the actual or deemed disposition of any assets caused by the issuance of Liberty Media's Liberty Capital common stock or Liberty Starz common stock in any taxable period (or portion thereof) ending at or before the Spin-Off; provided, however, that Starz shall be allocated any such taxes or losses that (x) result primarily from, individually or in the aggregate, a breach by Starz of any of its restrictive covenants described below, or (y) result from deferred intercompany items or excess loss accounts that are triggered thereby, and that would otherwise be allocated to Starz;
- Starz shall be allocated any tax benefit that results from the carryback of a tax item that is otherwise allocated to Spinco during a tax year beginning after the effective time of the Spin-Off to a tax return that Starz is responsible for filing for a tax year beginning before the Spin-Off to the extent (and only to such extent) that such carryback increases the taxes or reduces the tax benefits that would otherwise be allocable to Starz;
- for any tax year (or portion thereof) ending at or before the effective time of the Spin-Off, (x) taxes and tax items arising from the issuance, vesting, exercise or settlement of any Compensatory Equity Interests (1) with respect to any series of Liberty Media's Liberty Starz common stock or Liberty Interactive's Liberty Starz common stock or (2) in Starz, LLC, Starz Entertainment LLC, Starz Media, any predecessor of any of the foregoing, any of their respective subsidiaries, or any entity acquired, directly or indirectly, by Starz following the Spin-Off (each, a **Starz Entity**) shall be allocated to Starz; (y) taxes and tax items arising from the issuance, vesting, exercise or settlement of any Compensatory Equity Interests with respect to any series of Liberty Media's Liberty Capital common stock or Liberty Interactive's Liberty Capital common stock or in any entity (including DIRECTV, Discovery Communications, Inc., Liberty Global, Inc., and Ascent Capital Group, Inc.) other than Liberty Media or any Starz Entity shall be allocated to Spinco; and (z) any other taxes or tax items related to employee, independent contractor or director compensation or employee benefits shall be allocated to Starz to the extent that the Starz business is or was responsible for the underlying obligation and to Spinco to the extent that the Spinco business is or was responsible for the underlying obligation;
- for any tax year (or portion thereof) beginning after the effective time of the Spin-Off, (x) taxes and tax items arising from the issuance, vesting, exercise or settlement of any Compensatory Equity Interests with respect to any class or series of Starz stock or in any member of the Starz group or any Starz Entity shall be allocated to Starz; (y) taxes and tax items arising from the issuance, vesting, exercise or settlement of any Compensatory Equity Interests with respect to any class or series of Spinco stock or in any member of the Spinco group or any entity (including DIRECTV, Discovery Communications, Inc., Liberty Global, Inc., and Ascent Capital Group, Inc.) other than Starz, any member of the Starz group or any Starz Entity shall be allocated to Spinco; and (z) any other taxes or tax items related to employee, independent contractor or director compensation or employee benefits shall be allocated to Starz to the

extent that the Starz business is or was responsible for the underlying obligation and to Spinco to the extent that the Spinco business is or was responsible for the underlying obligation;

- any alternative minimum federal tax credit shall be allocated between Starz and Spinco in a manner that offsets the excess of the net payments previously made between the parties with respect to the tax return in which the corresponding alternative minimum federal tax liability was reported over the net payments that would have been made between the parties if no alternative minimum federal tax liability had been owed with respect to such tax return (treating any payment received as a negative amount of net payments made for this purpose);
- for any tax period (whether beginning before, at or after the effective time of the Spin-Off), taxes and tax items of any subsidiary that is acquired, directly or indirectly, after the Spin-Off by any member of the Starz group or by any member of the Spinco group shall generally be allocated to Starz or Spinco, respectively;
- Spinco shall be allocated (x) the capital loss resulting from the sale by Starz, LLC of a portion of its equity interests in Starz Media to The Weinstein Company LLC and (y) the capital loss recognized under Section 331 of the Code with respect to Starz, LLC's equity interest in Starz Media resulting from the deemed liquidation of Starz Media for U.S. federal income tax purposes;
- Starz and Spinco shall each be allocated 50 percent of any transfer taxes arising from the Spin-Off and related restructuring transactions; and
- Spinco shall be allocated all taxes, tax items, losses and payments attributable to Liberty Media's tax sharing agreement with Liberty Interactive and Liberty Interactive LLC (the **Liberty Interactive Tax Sharing Agreement**), except that Starz shall be allocated any such taxes, tax items, losses and payments that (x) are attributable to the Starz business, (y) are attributable to taxes, tax items, or losses that are specially allocated to Starz, as described above, or (z) result primarily from, individually or in the aggregate, a breach by Starz of any of its restrictive covenants described below.

Payments will initially be made between Starz and Spinco on the basis of the tax returns as filed, or if the tax is not reported on a tax return, on the basis of the amount of tax initially paid to the tax authority. Additional payments will then be made if additional taxes are subsequently paid, refunds or tax benefits are subsequently received or utilized, or the amount or character of any tax item is adjusted or redetermined. Payments that are not made within the time period prescribed by the tax sharing agreement will bear interest until they are made.

Starz will be responsible for preparing and filing all tax returns for any tax year beginning on or before the date of the Spin-Off which include tax items allocable to both the Starz business and the Spinco business, and any tax returns for any tax year beginning after the date of the Spin-Off that includes one or more members of the Starz group and the Spinco group. In addition, for any tax year beginning on or before the date of the Spin-Off, Starz will be responsible for preparing and filing any tax returns that include only tax items allocable to the Starz business, and Spinco will be responsible for preparing and filing any tax returns that include only tax items allocable to the Spinco business; and for any tax year beginning after the date of the Spin-Off, Starz will be responsible for preparing and filing any tax returns that include only one or more members of the Starz group, and Spinco will be responsible for preparing and filing any tax returns that include only one or more members of the Spinco group. Spinco generally will have the right to review and consent (which consent shall not be unreasonably withheld or delayed) to the treatment in any tax return prepared by Starz of any tax items allocated to Spinco under the rules above. In addition, without obtaining the consent of Spinco (which consent shall not be unreasonably withheld or delayed), Starz will not be permitted to file, or cause to be filed, any amended tax return, to the extent that such amended tax return, if accepted by the

applicable tax authority, would be likely to increase the tax liability of Spinco, or give rise to a payment under the tax sharing agreement by Spinco, for any tax year (or portion thereof).

On any tax return that Spinco will be responsible for preparing and filing, Spinco may not take (and shall cause the members of the Spinco group not to take) any position that it knows, or reasonably should know, would adversely affect the Starz group (unless the failure to take such position would be contrary to applicable law), and Spinco and the members of the Spinco group must allocate tax items between any tax returns for which Spinco is responsible and any related tax return for which Starz is responsible that are filed with respect to the same tax year in a manner that is consistent with the reporting of such tax items on the tax return prepared by Starz. Spinco will also agree to make any applicable elections under applicable tax law necessary to effect such allocation. Spinco's ability to obtain a refund from the carryback of a tax benefit that is allocable to the Spinco business in a tax year beginning after the Spin-Off to a tax return for which Starz is responsible for preparing in a tax year beginning prior to the Spin-Off will be at the discretion of Starz. Moreover, any refund that Spinco may obtain will be net of any portion of such tax benefit that is allocated to Starz under the special allocation rules described above.

Starz will generally have the authority to respond to and control all tax proceedings, including tax audits, involving any taxes reported on tax returns for which Starz is responsible for preparing and filing, and Spinco will have the right to participate, at Spinco's own cost and expense, in such tax proceedings to the extent they involve taxes or tax benefits allocable to Spinco. Spinco will generally have the authority to respond to and control all tax proceedings, including tax audits, involving any taxes reported on tax returns for which Spinco is responsible for preparing and filing, and Starz will have the right to participate, at its own cost and expense, in such tax proceedings to the extent they involve taxes or tax benefits allocable to Starz. Notwithstanding the foregoing, Starz and Spinco will have the authority to jointly control all proceedings, including tax audits, involving any taxes or certain tax-related losses arising from the Spin-Off, the Starz Conversion, the Split-Off, and Liberty Media's former tracking stock. In addition, Spinco will have the authority to control all proceedings, including tax audits, involving any liabilities arising under the Liberty Interactive Tax Sharing Agreement, except that Starz and Spinco shall have the right to jointly control any proceedings involving any such liabilities arising from the Split-Off, and Starz shall have the right to participate in any other proceedings relating to the Liberty Interactive Tax Sharing Agreement to the extent they involve taxes, tax items, losses or payments allocable to Starz.

The tax sharing agreement will further provide for the exchange of information for tax matters (and confidentiality protections related to such exchanged information), the retention of records that may affect the tax liabilities of the parties to the agreement, and cooperation between Starz and Spinco with respect to tax matters and in obtaining any supplemental private letter ruling from the IRS related to the Spin-Off that may be reasonably requested by a party.

To the extent permitted by applicable tax law, Starz and Spinco will treat any payments made under the tax sharing agreement as a capital contribution or distribution (as applicable) immediately prior to the Spin-Off. However, if any payment causes, directly or indirectly, an increase in the taxable income of the recipient (or its group), the payor's payment obligation will be grossed up to take into account the taxes owed by the recipient (or its group).

Finally, each of Starz and Spinco will be restricted by certain covenants related to the Spin-Off, the Starz Conversion, and the Split-Off. These restrictive covenants will require that neither Starz, Spinco, any member of their respective groups, nor any of their respective affiliates take, or fail to take, any action following the Spin-Off if such action, or failure to act:

- would be inconsistent with or prohibit certain restructuring transactions related to the Spin-Off from qualifying for tax-free treatment for U.S. federal income tax purposes to Liberty Media and each of its subsidiaries immediately prior to the Spin-Off;

- would be inconsistent with or prohibit the Spin-Off from qualifying as a tax-free transaction under Sections 355, 368(a) and 361 of the Code to Liberty Media, Spinco, each of their respective subsidiaries at the effective time of the Spin-Off, and the holders of Liberty Media common stock who receive shares of Spinco common stock pursuant to the Spin-Off;
- would be inconsistent with or prohibit the Starz Conversion from qualifying as a tax-free reorganization under Section 368(a)(1)(E) to Liberty Media, each of its subsidiaries at the effective time of the Starz Conversion, and the Liberty Media stockholders who received Liberty Capital common stock pursuant to the Starz Conversion (except with respect to cash received in lieu of fractional shares);
- would be inconsistent with or prohibit the Split-Off from qualifying as a tax-free transaction under Sections 355, 368(a) and 361 of the Code to Liberty Interactive, each of its subsidiaries immediately prior to the effective time of the Split-Off and the holders of Liberty Interactive's Liberty Capital common stock and Liberty Starz common stock who received shares of Liberty Capital common stock and Liberty Starz common stock, respectively, pursuant to the Split-Off;
- would be inconsistent with, or otherwise cause any person to be in breach of, any representation, covenant, or material statement made in connection with obtaining any private letter ruling (if applicable) or tax opinion relating to the U.S. federal income tax consequences of the Spin-Off, the Starz Conversion, or the Split-Off; or
- would be inconsistent with, or otherwise cause any person to be in breach of, any representation or covenant made in the Liberty Interactive Tax Sharing Agreement.

Further, each party will be restricted from taking any position for tax purposes that is inconsistent with the Ruling or the tax opinions obtained in connection with the Spin-Off.

The parties must indemnify each other for taxes and losses allocated to them under the tax sharing agreement and for taxes and losses arising from a breach by them of their respective covenants and obligations under the tax sharing agreement. Under the tax sharing agreement, Liberty Media also will assign to Spinco Liberty Media's right to receive any indemnification payment (or any related rights) under the Liberty Interactive Tax Sharing Agreement to the extent those rights relate to taxes or losses allocated to Spinco under the Liberty Interactive Tax Sharing Agreement that Spinco has paid.

Notwithstanding the tax sharing agreement, under U.S. Treasury Regulations, each member of a consolidated group is severally liable for the U.S. federal income tax liability of each other member of the consolidated group. Accordingly, with respect to periods prior to the Spin-Off in which Spinco (or its subsidiaries) have been included in Liberty Media's consolidated group or another company's consolidated group, Spinco (or its subsidiaries) could be liable to the U.S. government for any U.S. federal income tax liability incurred, but not discharged, by any other member of such consolidated group. However, if any such liability were imposed, Spinco would generally be entitled to be indemnified by Starz for tax liabilities allocated to Starz under the tax sharing agreement.

This summary is qualified by reference to the full text of the tax sharing agreement, a form of which is filed as an exhibit to the registration statement of which this information statement forms a part.

#### ***Services Agreements***

*Services Agreement with Liberty Interactive.* In connection with the Split-Off, Liberty Media entered into a services agreement with Liberty Interactive pursuant to which, following the Split-Off, Liberty Media provides Liberty Interactive with specified services. In connection with the Spin-Off, Spinco will assume the services agreement previously entered into between Liberty Media and Liberty Interactive.

*Services Agreement with Liberty Media.* In connection with the Spin-Off, Spinco will also enter into a separate services agreement with Liberty Media, pursuant to which, following the Spin-Off, Spinco will provide Starz with specified services, including:

- insurance administration and risk management services;
- other services typically performed by Spinco's legal, investor relations, tax, accounting, and internal audit departments; and
- such other services as Spinco may obtain from its officers, employees and consultants in the management of its own operations that Starz may from time to time request or require.

In addition, Starz will provide to Spinco certain technical and information technology services (including management information systems, computer, data storage network and telecommunications services).

Starz will make payments to Spinco under the services agreement based upon a portion of Spinco's personnel costs (taking into account wages and benefits) of the Spinco officers and employees who are expected to provide services to Starz, including officers of Spinco who will also act as officers of Starz. These personnel costs will be comparable to those arrived at on an arm's-length basis and will be based upon the allocated percentages of time spent by Spinco personnel performing services for Starz under the services agreement. Starz will also reimburse Spinco for direct out-of-pocket costs incurred by Spinco for third party services provided to Starz. Spinco and Starz will evaluate all charges for reasonableness semi-annually and make adjustments to these charges as the parties mutually agree upon. Based upon the current personnel costs of the affected Spinco personnel and Starz's anticipated percentage usage thereof, the fees payable to Spinco for the first year of the services agreement are expected to be approximately \$2 million. To the extent Starz provides services to Spinco or incurs expenses in connection with the provision of such services, Spinco will reimburse Starz in a manner similar to which Starz will reimburse Spinco under the services agreement.

The services agreement will continue in effect until the close of business on the third anniversary of the Spin-Off, unless earlier terminated (1) by Starz at any time on at least 30 days' prior written notice, (2) by Spinco upon written notice to Starz following a change in control or certain bankruptcy or insolvency-related events affecting Starz or (3) by Starz, upon written notice to Spinco, following certain changes in control of Spinco or Spinco being the subject of certain bankruptcy or insolvency-related events.

This summary is qualified by reference to the full text of the services agreement, a form of which is filed as an exhibit to the registration statement of which this information statement forms a part.

#### ***Facilities Sharing Agreements***

*Facilities Sharing Agreement with Liberty Interactive.* In connection with the Split-Off, Liberty Interactive entered into a three-year facilities sharing agreement (the **LIC facilities sharing agreement**) with Liberty Property Holdings, Inc. (**LPH**), a subsidiary of Liberty Media which will be a subsidiary of Spinco following the Spin-Off, pursuant to which Liberty Interactive shares office facilities with Liberty Media located at 12300 Liberty Boulevard, Englewood, Colorado. Liberty Interactive pays a sharing fee for use of the office based on a comparable fair market rental rate and an estimate of the usage of the office facilities by or on behalf of Liberty Interactive. LPH received payments from Liberty Interactive for fees and reimbursable expenses incurred during the year ended December 31, 2011 under the LIC facilities sharing agreement of approximately \$328,000. The LIC facilities sharing agreement will continue in effect until September 23, 2014, unless earlier terminated (1) by Liberty Interactive at any time on at least 30 days' prior written notice, (2) by LPH upon written notice to Liberty Interactive following a default by Liberty Interactive of any of its material obligations under the LIC facilities sharing agreement, which default remains unremedied for 30 days after written notice of such default is

provided, (3) by Liberty Interactive upon written notice to LPH, following certain changes in control of Spinco or Spinco being the subject of certain bankruptcy or insolvency-related events or (4) by LPH upon written notice to Liberty Interactive, following certain changes in control of Liberty Interactive or Liberty Interactive being the subject of certain bankruptcy or insolvency-related events. In connection with the Spin-Off, and pursuant to the terms of the reorganization agreement, LPH will become a subsidiary of Spinco and the LIC facilities sharing agreement will continue in effect unless terminated as described above.

*Facilities Sharing Agreement with Liberty Media.* In connection with the Spin-Off, Liberty Media will enter into a three-year facilities sharing agreement (the **LMC facilities sharing agreement**) with LPH, pursuant to which, following the Spin-Off, Starz will share office facilities with Spinco located at 12300 Liberty Boulevard, Englewood, Colorado. Starz will pay a sharing fee for use of the office based on a comparable fair market rental rate and an estimate of the usage of the office facilities by or on behalf of Starz. The LMC facilities sharing agreement will continue in effect until the close of business on the third anniversary of the Spin-Off, unless earlier terminated (1) by Starz at any time on at least 30 days' prior written notice, (2) by LPH upon written notice to Starz following a default by Starz of any of its material obligations under the LMC facilities sharing agreement, which default remains unremedied for 30 days after written notice of such default is provided, (3) by Starz upon written notice to LPH, following certain changes in control of Spinco or Spinco being the subject of certain bankruptcy or insolvency-related events or (4) by LPH upon written notice to Starz, following certain changes in control of Starz or Starz being the subject of certain bankruptcy or insolvency-related events.

This summary is qualified by reference to the full text of the LMC facilities sharing agreement, a form of which is filed as an exhibit to the registration statement of which this information statement forms a part.

#### ***Lease Agreement For Starz Building***

As part of the internal restructuring, the Starz, LLC headquarters building will be contributed to Spinco. Spinco will enter into a ten year lease agreement with Starz, LLC at a rate currently under negotiation. The lease agreement will provide for successive five year renewal periods at the option of Starz, LLC. The lease agreement will also provide for termination by Spinco in the case of certain events, including a change in control of Liberty Media or Starz, LLC.

This summary is qualified by reference to the full text of the lease agreement, a form of which will be filed as an exhibit to the registration statement of which this information statement forms a part.

#### ***Aircraft Time Sharing Agreements***

Prior to the effective time of the Spin-Off, Spinco will enter into an aircraft time sharing agreement with Liberty Media or one of its wholly-owned subsidiaries (the **Lessee**) for each of two aircraft that will be owned by Spinco. Each aircraft time sharing agreement will provide that Spinco will lease the aircraft to Lessee and provide a fully qualified flight crew for all operations on a periodic, non-exclusive time sharing basis.

Lessee will pay Spinco an amount equal to 200% of the actual expenses for fuel for each flight conducted under each aircraft time sharing agreement (which we estimate to be approximately \$1 million for the first year of both aircraft time sharing agreements).

The aircraft time sharing agreements will continue in effect until the close of business on the first anniversary of the Spin-Off, and then will be automatically renewed on a month-to-month basis, unless terminated earlier by either party upon at least 30 days' prior written notice.

This summary is qualified by reference to the full text of the aircraft time sharing agreements, a form of which will be filed as an exhibit to the registration statement of which this information statement a part.

## DESCRIPTION OF OUR CAPITAL STOCK

### Authorized Capital Stock

The following information reflects our certificate of incorporation (**our charter**) and bylaws as we expect to be in effect at the time of the Spin-Off.

Our authorized capital stock will consist of four billion, one hundred twenty five million (4,125,000,000) shares, of which four billion, seventy five million (4,075,000,000) shares will be designated common stock, par value \$0.01 per share, and fifty million (50,000,000) shares will be designated preferred stock, par value \$0.01 per share. Our common stock will be divided into three series. We will have two billion (2,000,000,000) shares of Series A common stock, seventy five million (75,000,000) shares of Series B common stock, and two billion (2,000,000,000) shares of Series C common stock authorized.

Immediately following the Spin-Off, we expect to have approximately 110,328,000 shares of our Series A common stock and approximately 9,893,000 shares of our Series B common stock outstanding, based upon the number of shares of LMCA and LMCA outstanding on October 31, 2012. No shares of our Series C common stock or preferred stock will be outstanding immediately following the Spin-Off.

### Our Common Stock

The holders of our Series A common stock, Series B common stock and Series C common stock have equal rights, powers and privileges, except as otherwise described below.

#### *Voting Rights*

The holders of our Series A common stock will be entitled to one vote for each share held, and the holders of our Series B common stock will be entitled to ten votes for each share held, on all matters voted on by our stockholders, including elections of directors. The holders of our Series C common stock will not be entitled to any voting powers, except as required by Delaware law. When the vote or consent of holders of our Series C common stock is required by Delaware law, the holders of our Series C common stock will be entitled to 1/100th of a vote for each share held. Our charter does not provide for cumulative voting in the election of directors.

#### *Dividends; Liquidation*

Subject to any preferential rights of any outstanding series of our preferred stock created by our board from time to time, the holders of our common stock will be entitled to such dividends as may be declared from time to time by our board from funds available therefor. Except as otherwise described under "—Distributions," whenever a dividend is paid to the holders of one of our series of common stock, we will also pay to the holders of the other series of our common stock an equal per share dividend. For a more complete discussion of our dividend policy, please see "—Dividend Policy."

#### *Conversion*

Each share of our Series B common stock is convertible, at the option of the holder, into one share of our Series A common stock. Our Series A common stock and Series C common stock are not convertible into shares of any other series of our common stock.

#### *Distributions*

Subject to the exception provided below, distributions made in shares of our Series A common stock, our Series B common stock, our Series C common stock or any other security with respect to

our Series A common stock, our Series B common stock or our Series C common stock may be declared and paid only as follows:

- a share distribution (1) consisting of shares of our Series C common stock (or securities convertible therefor) to holders of our Series A common stock, Series B common stock and Series C common stock, on an equal per share basis; or (2) consisting of (x) shares of our Series A common stock (or securities convertible therefore other than, for the avoidance of doubt, shares of our Series B common stock) to holders of our Series A common stock, on an equal per share basis, (y) shares of our Series B common stock (or securities convertible therefor) to holders of our Series B common stock, on an equal per share basis, and (z) consisting of shares of our Series C common stock (or securities convertible therefor) to holders of our Series C common stock, on an equal per share basis; and
- a share distribution consisting of any class or series of securities of our company or any other person, other than our Series A common stock, Series B common stock or Series C common stock (or securities convertible therefor) on the basis of a distribution of (1) identical securities, on an equal per share basis, to holders of our Series A common stock, Series B common stock and Series C common stock; or (2) separate classes or series of securities, on an equal per share basis, to holders of each such shares of our common stock; or (3) a separate class or series of securities to the holders of one or more series of our common stock and, on an equal per share basis, a different class or series of securities to the holders of all other series of our common stock, provided that, in the case of (2) or (3) above, the securities so distributed do not differ in any respect other than their relative voting rights and related differences in designation, conversion, redemption and share distribution provisions, with the holders of shares of Series B common stock receiving securities of the class or series having the highest relative voting rights and the holders of shares of each other series of our common stock receiving securities of the class or series having lesser relative voting rights, and provided further that, if different classes or series of securities are being distributed to holders of our Series A common stock and Series C common stock, then such securities shall be distributed either as determined by our board of directors or such that the relative voting rights of the securities of the class or series of securities to be received by the holders of our Series A common stock and Series C common stock corresponds, to the extent practicable, to the relative voting rights of each such series of our common stock.

#### ***Reclassification***

We may not reclassify, subdivide or combine any series of our common stock without reclassifying, subdividing or combining the other series of our common stock, on an equal per share basis.

#### ***Liquidation and Dissolution***

In the event of our liquidation, dissolution or winding up, after payment or provision for payment of our debts and liabilities and subject to the prior payment in full of any preferential amounts to which our preferred stock holders may be entitled, the holders of our Series A common stock, Series B common stock and Series C common stock will share equally, on a share for share basis, in our assets remaining for distribution to the holders of our common stock.

#### **Our Preferred Stock**

Our certificate of incorporation authorizes our board of directors to establish one or more series of our preferred stock and to determine, with respect to any series of our preferred stock, the terms and rights of the series, including:

- the designation of the series;

- the number of authorized shares of the series, which number our board may subsequently increase or decrease but not below the number of such shares of such series preferred stock then outstanding;
- the dividend rate or amounts, if any, payable on the shares and, in the case of cumulative dividends, the date or dates from which dividends on all shares of the series will be cumulative and the relative preferences or rights of priority or participation with respect to such dividends;
- the rights of the series in the event of our voluntary or involuntary liquidation, dissolution or winding up and the relative preferences or rights of priority of payment;
- the rights, if any, of holders of the series to convert into or exchange for other classes or series of stock or indebtedness and the terms and conditions of any such conversion or exchange, including provision for adjustments within the discretion of our board;
- the voting rights, if any, of the holders of the series;
- the terms and conditions, if any, for us to purchase or redeem the shares of the series; and
- any other relative rights, preferences and limitations of the series.

We believe that the ability of our board of directors to issue one or more series of our preferred stock will provide us with flexibility in structuring possible future financings and acquisitions, and in meeting other corporate needs that might arise. The authorized shares of our preferred stock, as well as shares of our common stock, will be available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange or automatic quotation system on which our securities may be listed or traded.

Although we have no intention at the present time of doing so, our company could issue a series of preferred stock that could, depending on the terms of such series, impede the completion of a merger, tender offer or other takeover attempt. Our board will make any determination to issue such shares based upon its judgment as to the best interests of our stockholders. Our board, in so acting, could issue preferred stock having terms that could discourage an acquisition attempt through which an acquirer may be able to change the composition of our board of directors, including a tender offer or other transaction that some, or a majority, of our stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then-current market price of the stock.

#### **Other Provisions of our Certificate of Incorporation and Bylaws**

##### ***Board of Directors***

Our charter provides that, subject to any rights of the holders of any series of preferred stock to elect additional directors, the number of our directors will not be less than three and the exact number will be fixed from time to time by a resolution of our board. The members of our board, other than those who may be elected by holders of any preferred stock, will be divided into three classes. Each class consists, as nearly as possible, of a number of directors equal to one-third of the then authorized number of board members. The term of office of our Class I directors expires at the annual meeting of our stockholders in 2014. The term of office of our Class II directors expires at the annual meeting of our stockholders in 2015. The term of office of our Class III director expires at the annual meeting of our stockholders in 2013. At each annual meeting of our stockholders, the successors of that class of directors whose term expires at that meeting will be elected to hold office for a term expiring at the annual meeting of our stockholders held in the third year following the year of their election. The directors of each class will hold office until their respective successors are elected and qualified or until such director's earlier death, resignation or removal.

Our charter provides that, subject to the rights of the holders of any series of our preferred stock, directors may be removed from office only for cause upon the affirmative vote of the holders of at least a majority of the aggregate voting power of our outstanding capital stock entitled to vote on such matter voting together as a single class.

Our charter provides that, subject to the rights of the holders of any series of our preferred stock, vacancies on our board resulting from death, resignation, removal, disqualification or other cause, and newly created directorships resulting from any increase in the number of directors on our board, will be filled only by the affirmative vote of a majority of the remaining directors then in office (even though less than a quorum) or by the sole remaining director. Any director so elected shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred or to which the new directorship is assigned, and until that director's successor will have been elected and qualified or until such director's earlier death, resignation or removal. No decrease in the number of directors constituting our board will shorten the term of any incumbent director, except as may be provided in any certificate of designation with respect to a series of our preferred stock with respect to any additional director elected by the holders of that series of our preferred stock.

These provisions would preclude a third party from removing incumbent directors and simultaneously gaining control of our board by filling the vacancies created by removal with its own nominees. Under the classified board provisions described above, it would take at least two elections of directors for any individual or group to gain control of our board. Accordingly, these provisions could discourage a third party from initiating a proxy contest, making a tender offer or otherwise attempting to gain control of us.

#### ***Limitation on Liability and Indemnification***

To the fullest extent permitted by Delaware law, our directors are not liable to our company or any of its stockholders for monetary damages for breaches of fiduciary duties as a director. In addition, our company indemnifies, to the fullest extent permitted by applicable law, any person involved in any suit or action by reason of the fact that such person is a director or officer of our company or, at our request, a director, officer, employee or agent of another corporation or entity, against all liability, loss and expenses incurred by such person. We will pay expenses of a director or officer in defending any proceeding in advance of its final disposition, provided that such payment is made upon receipt of an undertaking by the director or officer to repay all amounts advanced if it should be ultimately determined that the director or officer is not entitled to indemnification. See "Indemnification of Directors and Officers."

#### ***No Stockholder Action by Written Consent; Special Meetings***

Our charter provides that, except as provided in the terms of any series of preferred stock, any action required to be taken or which may be taken at any annual or special meeting of the stockholders may not be taken without a meeting and may not be effected by any consent in writing by such holders. Except as otherwise required by law and subject to the rights of the holders of any series of our preferred stock, special meetings of our stockholders for any purpose or purposes may be called only by our Secretary (i) upon the written request of the holders of not less than  $66\frac{2}{3}\%$  of the total voting power of the then outstanding shares of our Series A common stock, Series B common stock and, if applicable, our preferred stock, entitled to vote thereon or (ii) at the request of at least 75% of the members of our board of directors then in office

### ***Advance Notice Procedures***

Our bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors or to bring other business before an annual meeting of our stockholders.

All nominations by stockholders or other business to be properly brought before a meeting of stockholders will be made pursuant to timely notice in proper written form to our company's Secretary. To be timely, a stockholder's notice will be given to our company's Secretary at Spinco's offices as follows:

- (1) with respect to an annual meeting of our stockholders that is called for a date within 30 days before or after the anniversary date of the immediately preceding annual meeting of our stockholders, such notice must be given no earlier than the close of business on the 90th day and no later than the close of business on the 60th day prior to the meeting date;
- (2) with respect to an annual meeting of our stockholders that is called for a date not within 30 days before or after the anniversary date of the immediately preceding annual meeting of our stockholders, such notice must be given no later than the close of business on the 10th day following the day on which Spinco first provides notice of or publicly announces the date of the current annual meeting, whichever occurs first; and
- (3) with respect to an election to be held at a special meeting of our stockholders, such notice must be given no earlier than the close of business on the 90th day prior to such special meeting and no later than the close of business on the 60th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the proposed nominees.

The public announcement of an adjournment or postponement of a meeting of our stockholders does not commence a new time period (or extend any time period) for the giving of any such stockholder notice. However, if the number of directors to be elected to our board at any meeting is increased, and we do not make a public announcement naming all of the nominees for director or specifying the size of the increased board at least 100 days prior to the anniversary date of the immediately preceding annual meeting, a stockholder's notice will also be considered timely, but only with respect to nominees for any new positions created by such increase, if it is delivered to our company's Secretary at our offices not later than the close of business on the 10th day following the day on which we first made the relevant public announcement. For purposes of the first annual meeting of stockholders to be held in 2013, the first anniversary date will be deemed to be August 8, 2013.

### ***Amendments***

Our charter provides that, subject to the rights of the holders of any series of our preferred stock, the affirmative vote of the holders of at least  $6\frac{2}{3}\%$  of the aggregate voting power of our outstanding capital stock entitled to vote on such matter, voting together as a single class, is required to adopt, amend or repeal any provision of our charter or to add or insert any provision in our charter, *provided* that the foregoing enhanced voting requirement will not apply to any adoption, amendment, repeal, addition or insertion (1) as to which Delaware law does not require the consent of our stockholders or (2) which has been approved by at least 75% of the members of our board then in office. Our charter further provides that the affirmative vote of the holders of at least  $6\frac{2}{3}\%$  of the aggregate voting power of our outstanding capital stock entitled to vote on such matter, voting together as a single class, is required to adopt, amend or repeal any provision of our bylaws, provided that the board of directors may adopt, amend or repeal the bylaws by the affirmative vote of not less than 75% of the members of our board then in office.

### ***Supermajority Voting Provisions***

In addition to the supermajority voting provisions discussed under "—Amendments" above, our charter provides that, subject to the rights of the holders of any series of our preferred stock, the affirmative vote of the holders of at least 66<sup>2</sup>/<sub>3</sub>% of the aggregate voting power of our outstanding capital stock entitled to vote on such matter, voting together as a single class, is required for:

- the merger or consolidation of our company with or into any other corporation, provided, that the foregoing voting provision will not apply to any such merger or consolidation (1) as to which the laws of the State of Delaware, as then in effect, do not require the consent of our stockholders, or (2) that at least 75% of the members of our board of directors then in office have approved;
- the sale, lease or exchange of all, or substantially all, of our assets, provided, that the foregoing voting provisions will not apply to any such sale, lease or exchange that at least 75% of the members of our board of directors then in office have approved; or
- our dissolution, provided, that the foregoing voting provision will not apply to such dissolution if at least 75% of the members of our board of directors then in office have approved such dissolution.

### **Section 203 of the Delaware General Corporation Law**

Section 203 of the DGCL prohibits certain transactions between a Delaware corporation and an "interested stockholder." An "interested stockholder" for this purpose generally is a stockholder who is directly or indirectly a beneficial owner of 15% or more of the outstanding voting power of a Delaware corporation. This provision prohibits certain business combinations between an interested stockholder including certain related persons and a corporation for a period of three years after the date on which the stockholder became an interested stockholder, unless: (1) prior to the time that a stockholder became an interested stockholder, either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder is approved by the corporation's board of directors, (2) the interested stockholder acquired at least 85% of the voting power of the corporation in the transaction in which the stockholder became an interested stockholder, or (3) the business combination is approved by a majority of the board of directors and the affirmative vote of the holders of 66<sup>2</sup>/<sub>3</sub>% of the outstanding voting power of the shares not owned by the interested stockholder at or subsequent to the time that the stockholder became an interested stockholder. Spinco is subject to Section 203.

### **Transfer Agent and Registrar**

Computershare Trust Company, N.A. will be the transfer agent and registrar for our common stock:

Computershare Trust Company, N.A.  
250 Royall Street  
Canton, MA 02121

## INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the DGCL provides, generally, that a corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (except actions by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation against all expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. A corporation may similarly indemnify such person for expenses actually and reasonably incurred by such person in connection with the defense or settlement of any action or suit by or in the right of the corporation, *provided* that such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, in the case of claims, issues and matters as to which such person shall have been adjudged liable to the corporation, *provided* that a court shall have determined, upon application, that, despite the adjudication of liability but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

Section 102(b)(7) of the DGCL provides, generally, that the certificate of incorporation may contain a provision eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, *provided* that such provision may not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under section 174 of Title 8 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. No such provision may eliminate or limit the liability of a director for any act or omission occurring prior to the date when such provision became effective.

Article V, Section E of the Spinco charter will provide as follows:

1. *Limitation On Liability.* To the fullest extent permitted by the DGCL as the same exists or may hereafter be amended, a director of Spinco will not be liable to Spinco or any of its stockholders for monetary damages for breach of fiduciary duty as a director. Any repeal or modification of this paragraph 1 will be prospective only and will not adversely affect any limitation, right or protection of a director of Spinco existing at the time of such repeal or modification.

2. *Indemnification.*

(a) *Right to Indemnification.* Spinco will indemnify, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a **proceeding**) by reason of the fact that he, or a person for whom he is the legal representative, is or was a director or officer of Spinco or is or was serving at the request of Spinco as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) incurred by such person. Such right of indemnification will inure whether or not the claim asserted is based on matters which antedate the adoption of Article V, Section E of the charter. Spinco will be required to indemnify or make advances to a person in connection with a proceeding (or part thereof) initiated by such person only if the proceeding (or part thereof) was authorized by the board of directors of Spinco.

(b) *Prepayment of Expenses.* Spinco will pay the expenses (including attorney's fees) incurred by a director or officer in defending any proceeding in advance of its final disposition; provided, however, that the payment of expenses incurred by a director or officer in advance of the final disposition of the proceeding will be made only upon receipt of an undertaking by the director or officer to repay all amounts advanced if it should be ultimately determined that the director or officer is not entitled to be indemnified under this paragraph or otherwise.

(c) *Claims.* If a claim for indemnification or payment of expenses under this paragraph is not paid in full within 60 days after a written claim therefor has been received by Spinco, the claimant may file suit to recover the unpaid amount of such claim and, if successful, will be entitled to be paid the expense (including attorney's fees) of prosecuting such claim to the fullest extent permitted by Delaware law. In any such action Spinco will have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

(d) *Non-Exclusivity of Rights.* The rights conferred on any person by this paragraph will not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the charter, the bylaws of Spinco, agreement, vote of stockholders or resolution of disinterested directors or otherwise.

(e) *Other Indemnification.* Spinco's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity will be reduced by any amount such person may collect as indemnification from such other corporation, partnership, joint venture, trust, enterprise or nonprofit entity.

### 3. *Amendment or Repeal.*

Any amendment, modification or repeal of the foregoing provisions of Article V, Section E of the charter will not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such amendment, modification or repeal.

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The audit committee of Liberty Media's board of directors has selected KPMG LLP as our independent registered public accounting firm for the year ended December 31, 2012.

## **WHERE YOU CAN FIND MORE INFORMATION**

We have filed a registration statement on Form 10 with the SEC with respect to the shares of our common stock being distributed as contemplated by this information statement. This information statement is a part of, and does not contain all of the information set forth in, the registration statement and the exhibits and schedules to the registration statement. For further information with respect to our company and our common stock, please refer to the registration statement, including its exhibits and schedules. Statements made in this information statement relating to any contract or other document are not necessarily complete, and you should refer to the exhibits attached to the registration statement for copies of the actual contract or document.

As a result of the distribution, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with the Exchange Act, we will file periodic reports, proxy statements and other information with the SEC. You may read and copy any document that Spinco files with the SEC, including the registration statement on Form 10, including its exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. You may also inspect such filings on the Internet website maintained by the

SEC at [www.sec.gov](http://www.sec.gov). Information contained on any website referenced in this information statement is not incorporated by reference in this information statement.

You may request a copy of any of our filings with the SEC at no cost, by writing or telephoning the office of:

Investor Relations  
Liberty Spinco, Inc.  
12300 Liberty Blvd.  
Englewood, Colorado 80112  
Telephone: (720) 875-5408

We intend to furnish holders of our common stock with annual reports containing consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles and audited and reported on, with an opinion expressed, by an independent public accounting firm.

For additional information regarding Liberty Media and its subsidiaries, you may read and copy Liberty Media's periodic reports, proxy statements and other information publicly filed by Liberty Media at the SEC's Public Reference Room or on the SEC's website, and you may contact Liberty Media at the contact information set forth therein.

You may request a copy of any of Liberty Media's filings with the SEC at no cost, by writing or telephoning the office of:

Investor Relations  
Liberty Media Corporation  
12300 Liberty Blvd.  
Englewood, Colorado 80112  
Telephone: (720) 875-5408

Pursuant to a services agreement to be entered into between our company and Liberty Media, we will provide Starz with investor relations assistance for a period following the Spin-Off. Accordingly, if you have questions relating to Spinco or Starz following the Spin-Off, you should contact the office of Investor Relations of Spinco at the address and telephone number above.

You should rely only on the information contained in this information statement or to which we have referred you. We have not authorized any person to provide you with different information or to make any representation not contained in this information statement.

This information statement includes information concerning Sirius, Barnes & Noble and Live Nation, each of which is a public company and files reports and other information with the SEC in accordance with the requirements of the Securities Act and the Exchange Act. Information included in this information statement concerning each of these companies has been derived from the reports and other information filed by it with the SEC. Neither Liberty Media nor Spinco had a part in the preparation of those reports and other information, nor are they incorporated by reference in this information statement. You may read and copy any reports and other information filed by these companies as set forth above.

## FINANCIAL STATEMENTS

### Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
Liberty Media Corporation:

We have audited the accompanying consolidated balance sheets of Liberty Media Corporation and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity for each of the years in the three year period ended December 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Liberty Media Corporation and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

As discussed in note 3 to the consolidated financial statements, effective January 1, 2011, the Company adopted ASU 2009-14 *Software (Topic 985): Certain Revenue Arrangements That Include Software Elements* and ASU 2009-13, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements*.

/s/ KPMG LLP

Denver, Colorado  
February 23, 2012

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
	<u>amounts in millions</u>	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 2,070	2,090
Trade and other receivables, net	288	257
Program rights	442	411
Short term marketable securities	299	509
Restricted cash (note 11)	709	53
Receivable from Liberty Interactive	—	85
Deferred income tax assets	61	—
Other current assets	45	137
Total current assets	<u>3,914</u>	<u>3,542</u>
Investments in available-for-sale securities and other cost investments (note 7 and 9)	1,859	4,550
Investments in affiliates, accounted for using the equity method (note 8)	567	91
Property and equipment, at cost	504	520
Accumulated depreciation	(289)	(273)
	<u>215</u>	<u>247</u>
Intangible assets not subject to amortization (note 10)	475	485
Intangible assets subject to amortization, net (note 10)	135	164
Program rights	320	323
Deferred costs	—	345
Deferred income tax assets	—	371
Other assets, at cost, net of accumulated amortization	238	674
Total assets	<u>\$ 7,723</u>	<u>10,792</u>

(continued)

See accompanying notes to consolidated financial statements.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets (Continued)**

**December 31, 2011 and 2010**

	2011	2010
	amounts in millions	
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable	\$ 15	21
Accrued liabilities	313	243
Financial instruments (note 9)	7	1,222
Current portion of debt (note 11)	754	37
Deferred income tax liabilities	—	712
Deferred revenue	63	240
Other current liabilities	78	36
Total current liabilities	1,230	2,511
Long-term debt (note 11)	541	2,101
Deferred revenue	39	846
Deferred income tax liabilities	411	—
Other liabilities	251	308
Total liabilities	2,472	5,766
Stockholders' equity (note 13):		
Preferred stock, \$.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A Liberty Capital common stock, \$.01 par value. Authorized 2,000,000,000 shares; issued and outstanding 112,411,965 shares at December 31, 2011	1	—
Series B Liberty Capital common stock, \$.01 par value. Authorized 75,000,000 shares; issued and outstanding 9,918,454 shares at December 31, 2011	—	—
Series C Liberty Capital common stock, \$.01 par value. Authorized 2,000,000,000 shares; zero issued and outstanding shares at December 31, 2011	—	—
Series A Liberty Starz common stock, \$.01 par value. Authorized 4,000,000,000 shares; zero issued and outstanding shares at December 31, 2011	—	—
Series B Liberty Starz common stock, \$.01 par value. Authorized 150,000,000 shares; zero issued and outstanding shares at December 31, 2011	—	—
Series C Liberty Starz common stock, \$.01 par value. Authorized 4,000,000,000 shares; zero issued and outstanding shares at December 31, 2011	—	—
Additional paid-in capital	3,564	—
Parent's investment	—	4,117
Accumulated other comprehensive earnings, net of taxes	29	54
Retained earnings	1,667	855
Total stockholders' equity	5,261	5,026
Noncontrolling interests in equity of subsidiaries	(10)	—
Total equity	5,251	5,026
Commitments and contingencies (note 19)		
Total liabilities and equity	\$ 7,723	10,792

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Operations

Years ended December 31, 2011, 2010 and 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	amounts in millions, except per share amounts		
Revenue:			
Communications and programming services	\$ 3,024	2,050	1,853
Operating costs and expenses:			
Operating	1,600	1,284	1,171
Selling, general and administrative, including stock-based compensation (note 3)	396	525	564
Legal settlement	2	(48)	—
Depreciation and amortization	69	94	109
	<u>2,067</u>	<u>1,855</u>	<u>1,844</u>
Operating income	957	195	9
Other income (expense):			
Interest expense	(21)	(65)	(132)
Dividend and interest income	79	88	117
Liberty Interactive interest income (expense)	—	3	16
Share of earnings (losses) of affiliates, net (note 8)	49	(64)	(44)
Realized and unrealized gains (losses) on financial instruments, net (note 9)	68	260	(34)
Gains (losses) on dispositions, net	(10)	36	242
Other, net	5	7	(4)
	<u>170</u>	<u>265</u>	<u>161</u>
Earnings (loss) from continuing operations before income taxes	1,127	460	170
Income tax (expense) benefit	(319)	558	170
Net earnings (loss) from continuing operations	808	1,018	340
Earnings (loss) from discontinued operations, net of taxes (note 5)	—	—	5,864
Net earnings (loss)	808	1,018	6,204
Less net earnings (loss) attributable to the noncontrolling interests	(4)	(3)	—
Net earnings (loss) attributable to Liberty stockholders	<u>\$ 812</u>	<u>1,021</u>	<u>6,204</u>
Net earnings (loss) attributable to Liberty stockholders:			
Liberty Capital common stock	583	815	127
Liberty Starz common stock	229	206	6,077
	<u>\$ 812</u>	<u>1,021</u>	<u>6,204</u>

(continued)

See accompanying notes to consolidated financial statements.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Consolidated Statements Of Operations (Continued)**

**Years ended December 31, 2011, 2010 and 2009**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	amounts in millions,		
	except per share amounts		
Basic net earnings (loss) from continuing operations attributable to Liberty stockholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	\$ 6.86	9.06	1.32
Series A and Series B Liberty Starz common stock	4.49	4.12	0.46
Diluted net earnings (loss) from continuing operations attributable to Liberty stockholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	6.63	8.76	1.31
Series A and Series B Liberty Starz common stock	4.32	3.96	0.46
Basic net earnings (loss) attributable to Liberty stockholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	6.86	9.06	1.32
Series A and Series B Liberty Starz common stock	4.49	4.12	13.13
Diluted net earnings (loss) attributable to Liberty stockholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	6.63	8.76	1.31
Series A and Series B Liberty Starz common stock	4.32	3.96	13.04

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Comprehensive Earnings (Loss)

Years ended December 31, 2011, 2010 and 2009

	December 31,		
	2011	2010	2009
	amounts in millions		
Net earnings (loss)	\$ 808	1,018	6,204
Other comprehensive earnings (loss), net of taxes:			
Foreign currency translation adjustments	—	—	2
Unrealized holding gains (losses) arising during the period	(24)	9	43
Recognition of previously unrealized (gains) losses on available-for-sale securities, net	—	(21)	(1)
Share of other comprehensive earnings (loss) from equity affiliates	2	—	—
Reattribution of other comprehensive earnings from Liberty Interactive	—	30	—
Other comprehensive earnings (loss) from discontinued operations	—	—	31
Other	(3)	1	(4)
Other comprehensive earnings (loss)	(25)	19	71
Comprehensive earnings (loss)	783	1,037	6,275
Less comprehensive earnings (loss) attributable to the noncontrolling interests	(4)	(3)	—
Comprehensive earnings (loss) attributable to Liberty stockholders	\$ 787	1,040	6,275
Comprehensive earnings (loss) attributable to Liberty stockholders:			
Liberty Capital common stock	560	834	167
Liberty Starz common stock	227	206	6,108
	\$ 787	1,040	6,275

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Cash Flows

Years ended December 31, 2011, 2010 and 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	amounts in millions (see note 4)		
Cash flows from operating activities:			
Net earnings (loss)	\$ 808	1,018	6,204
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Earnings from discontinued operations	—	—	(5,864)
Depreciation and amortization	69	94	109
Amortization of program rights	737	729	683
Cash payments for program rights	(769)	(650)	(693)
Stock-based compensation	32	83	81
Cash payments for stock-based compensation	(21)	(204)	(2)
Noncash interest expense	2	—	—
Share of (earnings) loss of affiliates, net	(49)	64	44
Realized and unrealized (gains) losses on financial instruments, net	(68)	(260)	34
Losses (gains) on disposition of assets, net	10	(36)	(242)
Change in tax accounts from Liberty Interactive, net	2	50	(56)
Deferred income tax expense	58	(782)	45
Other noncash charges (credits), net	(605)	72	13
Changes in operating assets and liabilities			
Current and other assets	(78)	—	99
Payables and other liabilities	148	(57)	(95)
Net cash provided (used) by operating activities	<u>276</u>	<u>121</u>	<u>360</u>
Cash flows from investing activities:			
Cash proceeds from dispositions	17	71	251
Proceeds (payments) from settlement of financial instruments, net	—	751	1,367
Investments in and loans to cost and equity investees	(350)	(405)	(726)
Investment in loan to Liberty Interactive	—	—	(510)
Repayment of loan by Liberty Interactive	—	316	194
Repayment of loans by cost and equity investees	217	200	634
Capital expended for property and equipment	(14)	(16)	(56)
Net sales (purchases) of short term investments	277	(542)	69
Net (increase) decrease in restricted cash	(153)	(39)	66
Reattribution of cash to Liberty Interactive	(264)	(807)	—
Other investing activities, net	(4)	(13)	1
Net cash provided (used) by investing activities	<u>(274)</u>	<u>(484)</u>	<u>1,290</u>
Cash flows from financing activities:			
Borrowings of debt	506	132	2,061
Repayments of debt	(59)	(1,047)	(2,144)
Repurchases of Liberty common stock	(465)	(754)	(18)
Other financing activities, net	(4)	171	303
Net cash provided (used) by financing activities	<u>(22)</u>	<u>(1,498)</u>	<u>202</u>
Effect of foreign currency exchange rates on cash	—	—	(8)
Net cash provided (used) by discontinued operations:	—	—	(121)
Net increase (decrease) in cash and cash equivalents	(20)	(1,861)	1,723
Cash and cash equivalents at beginning of period	2,090	3,951	2,228
Cash and cash equivalents at end of period	<u>\$ 2,070</u>	<u>2,090</u>	<u>3,951</u>

See accompanying notes to consolidated financial statements.

## LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

## Consolidated Statement Of Equity

Years ended December 31, 2011, 2010 and 2009

	Stockholders' equity											
	Preferred Stock	Liberty Capital		Liberty Starz		Additional Paid-in Capital	Parent's Investment	Accumulated other comprehensive earnings	Retained earnings	Noncontrolling interest in equity of subsidiaries	Total equity	
		Series A	Series B	Series A	Series B							
	amounts in millions											
Balance at January 1, 2009	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 19,705	\$ (36)	\$ (6,370)	\$ 1	\$ 13,300	
Net earnings	—	—	—	—	—	—	—	—	6,204	—	6,204	
Other comprehensive earnings	—	—	—	—	—	—	—	71	—	—	71	
Split-Off of Liberty Entertainment, Inc. (note 4)	—	—	—	—	—	—	(16,486)	—	—	—	(16,486)	
Stock compensation	—	—	—	—	—	—	134	—	—	—	134	
Stock issued upon exercise of stock options	—	—	—	—	—	—	115	—	—	—	115	
Series A Liberty Starz stock repurchases	—	—	—	—	—	—	(13)	—	—	—	(13)	
Series A Liberty Capital stock repurchases	—	—	—	—	—	—	(5)	—	—	—	(5)	
Other	—	—	—	—	—	—	(4)	—	—	(1)	(5)	
Balance at December 31, 2009	—	—	—	—	—	—	3,446	35	(166)	—	3,315	
Net earnings	—	—	—	—	—	—	—	—	1,021	(3)	1,018	
Other comprehensive earnings	—	—	—	—	—	—	—	19	—	—	19	
Stock issued upon exercise of stock options	—	—	—	—	—	—	24	—	—	—	24	
Stock compensation	—	—	—	—	—	—	99	—	—	—	99	
Series A Liberty Starz stock repurchase	—	—	—	—	—	—	(40)	—	—	—	(40)	
Series A Liberty Capital stock repurchases	—	—	—	—	—	—	(714)	—	—	—	(714)	
Impact of reattribution with Liberty Interactive	—	—	—	—	—	—	1,285	—	—	—	1,285	
Other	—	—	—	—	—	—	17	—	—	3	20	
Balance at December 31, 2010	—	—	—	—	—	—	4,117	54	855	—	5,026	
Net earnings	—	—	—	—	—	—	—	—	812	(4)	808	
Other comprehensive loss	—	—	—	—	—	—	—	(25)	—	—	(25)	
Stock compensation	—	—	—	—	—	—	7	16	—	—	23	
Stock issued upon exercise of stock options	—	—	—	—	—	—	1	6	—	—	7	
Series A Liberty Capital stock repurchases	—	—	—	—	—	—	(152)	(213)	—	—	(365)	
Series A Liberty Starz stock repurchases	—	—	—	—	—	—	(100)	—	—	—	(100)	
Impact of reattribution with Liberty Interactive	—	—	—	—	—	—	—	45	—	—	45	
Transfer of tax attributes to Liberty Interactive	—	—	—	—	—	—	—	(59)	—	—	(59)	
Change in capitalization in connection with Split-off (note 1)	—	1	—	—	—	—	3,808	(3,809)	—	—	—	
Sale of noncontrolling interest, net of tax impacts	—	—	—	—	—	—	—	(100)	—	—	(106)	
Other	—	—	—	—	—	—	—	(3)	—	—	(3)	
Balance at December 31, 2011	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ 3,564	\$ —	\$ 29	\$ 1,667	\$ (10)	\$ 5,251

See accompanying notes to consolidated financial statements.

## LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

December 31, 2011, 2010 and 2009

#### (1) Basis of Presentation

The accompanying consolidated financial statements of Liberty Media Corporation (formerly named Liberty CapStarz, Inc. and prior thereto Liberty Splitco, Inc.) ("Liberty" or the "Company" unless the context otherwise requires) represent a combination of the historical financial information of (1) certain video programming and other media related assets and businesses previously attributed to the Starz tracking stock group and the Capital tracking stock group of Liberty Interactive Corporation ("Liberty Interactive" and formerly named Liberty Media Corporation) further described in note 2 and (2) Liberty Media Corporation and its consolidated subsidiaries for the period following the date of the Split-Off (defined below). The Split-Off has been accounted for at historical cost due to the pro rata nature of the distribution.

During the second quarter of 2010, Liberty Interactive announced that its board of directors authorized its management to proceed with a plan to separate its Liberty Capital and Liberty Starz tracking stock groups from its Liberty Interactive tracking stock group (the "Split-Off"). The Split-Off was completed on September 23, 2011 following the satisfaction of all conditions to the Split-Off. The Split-Off was effected by means of a redemption of all of the outstanding Liberty Capital common stock and Liberty Starz common stock of Liberty Interactive in exchange for all of the common stock of Liberty, which at the time of the Split-Off held all of the businesses, assets and liabilities attributed to the Capital and Starz tracking stock groups of Liberty Interactive in accordance with the terms of a Reorganization Agreement (described below). Immediately following the Split-Off Liberty utilized a tracking stock capital structure similar to that used by Liberty Interactive prior to the Split-Off, with two tracking stock groups: one tracking the businesses, assets and liabilities previously attributed to Liberty Interactive's Capital Group ("Capital Group") and the other tracking the businesses, assets and liabilities that were previously attributed to Liberty Interactive's Starz Group ("Starz Group"). As further discussed in note 2, Liberty eliminated its tracking stock structure in November 2011 through the conversion of Liberty Starz common stock into Liberty Capital common stock.

These financial statements have been presented using the historical presentation of the Liberty Interactive attributed financial information as a basis for the consolidated financial statements. Previous transactions of the Liberty Capital group and Liberty Starz group have been reflected as transactions of Liberty and the historical transactions of the Liberty Interactive group have been treated as transactions of Liberty Interactive for purposes of these financial statements. Previous transactions between either the Liberty Starz group or the Liberty Capital group and the Liberty Interactive group, including all reattributions, have been reflected at historical cost on a prospective basis (i.e., treated as book value transfers rather than retroactive as-if poolings). All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Following the Split-Off, Liberty and Liberty Interactive operate as separate publicly traded companies, and neither has any stock ownership, beneficial or otherwise, in the other. In connection with the Split-Off, Liberty and Liberty Interactive entered into certain agreements in order to govern ongoing relationships between the two companies after the Split-Off and to provide for an orderly transition. These agreements include a Reorganization Agreement, a Services Agreement, a Facilities Sharing Agreement and a Tax Sharing Agreement.

The Reorganization Agreement provides for, among other things, the principal corporate transactions required to effect the Split-Off and provisions governing the relationship between Liberty and Liberty Interactive with respect to and resulting from the Split-Off, including cross-indemnities.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(1) Basis of Presentation (Continued)**

Pursuant to the Services Agreement, Liberty provides Liberty Interactive with general and administrative services including legal, tax, accounting, treasury and investor relations support. Liberty Interactive will reimburse Liberty for direct, out-of-pocket expenses incurred by Liberty in providing these services and for Liberty Interactive's allocable portion of costs associated with any shared services or personnel based on an estimated percentage of time spent providing services to Liberty Interactive. Prior to the Split-Off these costs were being allocated between the tracking stock groups and Liberty does not believe these amounts will be significantly different following the completion of the Split-Off. Under the Facilities Sharing Agreement, Liberty Interactive shares office space with Liberty and related amenities at Liberty's corporate headquarters. Under these various agreements approximately \$2 million of these allocated expenses were reimbursable to Liberty since the Split-Off date.

The Tax Sharing Agreement provides for the allocation and indemnification of tax liabilities and benefits between Liberty Interactive and Liberty and other agreements related to tax matters. Among other things, pursuant to the Tax Sharing Agreement, Liberty has agreed to indemnify Liberty Interactive, subject to certain limited exceptions, for losses and taxes resulting from the Split-Off to the extent such losses or taxes (i) result primarily from, individually or in the aggregate, the breach of certain restrictive covenants made by Liberty (applicable to actions or failures to act by Liberty and its subsidiaries following the completion of the Split-Off), (ii) result from the Liberty Capital common stock or the Liberty Starz common stock not being treated as stock of Liberty, or being treated as Section 306 stock within the meaning of Section 306(c) of the Internal Revenue Code of 1986, as amended (the "Code"), for U.S. federal income tax purposes, (iii) result from the Liberty Interactive common stock, the Liberty Capital common stock, or the Liberty Starz common stock not being treated as stock of Liberty Interactive, or being treated as Section 306 stock within the meaning of Section 306(c) of the Code, for U.S. federal income tax purposes, (iv) result from Section 355(e) of the Code applying to the Split-Off as a result of the Split-Off being part of a plan (or series of related transactions) pursuant to which one or more persons acquire a 50-percent or greater interest (measured by vote or value) in the stock of Liberty, or (v) result from deferred intercompany items or excess loss accounts that are triggered by the Split-Off, and that would otherwise be allocated to Liberty. In addition, Liberty will be required to indemnify Liberty Interactive for any losses or taxes resulting from the failure of the LEI split-off (a previously completed split-off by Liberty Interactive) and related restructuring transactions to be a tax-free transaction described under Sections 355 and 368(a)(1)(D) (including any such losses or taxes arising as a result of the completion of the Split-Off), except to the extent that such losses or taxes result primarily from, individually or in the aggregate, a breach of certain restrictive covenants made by Liberty Interactive (applicable to actions or failures to act by Liberty Interactive and its subsidiaries following the completion of the Split-Off).

Liberty, through its ownership of interests in subsidiaries and other companies, is primarily engaged in the media, communications and entertainment industries primarily in North America.

**(2) Tracking Stocks**

Tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. Immediately following the Split-Off, Liberty had two tracking stocks—Liberty Starz common stock and Liberty Capital common stock, which were intended to track and reflect the

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(2) Tracking Stocks (Continued)**

economic performance of the businesses and assets attributed to the Starz Group and Capital Group, respectively. On November 28, 2011, Liberty completed the conversion of each outstanding share of Liberty Starz common stock for 0.88129 of a share of the corresponding series of Liberty Capital common stock, with cash paid in lieu of any fractional shares (the "Conversion"). As a result of the Conversion there are no outstanding shares of Liberty Starz tracking stock at December 31, 2011. The Liberty Capital common stock previously traded under the LCAPA and LCAPB ticker symbols; at the date of conversion the ticker symbols changed to LMCA and LMCB.

While the Starz Group and the Capital Group had separate collections of businesses, assets and liabilities attributed to them, no group was a separate legal entity and therefore could not own assets, issue securities or enter into legally binding agreements. Holders of the tracking stocks had no direct claim to the group's stock or assets and were not represented by separate boards of directors. Instead, holders of tracking stock were stockholders of the Company, with a single board of directors and subject to all of the risks and liabilities of the Company.

Prior to the Split-Off, during the time that Liberty Interactive had separate tracking stocks outstanding, the following changes in attribution were made between the respective tracking stock groups which impacted the attributed results of the tracking stock groups in those historical periods and the consolidated results of Liberty.

On February 25, 2010, Liberty Interactive announced that its board of directors had resolved to effect the following changes in attribution between its Capital Group and its Interactive Group, effective on that date (the "February Reattribution"):

- the change in attribution from its Interactive Group to its Capital Group of a 14.6% ownership interest in Live Nation Entertainment, Inc.;
- the change in attribution from its Capital Group to its Interactive Group of the following debt securities:
  - \$469 million in principal amount of 4% Exchangeable Senior Debentures due 2029 (the "2029 Exchangeables");
  - \$460 million in principal amount of 3.75% Exchangeable Senior Debentures due 2030 (the "2030 Exchangeables"); and
  - \$492 million in principal amount of 3.5% Exchangeable Senior Debentures due 2031 (the "2031 Exchangeables", and together with the 2029 Exchangeables and the 2030 Exchangeables, the "Exchangeable Notes");
- the change in attribution from its Capital Group to its Interactive Group of approximately \$830 million in net taxable income to be recognized ratably in tax years 2014 through 2018 as a result of the cancellation in April 2009 of \$400 million in principal amount of 2029 Exchangeables and \$350 million in principal amount of 2030 Exchangeables; and
- the change in attribution from the Capital Group to the Interactive Group of \$807 million in cash.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(2) Tracking Stocks (Continued)**

On September 16, 2010, Liberty Interactive's board of directors approved a change in attribution of its interest in Starz Media, LLC along with \$15 million in cash from its Capital Group to its Starz Group, effective September 30, 2010 (the "Starz Media Reattribution"). As a result of the Starz Media Reattribution, an intergroup payable of approximately \$55 million owed by the Capital Group to the Starz Group was extinguished, and the Starz Group became attributed with approximately \$54 million in bank debt, interest rate swaps and any shutdown costs associated with the winding down of the Overture Films business. Notwithstanding the Starz Media Reattribution, certain tax benefits relating to the operation of the Starz Media, LLC business during the time it was attributed to the Capital Group that may be realized from any future sale or other disposition of that business by the Starz Group was attributed to the Capital Group. The Starz Media Reattribution had no impact on the consolidated results of Liberty.

On February 9, 2011, Liberty Interactive's board approved a change in attribution of \$1,138 million of the 3.125% Exchangeable Senior Debentures due 2023, the stock into which such debt is exchangeable (approximately 22 million shares of Time Warner, Inc., 5 million shares of Time Warner Cable Inc. and 2 million shares of AOL, Inc. with an aggregate carrying value of \$1,215 million at the time of the reattribution) and cash of \$264 million from its Capital Group to its Interactive Group (the "TWX Reattribution").

As discussed in note 1, the Liberty Interactive tracking stock businesses and assets remained with Liberty Interactive Corporation in the Split-Off. Liberty has reflected these reattributions discussed above prospectively for the results attributed to the tracking stock groups in prior periods. In each case, the assets and liabilities were reattributed at their book values rather than the estimated fair values of those assets and liabilities that were considered by our board of directors, among other factors, in approving the applicable reattribution. As a result, on a book value basis a change in attribution is reflected as a transfer of net assets between the tracking stocks. The principal reasons for the difference between fair value and book value is (i) the deferred tax liabilities under GAAP are required to be carried at the gross undiscounted basis difference multiplied by the company's effective tax rate whereas on a fair value basis, these future tax liabilities are not expected to be incurred for many years and therefore their present discounted value is substantially less, and (ii) certain of the senior exchangeable debentures are expected to continue to generate interest deductions for tax purposes in excess of the annual cash coupon over their remaining life, the present value of which is not reflected in the book values of the reattributed assets and liabilities.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(2) Tracking Stocks (Continued)**

The Pro Forma summarized unaudited balance sheet and statements of operation of Liberty as if the reattributions discussed above occurred for the Balance Sheet data as of that date and for the Statement of Operations data as if they had occurred on January 1, 2009, are as follows:

Summary Balance Sheet Data:

	<b>December 31, 2010</b>	
	<b>amounts in millions (unaudited)</b>	
Current assets	\$	3,278
Investments in available-for-sale securities		3,441
Equity investments		91
Total assets		9,563
Long-term debt		818
Parent's investment		5,155

Summary Operations Data:

	<b>Years ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>amounts in millions (unaudited)</b>	
Revenue	\$ 2,050	1,853
Operating income (loss)	195	9
Interest expense	(21)	(34)
Share of losses of affiliates	(62)	(82)
Realized and unrealized gains (losses) on financial instruments, net	170	434
Earnings (loss) from continuing operations attributable to Liberty stockholders:		
Liberty Capital group	\$ 788	461
Liberty Starz group	\$ 206	213

Due to the timing of the TWX reattribution, in February 2011, any Pro Forma impact to the 2011 results was considered insignificant. Therefore, no Pro Forma information was considered necessary.

**(3) Summary of Significant Accounting Policies**

***Cash and Cash Equivalents***

Cash equivalents consist of investments which are readily convertible into cash and have maturities of three months or less at the time of acquisition.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(3) Summary of Significant Accounting Policies (Continued)**

***Receivables***

Receivables are reflected net of an allowance for doubtful accounts and sales returns. Such allowance aggregated \$39 million and \$32 million at December 31, 2011 and 2010, respectively. Activity in the periods ended December 31, 2011, 2010 and 2009 included \$9 million, zero and \$7 million of bad debt charged to expense, respectively, and \$2 million, \$3 million and \$1 million of write-offs, respectively.

***Program Rights***

The cost of program rights for films and television programs exhibited by Starz Channels are generally amortized on a film-by-film basis over the anticipated number of exhibitions. Starz Channels estimates the number of exhibitions based on the number of exhibitions allowed in the agreement and the expected usage of the content. Certain other program rights are amortized to expense using the straight-line method over the respective lives of the agreements. Starz Channels generally has rights to two separate windows under its output agreements. For films with multiple windows, the license fee is allocated between the first and second window based upon the proportionate estimated fair value of each window. Considerable management judgment is necessary to estimate the fair value of each window. Changes in estimate could significantly impact programming costs in the future.

***Investment in Films and Television Programs***

Investment in films and television programs is included in other assets and generally includes the cost of completed films, television programs and original productions which have been produced by Starz or for which Starz has acquired distribution rights, as well as the cost of films, television programs or original productions in production, pre-production and development. Capitalized costs include production costs, including labor, goods and services, interest and allocable overhead, acquisition of distribution rights, acquisition of story rights and the development of stories less the license fee for original productions, which have aired on the Starz linear channels on demand or on the Internet. Starz allocates the cost of its original productions between the license fee for pay television and the ancillary revenue markets (e.g. home video, digital platforms, international television, etc.) based on the estimated relative fair values of these markets. The license fee associated with original productions is reclassified to program rights when the program is aired. Investment in films and television programs is stated at the lower of unamortized cost or estimated fair value on an individual film basis. Investment in films and television programs are amortized using the individual-film-forecast method, whereby the costs are charged to expense and royalty, participation and residual costs are accrued based on the proportion that current revenue from the films, television programs and original productions bear to an estimate of the remaining unrecognized ultimate revenue. Ultimate revenue estimates do not exceed ten years following the date of initial release or from the date of delivery of the first episode for episodic television series. Estimates of ultimate revenue involve uncertainty and it is therefore possible that reductions in the carrying value of investment in films and television programs may be required as a consequence of changes in management's future revenue estimates.

Investment in films and television programs in development or pre-production is periodically reviewed to determine whether they will ultimately be used in the production of a film or television program. Costs of films, television programs and original productions in development or pre-production

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(3) Summary of Significant Accounting Policies (Continued)**

are charged to expense when a project is abandoned, or generally if the film, television program or original production has not been set for production within three years from the time of the first capitalized transaction.

Investment in films and television programs is reviewed for impairment on a title-by-title basis when an event or change in circumstances indicates that a film, television program or original production may be impaired. The estimated fair value for each title is determined using the discounted estimated future cash flow of each title. If the estimated fair value of a film, television program or original production is less than its unamortized cost, the excess of unamortized costs over the estimated fair value is charged to expense. Considerable management judgment is necessary to estimate the fair value of investment in films and television programs. Changes in these estimates could significantly impact the impairment analysis in the future.

***Investments***

All marketable equity and debt securities held by the Company are classified as available-for-sale ("AFS") and are carried at fair value generally based on quoted market prices. U.S. generally accepted accounting principles ("GAAP") permit entities to choose to measure many financial instruments, such as AFS securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity's statement of operations (the "fair value option"). Under other relevant GAAP, entities were required to recognize changes in fair value of AFS securities in the balance sheet in accumulated other comprehensive earnings. Liberty has entered into economic hedges for certain of its non-strategic AFS securities (although such instruments are not accounted for as fair value hedges by the Company). Changes in the fair value of these economic hedges are reflected in Liberty's statement of operations as unrealized gains (losses). In order to better match the changes in fair value of the subject AFS securities and the changes in fair value of the corresponding economic hedges in the Company's financial statements, Liberty has elected the fair value option for those of its AFS securities which it considers to be non-strategic ("Non-strategic Securities"). Accordingly, changes in the fair value of Non-strategic Securities, as determined by quoted market prices, are reported in realized and unrealized gain (losses) on financial instruments in the accompanying consolidated statement of operations. The total value of AFS securities for which the Company has elected the fair value option aggregated \$1,435 million and \$3,768 million as of December 31, 2011 and 2010, respectively.

Other investments in which the Company's ownership interest is less than 20% and are not considered marketable securities are carried at cost.

For those investments in affiliates in which the Company has the ability to exercise significant influence, the equity method of accounting is used. Under this method, the investment, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the affiliate as they occur rather than as dividends or other distributions are received. Losses are limited to the extent of the Company's investment in, advances to and commitments for the investee. In the event the Company is unable to obtain accurate financial information from an equity affiliate in a timely manner, the Company records its share of earnings or losses of such affiliate on a lag. The Company's share of net earnings or loss of affiliates also includes any other than temporary declines in fair value recognized during the period.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(3) Summary of Significant Accounting Policies (Continued)**

Changes in the Company's proportionate share of the underlying equity of an equity method investee, which result from the issuance of additional equity securities by such equity investee ("SAB 51 Gain"), are recognized in equity.

The Company continually reviews its equity investments and its AFS securities which are not Non-strategic Securities to determine whether a decline in fair value below the cost basis is other than temporary. The primary factors the Company considers in its determination are the length of time that the fair value of the investment is below the Company's carrying value; the severity of the decline; and the financial condition, operating performance and near term prospects of the investee. In addition, the Company considers the reason for the decline in fair value, be it general market conditions, industry specific or investee specific; analysts' ratings and estimates of 12 month share price targets for the investee; changes in stock price or valuation subsequent to the balance sheet date; and the Company's intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value. If the decline in fair value is deemed to be other than temporary, the cost basis of the security is written down to fair value. In situations where the fair value of an investment is not evident due to a lack of a public market price or other factors, the Company uses its best estimates and assumptions to arrive at the estimated fair value of such investment. The Company's assessment of the foregoing factors involves a high degree of judgment and accordingly, actual results may differ materially from the Company's estimates and judgments. Writedowns for AFS securities which are not Non-strategic Securities are included in the consolidated statements of operations as other than temporary declines in fair values of investments. Writedowns for equity method investments are included in share of earnings (losses) of affiliates.

***Derivative Instruments and Hedging Activities***

All of the Company's derivatives, whether designated in hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive earnings and are recognized in the statement of operations when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative is not designated as a hedge, changes in the fair value of the derivative are recognized in earnings. The Company has entered into several interest rate swap agreements to mitigate the cash flow risk associated with interest payments related to certain of its variable rate debt. None of the Company's derivatives are currently designated as hedges.

The fair value of the Company's derivative instruments are estimated using the Black-Scholes model. The Black-Scholes model incorporates a number of variables in determining such fair values, including expected volatility of the underlying security and an appropriate discount rate. The Company obtained volatility rates from pricing services based on the expected volatility of the underlying security over the remaining term of the derivative instrument. A discount rate was obtained at the inception of the derivative instrument and updated each reporting period in which equity collars were outstanding, based on the Company's estimate of the discount rate at which it could currently settle the derivative instrument. The Company considered its own credit risk as well as the credit risk of its counterparties

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(3) Summary of Significant Accounting Policies (Continued)**

in estimating the discount rate. Considerable management judgment was required in estimating the Black-Scholes variables.

***Property and Equipment***

Property and equipment, including significant improvements, is stated at cost. Depreciation is computed using the straight-line method using estimated useful lives of 3 to 20 years for support equipment and 10 to 40 years for buildings and improvements.

***Intangible Assets***

Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment upon certain triggering events. Goodwill and other intangible assets with indefinite useful lives (collectively, "indefinite lived intangible assets") are not amortized, but instead are tested for impairment at least annually. Equity method goodwill is also not amortized, but is evaluated for impairment upon certain triggering events.

The Company performs at least annually an impairment analysis and as discussed below, in Recent Accounting Pronouncements, the Company adopted the recent accounting guidance relating to annual assessments of recoverability of goodwill and utilized a qualitative assessment for determining whether step one of the goodwill impairment analysis was necessary. In evaluating goodwill on a qualitative basis the Company reviewed the business performance of each reporting unit and evaluated other relevant factors as identified in ASU 2011-08 to determine whether it was more likely than not that an indicated impairment existed for any of our reporting units. The Company considered whether there was any negative macroeconomic conditions, industry specific conditions, market changes, increased competition, increased costs in doing business, management challenges, the legal environments and how these factors might impact company specific performance in future periods. As part of the analysis the Company also considered fair value determinations for certain reporting units that had been made at various points throughout the year for other purposes.

If a step one test would have been necessary based on the qualitative factors the Company would compare the estimated fair value of a reporting unit to its carrying value. Developing estimates of fair value requires significant judgments, including making assumptions about appropriate discount rates, perpetual growth rates, relevant comparable market multiples, public trading prices and the amount and timing of expected future cash flows. The cash flows employed in Liberty's valuation analysis are based on management's best estimates considering current marketplace factors and risks as well as assumptions of growth rates in future years. There is no assurance that actual results in the future will approximate these forecasts. For those reporting units whose carrying value exceeds the fair value, a second test is required to measure the impairment loss (the "Step 2 Test"). In the Step 2 Test, the fair value of the reporting unit is allocated to all of the assets and liabilities of the reporting unit with any residual value being allocated to goodwill. The difference between such allocated amount and the carrying value of the goodwill is recorded as an impairment charge.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(3) Summary of Significant Accounting Policies (Continued)**

***Impairment of Long-lived Assets***

The Company periodically reviews the carrying amounts of its property and equipment and its intangible assets (other than goodwill and indefinite-lived intangibles) to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. If the carrying amount of the asset is greater than the expected undiscounted cash flows to be generated by such asset, an impairment adjustment is to be recognized. Such adjustment is measured by the amount that the carrying value of such assets exceeds their fair value. The Company generally measures fair value by considering sale prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate. Considerable management judgment is necessary to estimate the fair value of assets. Accordingly, actual results could vary significantly from such estimates. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

***Noncontrolling Interests***

Prior to January 1, 2009, recognition of the noncontrolling interests' share of losses of subsidiaries was generally limited to the amount of such noncontrolling interests' allocable portion of the common equity of those subsidiaries. Effective January 1, 2009, the Company adopted new guidance which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary. Among other matters, (a) the previous limitations on allocation of losses to the noncontrolling interests were eliminated, (b) the noncontrolling interest is reported within equity in the balance sheet and (c) the amount of combined net income attributable to the parent and to the noncontrolling interest is presented in the statement of income. Also, changes in ownership interests in subsidiaries in which the Company maintains a controlling interest are recorded in equity. The Company has applied the changes prospectively, except for the presentation and disclosure requirements, which have been applied retrospectively for all periods presented.

***Revenue Recognition***

Revenue is recognized as follows:

- Programming revenue is recognized in the period during which programming is provided, pursuant to affiliation agreements. During the year ended December 31, 2011, approximately 56% of the Starz Channels' revenue was generated by its three largest customers, Comcast, DIRECTV and Dish Network, each of which individually generated 10% or more of the Starz Channels' revenue for such period.
- TruePosition earns revenue from the sale and licensing of equipment with embedded software and related service and maintenance. For contracts entered into prior to the adoption of new revenue accounting guidance with multiple element arrangements with vendor specific objective evidence, the Company recognized revenue for each specific element when the earnings process is complete. If vendor specific objective evidence did not exist, revenue was deferred and recognized on a straight-line basis over the remaining term of the maintenance period after all other elements had been delivered. The Company adopted the new revenue accounting guidance prospectively (see the Recent Accounting Pronouncements header for information on the adoption of the revenue accounting guidance) so subsequent to January 1, 2011 any new

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(3) Summary of Significant Accounting Policies (Continued)**

contracts or materially modified contracts with multiple element arrangements are accounted for based on the relative fair value of each separate element and recognized as earned.

- Revenue from the sale of DVDs is recognized net of an allowance for estimated returns, on the later of estimated receipt of the product by the customer or after any restrictions on the sale lapse. Revenue from television licensing is recognized when the film or program is complete in accordance with the terms of the arrangement, the license period has begun and is available for telecast or exploitation. Revenue from the theatrical release of feature films is recognized at the time of exhibition based on the Company's participation in box office receipts.
- Revenue for ticket sales, local radio and television rights, signage and suites are recognized on a per game basis during the baseball season based on a pro rata share of total revenues earned during the entire baseball season to the total number of home games during the season. Concession revenue is recognized as commissions are earned from the sale of food and beverage at the stadium in accordance with agreements with the Company's concessions vendors. Major League Baseball (MLB) revenue is earned throughout the year based on an estimate of revenues generated by MLB on behalf of the 30 MLB clubs through the MLB Central Fund and MLB Properties and revenue sharing income or expense.

Additionally, TruePosition's contract with T-Mobile expired in mid-2011; however software maintenance services ordered prior to that date continued to be provided through the end of the year. TruePosition had deferred substantially all of the revenue earned from T-Mobile since the inception of the contract due to an obligation to provide specified upgrades which were not delivered and for which no Vendor Specific Objective Evidence existed. Upon expiration of the software maintenance period, this obligation ceased to exist and, accordingly, TruePosition recognized approximately \$491 million and \$242 million of previously deferred revenue and costs, respectively.

***Advertising Costs***

Advertising costs generally are expensed as incurred. Advertising expense aggregated \$114 million, \$154 million and \$211 million for the years ended December 31, 2011, 2010 and 2009, respectively. Co-operative marketing costs incurred as part of affiliation agreements with distributors are recognized as advertising expense to the extent an identifiable benefit is received and fair value of the benefit can be reasonably measured. Otherwise, such costs are recorded as a reduction of revenue.

***Stock-Based Compensation***

As more fully described in note 15, Liberty has granted to its directors, employees and employees of its subsidiaries options and stock appreciation rights ("SARs") to purchase shares of Liberty common stock (collectively, "Awards"). The Company measures the cost of employee services received in exchange for an Award of equity instruments (such as stock options and restricted stock) based on the grant-date fair value of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). The Company measures the cost of employee services received in exchange for an Award of liability instruments (such as stock appreciation rights that will be settled in cash) based on the current fair value of the Award, and remeasures the fair value of the Award at each reporting date.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

(3) Summary of Significant Accounting Policies (Continued)

Included in selling, general and administrative expenses in the accompanying combined statements of operations are the following amounts of stock-based compensation (amounts in millions):

Years ended:	
December 31, 2011	\$ 32
December 31, 2010	\$ 83
December 31, 2009	\$ 81

Included in earnings from discontinued operations for the year ended December 31, 2009 is \$55 million of stock-based compensation related to stock options and restricted stock, the vesting of which was accelerated in connection with the closing of the DTV Business Combination.

As of December 31, 2011, the total unrecognized compensation cost related to unvested Liberty equity Awards was approximately \$68 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.2 years.

**Income Taxes**

The Company was included in the consolidated tax return of Liberty Interactive through the date of the Split-Off. Following the Split-Off the Company files its own consolidated tax return. The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value amounts and income tax bases of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards. The deferred tax assets and liabilities are calculated using enacted tax rates in effect for each taxing jurisdiction in which the company operates for the year in which those temporary differences are expected to be recovered or settled. Net deferred tax assets are then reduced by a valuation allowance if the Company believes it more likely than not such net deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of an enacted change in tax rates is recognized in income in the period that includes the enactment date.

When the tax law requires interest to be paid on an underpayment of income taxes, the Company recognizes interest expense from the first period the interest would begin accruing according to the relevant tax law. Such interest expense is included in interest expense in the accompanying consolidated statements of operations. Any accrual of penalties related to underpayment of income taxes on uncertain tax positions is included in other income (expense) in the accompanying consolidated statements of operations.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

(3) Summary of Significant Accounting Policies (Continued)

Earnings attributable to Liberty Stockholders Per Common Share

Net earnings attributable to Liberty stockholders are comprised of the following:

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Earnings (loss) from continuing operations	\$ 812	1,021	340
Earnings from discontinued operations	—	—	5,864
Net earnings (loss) attributable to Liberty stockholders	<u>\$ 812</u>	<u>1,021</u>	<u>6,204</u>

Basic earnings (loss) per common share ("EPS") is computed by dividing net earnings (loss) by the weighted average number of common shares that were outstanding for the period at the Company. Diluted EPS presents the dilutive effect on a per share basis of potential common shares as if they had been converted at the beginning of the periods presented.

Series A and Series B Liberty Capital Common Stock

The basic and diluted EPS calculation is based on the following weighted average outstanding shares (WASO) of Liberty Capital common stock, based on the conversion ratio of 1 to 1 utilized in the Split-Off, prior to the Split-Off, and the actual Liberty Capital common stock after the Split-Off. Excluded from diluted EPS for the years ended December 31, 2011 are less than a million potential common shares because their inclusion would be anti-dilutive.

	Years ended December 31,		
	2011	2010	2009
	number of shares in millions		
Basic WASO	85	90	96
Stock options	3	3	1
Diluted WASO	<u>88</u>	<u>93</u>	<u>97</u>

Series A and Series B Liberty Starz Common Stock

The basic and diluted EPS calculation is based on the following WASO of Liberty Starz common stock, based on the conversion ratio of 1 to 1 utilized in the Split-Off, prior to the Split-Off, and the actual Liberty Starz common stock immediately after the Split-Off. As discussed in note 2, on November 28, 2011 the Company converted each share of Liberty Starz for .88129 of a share of the corresponding series of Liberty Capital common stock (plus cash in lieu of fractional shares) to eliminate the tracking stock structure. Therefore, as of December 31, 2011, there were zero shares of

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

(3) Summary of Significant Accounting Policies (Continued)

Liberty Starz Common stock outstanding and the Basic and Diluted EPS calculations are through the Conversion date.

	Years ended December 31,		
	2011	2010	2009
	number of shares in millions		
Basic WASO	51	50	463
Stock options	2	2	3
Diluted WASO	53	52	466

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Company considers (i) fair value measurements, (ii) accounting for income taxes, (iii) assessments of other-than-temporary declines in fair value of its investments and (iv) amortization of program rights to be its most significant estimates.

The Company holds investments that are accounted for using the equity method. The Company does not control the decision making process or business management practices of these affiliates. Accordingly, the Company relies on management of these affiliates to provide it with accurate financial information prepared in accordance with GAAP that the Company uses in the application of the equity method. In addition, the Company relies on audit reports that are provided by the affiliates' independent auditors on the financial statements of such affiliates. The Company is not aware, however, of any errors in or possible misstatements of the financial information provided by its equity affiliates that would have a material effect on the Company's consolidated financial statements.

Recent Accounting Pronouncements

In September 2009, the Financial Accounting Standards Boards amended the Accounting Standards Codification ("ASC") as summarized in Accounting Standards Update ("ASU") 2009-14, *Software (Topic 985): Certain Revenue Arrangements That Include Software Elements*, and ASU 2009-13, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements*. As summarized in ASU 2009-14, ASC Topic 985 has been amended to remove from the scope of industry specific revenue accounting guidance for software and software related transactions, tangible products containing software components and non-software components that function together to deliver the product's essential functionality. As summarized in ASU 2009-13, ASC Topic 605 has been amended (1) to provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) to require an entity to allocate revenue in an arrangement using estimated selling prices of deliverables if a vendor does not have vendor-specific objective evidence or third-party evidence of selling price; and (3) to eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method. The accounting changes summarized in ASU 2009-14 and ASU 2009-13 are effective for fiscal years

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(3) Summary of Significant Accounting Policies (Continued)**

beginning on or after June 15, 2010, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application.

The Company adopted the revenue guidance on a prospective basis as of January 1, 2011. There was no financial statement impact on that date as a result of the adoption of the new accounting guidance. In the first quarter of 2011, TruePosition, a consolidated subsidiary of the Company, entered into an amended contract with AT&T (one of TruePosition's largest customers) that materially changed the terms of the existing contract. The transition provisions of the new accounting guidance require that when a contract is materially modified it is subject to the new accounting requirements. This resulted in the Company recognizing revenue for all the delivered elements meeting the separation criteria, previously deferred under the previous accounting guidance. TruePosition recognized approximately \$538 million of revenue and \$167 million of deferred cost associated with the delivered elements as of the modification date. Previously, TruePosition did not have Vendor Specific Objective Evidence for the undelivered specified upgrade, which changed the timing of revenue recognition for the entire arrangement. Under the new guidance TruePosition utilized the estimated selling price to determine what portion of the overall consideration to allocate to the delivered and undelivered elements.

In September 2011, the Financial Accounting Standards Boards amended the Accounting Standards Codification ("ASC") as summarized in Accounting Standards Update ("ASU") 2011-08, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. As summarized in ASU 2011-08, ASC Topic 350 has been amended to simplify how entities test goodwill for impairment by permitting entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350. Previously, under ASC Topic 350 an entity would be required to test goodwill, on at least an annual basis, by comparing the fair value of a reporting unit with its carrying amount, then, if the carrying amount was greater than the fair value of the reporting unit, step two of the test would be required to determine whether an impairment was necessary. In evaluating goodwill on a qualitative basis we reviewed the business performance of each reporting unit and evaluated other relevant factors as identified in ASU 2011-08 to determine whether it was more likely than not that an indicated impairment existed for any of our reporting units. As part of the analysis we also considered fair value determinations for certain reporting units that had been made at various points throughout the year for other purposes. We do not believe the outcome of performing a qualitative analysis versus immediately performing a step one test had any financial statement impact.

**(4) Supplemental Disclosures to Consolidated Statements of Cash Flows**

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Cash paid for interest	\$ 12	66	140
Cash paid (received) for income taxes	\$ 193	161	(44)

## LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

#### (5) Discontinued Operations

##### *Split Off of LEI*

On February 27, 2008, Liberty Interactive completed a transaction with News Corporation (the "News Corporation Exchange") in which Liberty Interactive exchanged all of its 512.6 million shares of News Corporation common stock valued at \$10,143 million on the closing date for a subsidiary of News Corporation that held an approximate 41% interest in DIRECTV, three regional sports television networks and \$463 million in cash. Liberty Interactive accounted for the News Corporation Exchange as a nonmonetary exchange and recognized a pre-tax gain of \$3,665 million based on the difference between the fair value and the cost basis of the News Corporation shares exchanged. The News Corporation Exchange qualified as an IRC Section 355 transaction, and therefore did not trigger federal or state income tax obligations. In addition, upon consummation of such transaction, the deferred tax liability previously recorded for the difference between Liberty Interactive's book and tax bases in its News Corporation investment in the amount of \$1,791 million was reversed with an offset to income tax benefit.

On April 3, 2008, Liberty Interactive purchased 78.3 million additional shares of DIRECTV common stock in a private transaction for cash consideration of \$1,980 million. Liberty Interactive funded the purchase with borrowings against a newly executed equity collar on 110 million DIRECTV common shares. As a result of the additional shares acquired and stock repurchases by DIRECTV, Liberty Interactive's ownership interest in DIRECTV increased to approximately 57% as of November 19, 2009. However, due to a standstill agreement with DIRECTV, Liberty Interactive's ability to control DIRECTV was limited, and Liberty Interactive accounted for its investment using the equity method of accounting. Liberty Interactive's share of the earnings of DIRECTV, including amortization of Liberty Interactive's excess basis related to DIRECTV, aggregated \$386 million in 2009. Such share of earnings are net of amortization of Liberty Interactive's excess basis of \$279 million in 2009.

On November 19, 2009, Liberty Interactive completed the split-off of LEI, and the business combination transaction among Liberty Interactive, LEI and DIRECTV (the "LEI Split-Off"). LEI held Liberty Interactive's 57% interest in DIRECTV (which had a carrying value of \$13,475 million at the time of the LEI Split-Off), a wholly owned subsidiary Liberty Sports Holdings, LLC, 65% interest in Game Show Network, LLC and approximately \$120 million in cash and cash equivalents, and approximately \$2,000 million of indebtedness. All of the businesses, assets and liabilities that were attributed to the Entertainment Group and were not held by LEI remained with Liberty and continue to be attributed to the Entertainment Group, which Liberty Interactive redesignated as the Starz Group.

Immediately following the LEI Split-Off, Liberty Interactive, LEI and DIRECTV completed the DTV Business Combination, and each of LEI and DIRECTV became wholly owned subsidiaries of a new public holding company ("Holdings"), and LEI repaid loans to Liberty Interactive in the amount of \$226 million. Pursuant to the DTV Business Combination, (i) John C. Malone, Chairman of the boards of Liberty Interactive, LEI and DIRECTV, and certain related persons (collectively, "the Malones") contributed each of their shares of LEI Series B common stock to Holdings for 1.11130 shares of Holdings Class B common stock (with payment of cash in lieu of any fractional shares), (ii) LEI merged with a wholly-owned subsidiary of Holdings, and each share of LEI common stock (other than shares of LEI Series B common stock held by the Malones) was exchanged for 1.11130

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

(5) Discontinued Operations (Continued)

shares of Holdings Class A common stock (with payment of cash in lieu of any fractional shares), and (iii) DIRECTV merged with a wholly-owned subsidiary of Holdings, and each share of DIRECTV common stock was exchanged for one share of Holdings Class A common stock.

Because the LEI Split-Off was conditioned on, among other matters, satisfaction and waiver of all conditions to the DTV Business Combination, the LEI Split-Off and the DTV Business Combination have been recorded at fair value, and Liberty Interactive recognized an approximate \$5,900 million gain on the transaction. Such gain is included in earnings from discontinued operations in the accompanying consolidated statement of operations. Due to the tax-free nature of the LEI Split-Off and the DTV Business Combination, no taxes have been recorded on the gain for financial statement purposes.

Certain combined statement of operations information for LEL, which is included in earnings from discontinued operations, is as follows:

	Year ended December 31, 2009
	amounts in millions
Revenue	\$ 240
Earnings before income taxes(1)	\$ 5,770

(1) Includes the gain from the LEI Split-Off/DTV Business Combination in 2009.

(6) Assets and Liabilities Measured at Fair Value

For assets and liabilities required to be reported at fair value, GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs, other than quoted market prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

(6) Assets and Liabilities Measured at Fair Value (Continued)

Liberty's assets and liabilities measured at fair value are as follows:

Description	December 31, 2011				December 31, 2010			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	amounts in millions							
Short term marketable securities	\$ 299	—	299	—	509	\$ —	509	—
Available-for-sale securities	\$ 1,851	1,441	410	—	4,541	4,165	376	—
Financial instruments	\$ 7	—	7	—	1,230	1,219	11	—
Debt	\$ —	—	—	—	1,283	—	1,283	—

The majority of Liberty's Level 2 financial assets are investments in debt related instruments. The Company notes that these assets are not always traded publicly or not considered to be traded on "active markets," as defined in GAAP. The fair values for such instruments are derived from a typical model using observable market data as the significant inputs. The fair value of debt in the prior year was based on quoted market prices but not considered to be traded on "active markets," as defined by GAAP. Accordingly, those Available-for-sale securities, financial instruments and debt are reported in the foregoing table as Level 2 fair value.

(7) Investments in Available-for-Sale Securities and Other Cost Investments

All marketable equity and debt securities held by the Company are classified as available-for-sale ("AFS") and are carried at fair value generally based on quoted market prices. GAAP permits entities to choose to measure many financial instruments, such as AFS securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity's statement of operations (the "fair value option"). The Company previously had entered into economic hedges for certain of its non-strategic AFS securities (although such instruments are not accounted for as fair value hedges by the Company). Changes in the fair value of those economic hedges were reflected in the Company's statement of operations as unrealized gains (losses). In order to better match the changes in fair value of the subject AFS securities and the changes in fair value of the corresponding economic hedges in the Company's financial statements, the Company has elected the fair value option for those of its AFS securities which it considers to be non-strategic ("Non-strategic Securities"). Accordingly, changes in the fair value of Non-strategic Securities, as determined by quoted market prices, are reported in realized and unrealized gains (losses) on financial instruments in the accompanying condensed consolidated statements of operations. The total value of the Non-strategic Securities aggregated \$1,435 million as of December 31, 2011.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(7) Investments in Available-for-Sale Securities and Other Cost Investments (Continued)**

Investments in AFS securities, including Non-strategic Securities, and other cost investments are summarized as follows:

	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
	amounts in millions	
Time Warner Inc.(1)(2)	\$ 340	1,101
Time Warner Cable Inc.(1)(2)	150	567
Sprint Nextel Corporation ("Sprint")(1)	44	301
Motorola Solutions(1)	—	471
Viacom, Inc.	345	301
Live Nation(3)	24	389
Century Link, Inc.(1)	67	248
Barnes & Noble, Inc.(4)	253	—
Priceline(1)	—	208
Other AFS equity securities(1)(2)	46	176
SIRIUS XM debt securities	384	384
Other AFS debt securities	206	404
	<u>\$ 1,859</u>	<u>4,550</u>

- (1) Includes shares previously pledged as collateral for share borrowing arrangements. These arrangements were settled in the fourth quarter of 2011 through the release of these shares, held as collateral, to the counterparty. See note 9 for additional discussion.
- (2) As discussed in note 2, prior to the Split-Off, certain of these securities were reattributed from the Capital Group to the Interactive Group in the first quarter of 2011.
- (3) In June 2011, Liberty acquired an additional 5.5 million shares of Live Nation for \$58 million. The additional ownership requires the Company to account for the investment as an equity method affiliate. For additional discussion see note 7. Liberty continues to hold debt securities in Live Nation which are included in available-for-sale securities.
- (4) In August 2011, Liberty acquired 204,000 shares of preferred stock of Barnes & Noble, Inc., which is convertible into an approximate 17% common equity interest, for \$204 million. The preferred stock pays dividends at a rate of 7.75% per annum. Liberty has elected to account for its investment in Barnes & Noble at fair value. Accordingly, changes in fair value of Barnes & Noble, Inc. preferred stock are reported in realized and unrealized gains (losses) on financial instruments in the accompanying condensed consolidated statements of operations.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

(7) Investments in Available-for-Sale Securities and Other Cost Investments (Continued)

Unrealized Holding Gains and Losses

Unrealized holding gains and losses related to investments in AFS securities are summarized below.

	December 31, 2011		December 31, 2010	
	Equity securities	Debt securities	Equity securities	Debt securities
	amounts in millions			
Gross unrealized holding gains	\$ 1	57	32	66
Gross unrealized holding losses(1)	\$ —	—	—	—

(1) Liberty does not currently have any gross unrealized losses that have been in such position for greater than a year.

(8) Investments in Affiliates Accounted for Using the Equity Method

Liberty has various investments accounted for using the equity method. The following table includes the Company's carrying amount and percentage ownership of the more significant investments in affiliates at December 31, 2011, and the carrying amount at December 31, 2010:

	December 31, 2011			December 31, 2010
	Percentage ownership	Market Value	Carrying amount	Carrying amount
	dollar amounts in millions			
SIRIUS XM	41%	\$ 4,708	\$ 64	5
Live Nation(a)	21%	\$ 326	377	—
Other	various	N/A	126	86
			\$ 567	91

The following table presents the Company's share of earnings (losses) of affiliates:

	Years ended December 31,		
	2011	2010	2009
SIRIUS XM	\$ 68	(41)	(28)
Live Nation(a)	(34)	—	—
Other	15	(23)	(16)
	\$ 49	(64)	(44)

(a) During June 2011, Liberty acquired an additional 5.5 million shares of Live Nation which increased our ownership percentage above 20% of the outstanding voting shares. Due to the presumption that an entity with an ownership percentage greater than 20% has significant influence absent other factors to rebut that presumption, the Company is accounting for the investment as an equity method affiliate. The Company has elected to

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(8) Investments in Affiliates Accounted for Using the Equity Method (Continued)**

record its share of earnings (loss) for Live Nation on a three-month lag due to timeliness considerations. Increases in ownership which result in a change to the equity method of accounting generally require retroactive recognition of an investment's share of earnings (loss) in prior periods. Due to the relative insignificance of our share of losses for Live Nation in previous periods, both quantitatively and qualitatively, the Company has recorded such amounts in the current year. Approximately \$12 million of the losses recorded for the year ended December 31, 2011 relate to the prior year.

***Sirius XM Radio Inc.***

Based on the Company's voting rights and its conclusion that the SIRIUS XM Preferred Stock is in-substance common stock, the Company accounts for its investment in the SIRIUS XM Preferred Stock using the equity method of accounting. The Company has elected to record its share of earnings (loss) for SIRIUS XM on a three-month lag due to timeliness considerations.

Summarized unaudited financial information for SIRIUS XM is as follows:

**SIRIUS XM Consolidated Balance Sheet**

	September 30, 2011	December 31, 2010
	amounts in millions	
Current assets	\$ 1,033	992
Property and equipment, net	1,703	1,761
Intangible assets	2,588	2,633
Goodwill	1,835	1,835
Other assets	166	162
Total assets	\$ 7,325	7,383
Current liabilities	\$ 2,158	2,350
Deferred income taxes	936	915
Long-term debt	2,678	2,696
Other liabilities	938	1,214
Stockholders' equity	615	208
Total liabilities and equity	\$ 7,325	7,383

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

(8) Investments in Affiliates Accounted for Using the Equity Method (Continued)

SIRIUS XM Consolidated Statement of Operations

	Trailing Twelve months ended September 30,		Nine months ended December 31,
	2011	2010	2009
	amounts in millions		
Revenue	\$ 2,967	2,757	1,796
Cost of services	(1,114)	(1,081)	(791)
Selling, general and administrative expenses	(931)	(907)	(599)
Restructuring, impairments and related costs	(60)	(7)	(30)
Depreciation and amortization	(268)	(285)	(231)
Operating income	594	477	145
Interest expense	(303)	(289)	(240)
Loss on extinguishment of debt	(92)	(39)	(264)
Other income (loss), net	85	(1)	5
Income tax expense	(9)	(9)	(3)
Net income (loss) from continuing operations	275	139	(357)
Preferred stock beneficial conversion feature	—	—	(186)
Net income attributable to SIRIUS XM stockholders	\$ 275	139	(543)

As of December 31, 2011, the SIRIUS XM Preferred Stock had a market value of \$4,708 million based on the value of the common stock into which it is convertible.

(9) Financial Instruments

*Borrowed Shares*

From time to time and in connection with certain of its derivative instruments, the Company borrows shares of the underlying securities from a counterparty and delivers these borrowed shares in settlement of maturing derivative positions. In these transactions, a similar number of shares that are owned by the Company have been posted as collateral with the counterparty. These share borrowing arrangements can be terminated at any time at the Company's option by delivering shares to the counterparty. The counterparty can terminate these arrangements at any time. The liability under these share borrowing arrangements is marked to market each reporting period with changes in value recorded in unrealized gains or losses in the consolidated statement of operations. The shares posted as collateral under these arrangements are marked to market each reporting period with changes in value recorded as unrealized gains or losses in the consolidated statement of operations. The Company settled all the outstanding borrowed share arrangements in the fourth quarter of 2011 by releasing the shares posted as collateral to the counterparty. The fair value of the available-for-sale securities at the time the shares were released to the counterparty was \$1,134 million, which completely offset the \$1,134 million financial instrument liability related to the share borrowing arrangement. During the year ended December 31, 2011, other borrowed share arrangements were settled in a similar manner that retired \$189 million in financial instrument liabilities through the delivery of \$189 million in fair value of

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(9) Financial Instruments (Continued)**

available-for-sale securities. The Company's liability related to the share borrowing arrangement was \$1,219 million at December 31, 2010 which was equal to the fair value of the underlying shares held as collateral by the counterparty.

**Realized and Unrealized Gains (Losses) on Financial Instruments**

Realized and unrealized gains (losses) on financial instruments are comprised of changes in the fair value of the following:

	Years ended December 31,		
	2011	2010	2009
Non-strategic Securities(1)	\$ 254	669	1,076
Borrowed shares(1)	(104)	(254)	(301)
Net change from Non-strategic securities(1)	150	415	775
Exchangeable senior debentures	(85)	(111)	(670)
Equity collars	—	(2)	(101)
Other	3	(42)	(38)
	<u>\$ 68</u>	<u>260</u>	<u>(34)</u>

- (1) As described above, gains and (losses) on borrowed shares completely offset the gains and (losses) on the same Non-strategic Securities owned by the Company.

**(10) Goodwill and Other Intangible Assets**

Changes in the carrying amount of goodwill are as follows:

	Starz, LLC	ANLBC	TruePosition	Other	Total
Balance at January 1, 2010	\$ 132	180	20	2	334
Impairment	—	—	—	(2)	(2)
Other	—	—	—	—	—
Balance at December 31, 2010	132	180	20	—	332
Impairment	—	—	—	—	—
Other	—	—	—	—	—
Balance at December 31, 2011	<u>\$ 132</u>	<u>180</u>	<u>20</u>	<u>—</u>	<u>332</u>

Other intangible assets not subject to amortization include Franchise Rights (\$143 million) owned by ANLBC and other intangibles (zero and \$10 million, respectively) as of December 31, 2011 and 2010. As of December 31, 2011, the accumulated impairment losses for Starz, LLC was \$2,960 million.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

(10) Goodwill and Other Intangible Assets (Continued)

*Intangible Assets Subject to Amortization*

Intangible assets subject to amortization are comprised of the following:

	December 31, 2011			December 31, 2010		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	amounts in millions					
Customer relationships	\$ 51	(20)	31	79	(42)	37
Other	562	(458)	104	637	(510)	127
<b>Total</b>	<b>\$ 613</b>	<b>(478)</b>	<b>135</b>	<b>716</b>	<b>(552)</b>	<b>164</b>

Customer relationships are amortized over 10-14 years. Amortization expense was \$32 million, \$48 million and \$55 million for the years ended December 31, 2011, 2010 and 2009, respectively. Based on its amortizable intangible assets as of December 31, 2011, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

2012	\$ 19
2013	\$ 17
2014	\$ 12
2015	\$ 10
2016	\$ 10

(11) Debt

Debt is summarized as follows:

	Outstanding Principal December 31, 2011	Carrying value	
		December 31, 2011	December 31, 2010
	amounts in millions		
Exchangeable Senior Debentures 3.125% due 2023	\$ —	—	1,283
Bank Facility	750	750	750
Starz Bank Facility	505	505	—
Other subsidiary debt	40	40	105
<b>Total debt</b>	<b>\$ 1,295</b>	<b>1,295</b>	<b>2,138</b>
Less current maturities		(754)	(37)
<b>Total long-term debt</b>		<b>\$ 541</b>	<b>2,101</b>

*Exchangeable Senior Debentures*

As discussed in note 2, in the first quarter of 2011 the board of directors of Liberty Interactive reattributed the 3.125% Exchangeable Senior Debentures from its Capital Group to its Interactive Group which was reflected on a prospective basis.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(11) Debt (Continued)**

***Bank Facility***

The outstanding balance represents borrowings from a financial institution to be invested by the Company in a portfolio of selected debt and mezzanine-level instruments of companies in the telecommunications, media and technology sectors. The outstanding principal matures in March 2012. Due to the investment restrictions contained in the agreements related to these borrowings and the maturity date of the related borrowings, the uninvested cash balance of \$660 million is included in restricted cash in the accompanying consolidated balance sheet at December 31, 2011. The restricted cash and AFS debt investments associated with these borrowings are available to satisfy the obligations at maturity.

***Starz Bank Facility***

In November 2011, Starz, LLC entered into a Credit Agreement that provides for a \$1 billion revolving credit facility, with a \$50 million sub-limit for standby letters of credit, and \$500 million of term loans. Starz may elect that the loans bear interest at a rate per annum equal to the Alternative Base Rate (as defined in the Credit Agreement) plus a margin of 0.75% to 1.75% or the LIBO Rate (as defined in the Credit Agreement) plus a margin of 1.75% to 2.75%, depending on Starz's Consolidated Leverage Ratio (as defined in the Credit Agreement). Each loan may be prepaid at any time and from time to time without penalty other than customary breakage costs. No mandatory prepayments will be required other than prepayment of the term loans with the net cash proceeds from any issuance or incurrence of notes or term loans intended primarily for issuance to institutional investors, other than incremental term loans. Any amounts prepaid on the revolving facility may be reborrowed. The loans are scheduled to mature \$25 million in 2013, \$25 million in 2014, \$50 million in 2015 and the remainder on November 16, 2016. Payment of the loans may be accelerated following certain customary events of default.

The payment and performance of Starz's obligations under the Credit Agreement are guaranteed by each Material Domestic Subsidiary (as defined in the Credit Agreement) of Starz. In addition, pursuant to Pledge Agreements, the obligations under the Credit Agreement are secured by a pledge of all of Starz's equity interests held directly or indirectly by the Company and a pledge of all equity interests of each Material Domestic Subsidiary held directly or indirectly by Starz. The Credit Agreement provides for release of the pledges if Starz's Consolidated Leverage Ratio is less than 1.50 to 1.00 for two consecutive fiscal quarters.

The Credit Agreement contains certain affirmative and negative covenants, including certain restrictions with respect to liens, mergers, sales of assets, transactions with affiliates, indebtedness, dividends and investments and limitations on Starz's Consolidated Leverage Ratio and Consolidated Interest Coverage Ratio, each as defined in the Credit Agreement. As of December 31, 2011 Starz is in compliance with all of its debt covenants. As of December 31, 2011, Starz had approximately \$995 million available under the credit facility.

***Subsidiary Debt***

Subsidiary debt at December 31, 2011 is comprised of capitalized satellite transponder lease obligations.

## LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

**(11) Debt (Continued)***Five Year Maturities*

The annual principal maturities of Liberty's debt for each of the next five years is as follows (amounts in millions):

2012	\$ 754
2013	\$ 29
2014	\$ 30
2015	\$ 55
2016	\$ 410

*Fair Value of Debt*

Due to its variable rate nature, the Company believes that the carrying amount of its debt approximated fair value at December 31, 2011.

**(12) Income Taxes**

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Current:			
Federal	\$ (253)	(211)	204
State and local	(7)	(8)	13
Foreign	(1)	(5)	(2)
	<u>(261)</u>	<u>(224)</u>	<u>215</u>
Deferred:			
Federal	(19)	721	(65)
State and local	(39)	61	20
Foreign	—	—	—
	<u>(58)</u>	<u>782</u>	<u>(45)</u>
Income tax benefit (expense)	<u>\$ (319)</u>	<u>558</u>	<u>170</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

(12) Income Taxes (Continued)

Income tax benefit (expense) differs from the amounts computed by applying the U.S. federal income tax rate of 35% as a result of the following:

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Computed expected tax benefit (expense)	\$ (394)	(160)	(59)
Disposition of consolidated subsidiaries	—	462	—
Settlements with taxing authorities	—	211	—
State and local income taxes, net of federal income taxes	(28)	34	16
Change in valuation allowance affecting tax expense	(20)	7	9
Recognition of tax benefits not previously recognized, net	109	—	201
Other, net	14	4	3
Income tax benefit (expense)	<u>\$ (319)</u>	<u>558</u>	<u>170</u>

The significant reconciling items as noted in the table are the result of settlements reached with the IRS regarding some of our tax positions taken on the Company's prior year tax returns. During the fourth quarter of 2011, the Company and the IRS agreed to certain tax treatments of several disputed items on the Company's 2010 tax return. Upon settlement, the Company recorded additional tax benefit through the statement of operations due to the reversal of certain tax reserves (\$104 million) and settled net tax liabilities previously recorded for cash consideration of \$136 million. During the fourth quarter of 2010, the Company recognized a net federal tax benefit of \$211 million due to an agreement reached with the IRS with respect to settlement of certain derivative contracts reported on the Company's 2009 income tax return. During 2009, due to the completion of audits with taxing authorities, the Company reversed certain tax reserves and recorded a corresponding tax benefit of \$201 million through the statement of operations.

Additionally, in fourth quarter of 2010, the Company recognized a deferred tax benefit of \$462 million from the sale of certain consolidated subsidiaries. This position was settled as part of the agreement reached with the IRS during the fourth quarter of 2011.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(12) Income Taxes (Continued)**

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities are presented below:

	December 31,	
	2011	2010
	amounts in millions	
<b>Deferred tax assets:</b>		
Net operating and capital loss carryforwards	\$ 76	590
Accrued stock compensation	41	39
Other accrued liabilities	60	59
Discount on exchangeable debentures	—	48
Deferred revenue	18	409
Other future deductible amounts	31	26
Deferred tax assets	226	1,171
Valuation allowance	(30)	(9)
Net deferred tax assets	196	1,162
<b>Deferred tax liabilities:</b>		
Investments	419	1,366
Intangible assets	100	106
Other	27	31
Deferred tax liabilities	546	1,503
Net deferred tax liabilities	\$ 350	341

The Company's deferred tax assets and liabilities are reported in the accompanying consolidated balance sheets as follows:

	December 31,	
	2011	2010
	amounts in millions	
Current deferred tax liabilities (assets)	\$ (61)	712
Long-term deferred tax liabilities (assets)	411	(371)
Net deferred tax liabilities	\$ 350	341

The Company's net increase in the valuation allowance was \$21 million in 2011. The gross change in valuation allowance that affected tax expense was \$20 million.

At December 31, 2011, the Company had federal net operating and capital loss carryforwards for income tax purposes aggregating approximately \$118 million which, if not utilized to reduce taxable income in future periods, \$1 million will expire in 2012, \$68 million will expire in 2015 and \$49 million will expire beyond 2016. The foregoing net operating and capital loss carryforwards are subject to certain limitations and may not be currently utilized.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(12) Income Taxes (Continued)**

During the year ended December 31, 2011 the Company utilized a significant portion of the gross deferred tax assets and liabilities. This was primarily the result of an agreement reached with the IRS during the fourth quarter of 2011, which resulted in a decrease to the Company's short term deferred income tax liability, related to the recognition of deferred derivative gains, and a decrease to the Company's long term deferred income tax asset, related to the use of capital losses. In addition, as a result of the Company recognizing significant deferred revenue and costs during 2011, the net deferred tax asset related to the deferred revenue decreased significantly.

A reconciliation of unrecognized tax benefits is as follows:

	December 31,	
	2011	2010
	amounts in millions	
Balance at beginning of year	\$ 158	45
Additions based on tax positions related to the current year	—	118
Additions for tax positions of prior years	—	—
Reductions for tax positions of prior years	(6)	(5)
Lapse of statute and settlements	(118)	—
Balance at end of year	\$ 34	158

As of December 31, 2011, the Company had recorded tax reserves of \$34 million related to unrecognized tax benefits for uncertain tax positions. If such tax benefits were to be recognized for financial statement purposes, \$28 million would be reflected in the Company's tax expense and affect its effective tax rate. The Company's estimate of its unrecognized tax benefits related to uncertain tax positions requires a high degree of judgment.

As of December 31, 2011, the Company's 2001 through 2007 tax years are closed for federal income tax purposes, and the IRS has completed its examination of the Company's 2008 through 2010 tax years. The Company's tax loss carryforwards from its 2008 through 2010 tax years are still subject to adjustment. The Company's 2011 tax year is being examined currently as part of the IRS's Compliance Assurance Process ("CAP") program. Various states are currently examining the Company's prior years state income tax returns. It is reasonably possible that the amount of the Company's gross unrecognized tax benefits may decrease within the next twelve months by up to \$5 million.

As of December 31, 2011, the Company had no accrued interest and penalties recorded related to uncertain tax positions.

**(13) Stockholders' Equity**

***Preferred Stock***

Liberty's preferred stock is issuable, from time to time, with such designations, preferences and relative participating, optional or other rights, qualifications, limitations or restrictions thereof, as shall be stated and expressed in a resolution or resolutions providing for the issue of such preferred stock adopted by Liberty's board of directors. As of December 31, 2011, no shares of preferred stock were issued.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(13) Stockholders' Equity (Continued)**

***Common Stock***

Series A Liberty Capital common stock has one vote per share and Series B Liberty Capital common stock has ten votes per share. Each share of the Series B common stock is exchangeable at the option of the holder for one share of Series A common stock. The Series A and Series B common stock participate on an equal basis with respect to dividends and distributions.

As of December 31, 2011, there were 7.7 million shares of Series A Liberty Capital common stock reserved for issuance under exercise privileges of outstanding stock options.

In addition to the Series A and Series B Liberty Capital common stock there are 2 billion shares of Series C Liberty Capital common stock authorized for issuance. As of December 31, 2011, no shares of any Series C common stock were issued or outstanding.

***Purchases of Common Stock***

As described in note 2, in November of 2011, Liberty exchanged each outstanding share of Liberty Starz common stock for 0.88129 of a share of the corresponding series of Liberty Capital common stock, with cash paid in lieu of any fractional shares. Additionally, in November 2009, Liberty Interactive redeemed 90% of its outstanding Liberty Entertainment common stock for shares of LEI, and the Liberty Entertainment common stock was redesignated as Liberty Starz common stock.

During the year ended December 31, 2009, the Company repurchased 642,400 shares of Series A Liberty Capital common stock for aggregate cash consideration of \$5 million and 272,400 shares of Series A Liberty Starz common stock for aggregate cash consideration of \$13 million.

During the year ended December 31, 2010 the Company repurchased 15,632,700 shares of Series A Liberty Capital common stock for aggregate cash consideration of \$714 million and 835,700 shares of Series A Liberty Starz common stock for aggregate cash consideration of \$40 million.

During the year ended December 31, 2011 the Company repurchased 5,229,166 shares of Series A Liberty Capital common stock for the aggregate cash consideration of \$365 million and 1,534,200 shares of Series A Liberty Starz common stock for aggregate cash consideration of \$100 million.

All of the foregoing shares were repurchased pursuant to a previously announced share repurchase program and have been retired and returned to the status of authorized and available for issuance.

**(14) Transactions with Officers and Directors**

***Chief Executive Officer Compensation Arrangement***

On December 17, 2009, the Compensation Committee (the "Committee") of Liberty approved a new compensation arrangement for its President and Chief Executive Officer (the "CEO"). The arrangement provides for a five year employment term which began on January 1, 2010 and ends December 31, 2014, with an annual base salary of \$1.5 million, increasing annually by 5% of the prior year's base salary, and an annual target cash bonus equal to 200% of the applicable year's annual base salary. The arrangement also provides that, in the event the CEO is terminated for "cause" or terminates his employment without "good reason," he will be entitled only to his accrued base salary and any amounts due under applicable law, and he will forfeit all rights to his unvested restricted

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(14) Transactions with Officers and Directors (Continued)**

shares and unvested options. If, however, the CEO is terminated by Liberty without cause or if he terminates his employment for good reason, the arrangement provides for him to receive \$7.8 million and for his unvested restricted shares and unvested options to vest pro rata based on the portion of the term elapsed through the termination date plus 18 months and for all vested and accelerated options to remain exercisable until their respective expiration dates. Lastly, in the case of the CEO's death or his disability, the arrangement provides for a payment of \$7.8 million, for his unvested restricted shares and unvested options to fully vest and for his vested and accelerated options to remain exercisable until their respective expiration dates.

Salary compensation related to services provided by the CEO are allocated from Liberty to Liberty Interactive pursuant to the Services Agreement. Any cash bonus attributable to the performance of Liberty and Liberty Interactive is paid directly by Liberty and Liberty Interactive, respectively.

***Chairman's Employment Agreement***

On December 12, 2008, the Committee determined to modify its employment arrangements with its Chairman of the Board, to permit the Chairman to begin receiving payments in 2009 in satisfaction of Liberty's obligations to him under two deferred compensation plans and a salary continuation plan. Under one of the deferred compensation plans (the "8% Plan"), compensation has been deferred by the Chairman since January 1, 1993 and accrues interest at the rate of 8% per annum compounded annually from the applicable date of deferral. The amount owed to the Chairman under the 8% Plan aggregated approximately \$2.4 million at December 31, 2008. Under the second plan (the "13% Plan"), compensation was deferred by the Chairman from 1982 until December 31, 1992 and accrues interest at the rate of 13% per annum compounded annually from the applicable date of deferral. The amount owed to the Chairman under the 13% Plan aggregated approximately \$20 million at December 31, 2008. Both deferred compensation plans had provided for payment of the amounts owed to him in 240 monthly installments beginning upon termination of his employment. Under his salary continuation plan, the Chairman would have been entitled to receive \$15,000 (increased at the rate of 12% per annum compounded annually from January 1, 1998 to the date of the first payment, (the "Base Amount") per month for 240 months beginning upon termination of his employment. The amount owed to the Chairman under the salary continuation plan aggregated approximately \$39 million at December 31, 2008. There is no further accrual of interest under the salary continuation plan once payments have begun.

The Committee determined to modify all three plans and began making payments to the Chairman in 2009, while he remains employed by the company. By commencing payments under the salary continuation plan, interest ceased to accrue on the Base Amount. As a result of these modifications, the Chairman will receive 240 equal monthly installments as follows: (1) approximately \$20,000 under the 8% Plan; (2) approximately \$237,000 under the 13% Plan; and (3) approximately \$164,000 under the salary continuation plan.

The Committee also approved certain immaterial amendments to the Chairman's employment agreement intended to comply with Section 409A of the Internal Revenue Code.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(15) Stock-Based Compensation**

*Liberty—Incentive Plans*

In connection with the Split-Off, awards with respect to Liberty Interactive's Series A and Series B Liberty Starz and Liberty Capital common stock were converted to awards with respect to Liberty's Series A and Series B Liberty Starz and Liberty Capital common stock pursuant to the Liberty Media Corporation Transitional Stock Adjustment Plan (the "Transitional Plan"). Following the Split-Off and the Conversion, the Transitional Plan governs the terms and conditions of such stock options and SARs (collectively, "Awards"), in respect of a maximum of 7.8 million shares of Liberty Capital common stock, to purchase shares of Series A and Series B Liberty Capital common stock. No additional grants may be made pursuant to the Transitional Plan. Therefore, the activity associated with such Awards of Liberty Interactive's Series A and Series B Liberty Starz and Liberty Capital common stock, prior to the Split-Off, have been reflected as Awards of Liberty in the consolidated financial statements.

Pursuant to the Liberty Media Corporation 2011 Incentive Plan (the "2011 Plan"), the Company may grant Awards to be made in respect of a maximum of 23.8 million shares of Liberty common stock. Awards generally vest over 4-5 years and have a term of 7-10 years. Liberty issues new shares upon exercise of equity awards.

Pursuant to the Liberty Media Corporation 2011 Nonemployee Director Incentive Plan, as amended from time to time (the "2011 NDIP"), the Liberty Board of Directors has the full power and authority to grant eligible nonemployee directors stock options, SARs, stock options with tandem SARs, and restricted stock.

The 2011 Plan and the 2011 NDIP were each approved by our board of directors prior to the Split-Off. We expect the shareholders of the Company to ratify such approvals at our 2012 Annual Meeting of Shareholders.

Additionally, in November 2011, the Company exchanged each share of outstanding Liberty Starz common stock for 0.88129 shares of Liberty Capital common stock (plus cash in lieu of fractional share interests). The outstanding Liberty Starz stock options, SARs and restricted stock were also exchanged for Liberty Capital stock options, SARs and restricted stock using the same ratio, and an adjustment was made to the strike price, as applicable, using the same ratio. The exchange of stock options, SARs and restricted stock was considered a modification of the previous Award. However, the impact to compensation expense was not significant.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

(15) Stock-Based Compensation (Continued)

*Liberty—Grants of Liberty Capital and Starz tracking stock options*

Awards granted in 2011, 2010 and 2009 pursuant to the Incentive Plans discussed above are summarized as follows:

	Years ended December 31,					
	2011		2010		2009	
	Options granted	Weighted average grant-date fair value	Options granted	Weighted average grant-date fair value	Options granted	Weighted average grant-date fair value
Series A Liberty Capital	162,347	\$ 33.95	1,135,622	\$ 19.56	1,649,511	\$ 12.17
Series A Liberty Starz	496,000	\$ 21.36	887,818	\$ 21.32	2,083,429	\$ 14.33

During the year ended December 31, 2011, the Company granted, primarily to Starz employees, 496,000 options to purchase shares of Series A Liberty Starz common stock. Such options had a weighted average grant-date fair value of \$21.36 per share. These options vest quarterly over the 4 year vesting period.

In addition, during the year ended December 31, 2011, Liberty granted 162,347 options to purchase shares of Series A Liberty Capital common stock at a weighted average grant-date fair value of \$33.95 per share. These options primarily vest quarterly over a 4 year vesting period.

The Company has calculated the grant-date fair value for all of its equity classified awards and any subsequent remeasurement of its liability classified awards using the Black-Scholes Model. The Company estimates the expected term of the Awards based on historical exercise and forfeiture data. For grants made in 2011, 2010 and 2009, the range of expected terms was 4.4 to 5.7 years. The volatility used in the calculation for Awards is based on the historical volatility of Liberty's stocks and the implied volatility of publicly traded Liberty options. The Company uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject options.

The following table presents the volatilities used by the Company in the Black-Scholes Model for the 2011, 2010 and 2009 grants.

	Volatility
<i>2011 grants</i>	
Liberty Capital options	43.9% - 54.2%
Liberty Starz options	31.9% - 31.9%
<i>2010 grants</i>	
Liberty Capital options	43.9% - 47.9%
Liberty Starz options	31.9% - 33.6%
<i>2009 grants</i>	
Liberty Capital options	29.3% - 47.9%
Liberty Starz options	29.3% - 33.6%

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(15) Stock-Based Compensation (Continued)**

***Liberty—Outstanding Awards***

The following table presents the number and weighted average exercise price ("WAEP") of Awards to purchase Liberty common stock granted to certain officers, employees and directors of the Company.

	Series A			
	Liberty Capital	WAEP	Liberty Starz	WAEP
	number of Awards in thousands			
Outstanding at January 1, 2011	4,996	\$ 19.38	3,217	\$ 46.15
Granted	162	\$ 73.45	496	\$ 72.92
Exercised	(600)	\$ 9.91	(151)	\$ 31.34
Forfeited/Cancelled/Exchanged	(1)	\$ 25.17	(34)	\$ 64.88
LSTZ to LMC Conversion	3,108	\$ 57.15	(3,528)	\$ 50.36
Outstanding at December 31, 2011	<u>7,665</u>	<u>\$ 36.57</u>	<u>—</u>	<u>\$ —</u>
Exercisable at December 31, 2011	<u>2,163</u>	<u>\$ 20.55</u>	<u>—</u>	<u>\$ —</u>

There were no grants or exercises of any of the Company's Series B options during 2011, except that 36,000 options for Series B Liberty Starz common stock with an exercise price of \$26.71 were exercised.

The following table provides additional information about outstanding Awards to purchase Liberty Capital common stock at December 31, 2011.

	No. of outstanding Awards (000's)	WAEP of outstanding Awards	Weighted average remaining life	Aggregate intrinsic value (000's)	No. of exercisable Awards (000's)	WAEP of exercisable Awards	Weighted average remaining life	Aggregate intrinsic value (000's)
Series A Liberty Capital	7,665	\$ 36.57	6.0 years	\$ 324,142	2,163	\$ 20.55	3.0 years	\$ 124,727

As of December 31, 2011, the total unrecognized compensation cost related to unvested Liberty Awards was approximately \$68 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.2 years.

***Liberty—Exercises***

The aggregate intrinsic value of all options exercised during the years ended December 31, 2011, 2010 and 2009 was \$46 million, \$47 million and \$66 million, respectively.

***Liberty—Restricted Stock***

The Company had approximately 200,000 unvested restricted shares of Liberty common stock held by certain directors, officers and employees of the Company with a weighted average grant-date fair value of \$45.02 per share as of December 31, 2011.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(15) Stock-Based Compensation (Continued)**

The aggregate fair value of all restricted shares of Liberty Capital common stock that vested during the years ended December 31, 2011, 2010 and 2009 was \$14 million, \$10 million and \$11 million, respectively.

***Other***

Certain of the Company's other subsidiaries have stock based compensation plans under which employees and non-employees are granted options or similar stock based awards. Awards made under these plans vest and become exercisable over various terms. The awards and compensation recorded, if any, under these plans is not significant to the Company.

**(16) Employee Benefit Plans**

Liberty is the sponsor of the Liberty Media 401(k) Savings Plan (the "Liberty 401(k) Plan"), which provides its employees and the employees of certain of its subsidiaries an opportunity for ownership in the Company and creates a retirement fund. The Liberty 401(k) Plan provides for employees to make contributions to a trust for investment in Liberty common stock, as well as several mutual funds. The Company and its subsidiaries make matching contributions to the Liberty 401(k) Plan based on a percentage of the amount contributed by employees. In addition, certain of the Company's subsidiaries have similar employee benefit plans. Employer cash contributions to all plans aggregated \$8 million, \$12 million and \$14 million for the years ended December 31, 2011, 2010 and 2009, respectively.

**(17) Other Comprehensive Earnings (Loss)**

Accumulated other comprehensive earnings (loss) included in Liberty's consolidated balance sheets and consolidated statements of equity reflect the aggregate of foreign currency translation adjustments, unrealized holding gains and losses on AFS securities and Liberty's share of accumulated other comprehensive earnings of affiliates.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(17) Other Comprehensive Earnings (Loss) (Continued)**

The change in the components of accumulated other comprehensive earnings (loss), net of taxes ("AOCI"), is summarized as follows:

	<u>Foreign currency translation adjustments</u>	<u>Unrealized holding gains (losses) on securities</u>	<u>Other</u>	<u>AOCI of discontinued operations</u>	<u>AOCI</u>
	<u>amounts in millions</u>				
Balance at January 1, 2009	\$ (2)	(1)	(2)	(31)	(36)
Other comprehensive loss attributable to Liberty Media Corporation stockholders	2	43	(5)	31	71
Balance at December 31, 2009	—	42	(7)	—	35
Other comprehensive earnings (loss) attributable to Liberty Media Corporation stockholders	—	18	1	—	19
Balance at December 31, 2010	—	60	(6)	—	54
Other comprehensive earnings (loss) attributable to Liberty Media Corporation stockholders	—	(24)	(1)	—	(25)
Balance at December 31, 2011	\$ —	36	(7)	—	29

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

(17) Other Comprehensive Earnings (Loss) (Continued)

The components of other comprehensive earnings (loss) are reflected in Liberty's consolidated statements of comprehensive earnings (loss) net of taxes. The following table summarizes the tax effects related to each component of other comprehensive earnings (loss).

	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
	amounts in millions		
<i>Year ended December 31, 2011:</i>			
Unrealized holding gains (losses) on securities arising during period	\$ (39)	15	(24)
Share of earnings (loss) from equity method affiliates	3	(1)	2
Other	(5)	2	(3)
Other comprehensive earnings	<u>\$ (41)</u>	<u>16</u>	<u>(25)</u>
<i>Year ended December 31, 2010:</i>			
Unrealized holding gains on securities arising during period	\$ 14	(5)	9
Reclassification adjustment for holding (gains) losses realized in net earnings (loss)	(34)	13	(21)
Reattribution of other comprehensive earnings between tracking stocks	48	(18)	30
Other	2	(1)	1
Other comprehensive earnings	<u>\$ 30</u>	<u>(11)</u>	<u>19</u>
<i>Year ended December 31, 2009:</i>			
Foreign currency translation adjustments	\$ 4	(2)	2
Unrealized holding losses on securities arising during period	69	(26)	43
Reclassification adjustment for holding (gains) losses realized in net earnings (loss)	(2)	1	(1)
Other comprehensive loss from discontinued operations	50	(19)	31
Other	(6)	2	(4)
Other comprehensive loss	<u>\$ 115</u>	<u>(44)</u>	<u>71</u>

(18) Transactions with Related Parties

During the year ended December 31, 2009, subsidiaries of Liberty recognized aggregate revenue of \$303 million from DIRECTV for distribution of their programming. In addition, subsidiaries of Liberty made aggregate payments of \$7 million in 2009 to DIRECTV for carriage and marketing.

(19) Commitments and Contingencies

*Film Rights*

Starz has entered into agreements with a number of motion picture producers which obligate Starz to pay fees ("Programming Fees") for the rights to exhibit certain films that are released by these producers. In March 2010, Starz entered into a new, exclusive long-term licensing agreement for theatrically released films from the Disney studios through 2015, which provides Starz with exclusive pay TV rights to exhibit qualifying theatrically released live-action and animated feature films from

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(19) Commitments and Contingencies (Continued)**

Walt Disney Pictures, Walt Disney Animation Studios, Disney-Pixar, Touchstone Pictures, Marvel Entertainment and Hollywood Pictures labels. Theatrically released films from DreamWorks Studios and Miramax Films will not be licensed to us under the new agreement. In addition, we are obligated to pay programming fees for all qualifying films that are released theatrically in the United States by Sony's Columbia Pictures, Screen Gems and Sony Pictures Classics ("Sony") through 2016, subject to certain limitations. Films are generally available to Starz for exhibition 8-12 months after their theatrical release. The Programming Fees to be paid by Starz are based on the quantity and the domestic theatrical exhibition receipts of qualifying films.

The unpaid balance of Programming Fees for films that were available for exhibition by Starz at December 31, 2011 is reflected as a liability, in other liabilities, in the accompanying consolidated balance sheet. The balance due as of December 31, 2011 is payable as follows: \$64 million in 2011 and \$2 million in 2012.

Under the above output agreements, Starz is also obligated to pay fees for the rights to exhibit films that have been released theatrically, but are not available for exhibition by Starz until some future date. These amounts have not been accrued at December 31, 2011. In addition, Starz has agreed to pay Sony a total of \$142.5 million in three remaining annual installments of \$47.5 million with the next installment due at the beginning of 2012. In December 2008, Starz entered into a new agreement with Sony requiring \$120 million in three equal annual installments beginning in 2015. Starz's estimate of amounts payable for rights to future programming (that have been released), including the Disney and Sony agreements, is as follows: \$443 million in 2012; \$129 million in 2013; \$73 million in 2014; \$59 million in 2015; \$51 million in 2016 and \$59 million thereafter.

Starz is also obligated to pay fees for films that have not been released in theatres. Starz is unable to estimate the amounts to be paid under these output agreements for films that have not yet been released in theatres; however, such amounts are expected to be significant.

***Guarantees***

The Company guarantees Starz's obligations under certain of its studio output agreements. At December 31, 2011, the Company's guarantees for obligations for films released by such date aggregated \$511 million. While the guarantee amount for films not yet released is not determinable, such amount is expected to be significant. As noted above, Starz has recognized the liability for a portion of its obligations under the output agreements. As this represents a direct commitment of Starz, a consolidated subsidiary of the Company, the Company has not recorded a separate indirect liability for its guarantee of these obligations.

In connection with agreements for the sale of assets by the Company or its subsidiaries, the Company may retain liabilities that relate to events occurring prior to its sale, such as tax, environmental, litigation and employment matters. The Company generally indemnifies the purchaser in the event that a third party asserts a claim against the purchaser that relates to a liability retained by the Company. These types of indemnification obligations may extend for a number of years. The Company is unable to estimate the maximum potential liability for these types of indemnification obligations as the sale agreements may not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

**(19) Commitments and Contingencies (Continued)**

determined at this time. Historically, the Company has not made any significant indemnification payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements with respect to these indemnification guarantees.

**Employment Contracts**

The Atlanta Braves and certain of their players and coaches have entered into long-term employment contracts whereby such individuals' compensation is guaranteed. Amounts due under guaranteed contracts as of December 31, 2011 aggregated \$107 million, which is payable as follows: \$61 million in 2012, \$20 million in 2013, \$13 million in 2014, \$13 million in 2015. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

**Operating Leases**

The Company leases business offices, has entered into satellite transponder lease agreements and uses certain equipment under lease arrangements. Rental expense under such arrangements amounted to \$16 million, \$18 million and \$17 million for the years ended December 31, 2011, 2010 and 2009, respectively.

A summary of future minimum lease payments under noncancelable operating leases as of December 31, 2011 follows (amounts in millions):

<u>Years ending December 31:</u>	
2012	\$ 12
2013	\$ 12
2014	\$ 11
2015	\$ 9
2016	\$ 7
Thereafter	\$ 18

It is expected that in the normal course of business, leases that expire generally will be renewed or replaced by leases on other properties; thus, it is anticipated that future lease commitments will not be less than the amount shown for 2011.

**Litigation**

The Company has contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible the Company may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying consolidated financial statements.

**Other**

During the period from March 9, 1999 to August 10, 2001, Liberty was included in the consolidated federal income tax return of AT&T and was a party to a tax sharing agreement with

## LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

#### (19) Commitments and Contingencies (Continued)

AT&T (the "AT&T Tax Sharing Agreement"). Pursuant to the AT&T Tax Sharing Agreement and in connection with Liberty's split off from AT&T in 2001, AT&T was required to pay Liberty an amount equal to 35% of the amount of the net operating losses reflected in TCI's final federal income tax return ("TCI NOLs") that had not been used as an offset to Liberty's obligations under the AT&T Tax Sharing Agreement and that had been, or were reasonably expected to be, utilized by AT&T. For accounting purposes Liberty has accrued a portion of the amounts claimed by AT&T to be owed by Liberty under the AT&T Tax Sharing Agreement, although Liberty believes there are valid defenses or set-off or similar rights in its favor that may cause the total amount that it owes AT&T to be less than the amounts accrued; and under certain interpretations of the AT&T Tax Sharing Agreement, Liberty may be entitled to further reimbursements from AT&T.

#### (20) Information About Liberty's Operating Segments

The Company, through its ownership interests in subsidiaries and other companies, is primarily engaged in the media, communications and entertainment industries. The Company identifies its reportable segments as (A) those consolidated subsidiaries that represent 10% or more of its consolidated annual revenue, annual Adjusted OIBDA or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of the Company's annual pre-tax earnings. The segment presentation for prior periods has been conformed to the current period segment presentation.

The Company evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue, Adjusted OIBDA and gross margin. In addition, the Company reviews nonfinancial measures such as subscriber growth and penetration.

The Company defines Adjusted OIBDA as revenue less operating expenses, and selling, general and administrative expenses (excluding stock-based compensation). The Company believes this measure is an important indicator of the operational strength and performance of its businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes depreciation and amortization, stock-based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. The Company generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

For the year ended December 31, 2011, the Company has identified the following businesses as its reportable segments:

- Starz, LLC—consolidated subsidiary that provides premium subscription video programming to United States multichannel video distributors, including cable operators, satellite television providers and telecommunications companies. Starz also develops, produces and acquires

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(20) Information About Liberty's Operating Segments (Continued)**

entertainment content and distributes this content to consumers in a wide variety of formats in the United States and throughout the world.

- ANLBC—consolidated subsidiary that owns and operates the Atlanta Braves Major League Baseball franchise.
- TruePosition, Inc.—consolidated subsidiary that develops and markets technology for locating wireless phones and other wireless devices enabling wireless carriers, application providers and other enterprises to provide E-911 services domestically and other location-based services to mobile users both domestically and worldwide.

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technologies, distribution channels and marketing strategies. The accounting policies of the segments that are also consolidated subsidiaries are the same as those described in the Company's summary of significant policies.

**Performance Measures**

	Years ended December 31,					
	2011		2010		2009	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions					
Starz, LLC	\$ 1,615	449	1,626	343	1,540	283
ANLBC	208	(6)	203	6	206	8
TruePosition	1,138	634	143	(3)	32	(77)
Corporate and other	63	(17)	78	(22)	75	(15)
Consolidated Liberty	\$ 3,024	1,060	2,050	324	1,853	199

**Other Information**

	December 31, 2011			December 31, 2010		
	Total assets	Investments in affiliates	Capital expenditures	Total assets	Investments in affiliates	Capital expenditures
	amounts in millions					
Starz, LLC	\$ 2,630	—	8	\$ 1,708	\$ —	\$ 9
ANLBC	545	31	1	577	29	2
TruePosition	113	—	3	496	—	4
Corporate and other	4,435	536	2	8,011	62	1
Consolidated Liberty	\$ 7,723	567	14	\$ 10,792	\$ 91	\$ 16

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011, 2010 and 2009**

**(20) Information About Liberty's Operating Segments (Continued)**

The following table provides a reconciliation of segment Adjusted OIBDA to earnings (loss) from continuing operations before income taxes:

	<u>Years ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Consolidated segment Adjusted OIBDA	\$ 1,060	324	199
Stock-based compensation	(32)	(83)	(81)
Gain (loss) on legal settlement	(2)	48	—
Depreciation and amortization	(69)	(94)	(109)
Interest expense	(21)	(65)	(132)
Dividend and interest income	79	88	117
Liberty interest income (expense)	—	3	16
Share of earnings (losses) of affiliates, net	49	(64)	(44)
Realized and unrealized gains (losses) on financial instruments, net	68	260	(34)
Gains (losses) on dispositions, net	(10)	36	242
Other, net	5	7	(4)
Earnings (loss) from continuing operations before income taxes	<u>\$ 1,127</u>	<u>460</u>	<u>170</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

(21) Quarterly Financial Information (Unaudited)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	amounts in millions, except per share amounts			
<i>2011:</i>				
Revenue	\$ 973	538	540	973
Operating income	\$ 459	94	111	293
Earnings from continuing operations	\$ 332	88	(43)	431
Net earnings (loss) attributable to Liberty Media Corporation stockholders:				
Series A and Series B Liberty Capital common stock	\$ 279	22	(103)	385
Series A and Series B Liberty Starz common stock	\$ 52	67	61	49
Basic net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ 3.40	0.27	(1.27)	4.10
Series A and Series B Liberty Starz common stock	\$ 1.02	1.31	1.20	0.98
Diluted net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ 3.32	0.27	(1.27)	3.93
Series A and Series B Liberty Starz common stock	\$ 0.98	1.26	1.15	0.94

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

(21) Quarterly Financial Information (Unaudited) (Continued)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	amounts in millions, except per share amounts			
<i>2010:</i>				
Revenue	\$ 473	511	570	496
Operating income	\$ 22	13	74	86
Earnings (loss) from continuing operations	\$ 79	(24)	74	889
Net earnings (loss) attributable to Liberty Media Corporation stockholders:				
Series A and Series B Liberty Capital common stock	\$ 22	(82)	26	849
Series A and Series B Liberty Starz common stock	\$ 57	61	48	40
Basic net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ 0.23	(0.86)	0.30	10.11
Series A and Series B Liberty Starz common stock	\$ 1.14	1.22	0.96	0.78
Diluted net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ 0.22	(0.86)	0.29	9.76
Series A and Series B Liberty Starz common stock	\$ 1.10	1.20	0.92	0.77

## LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(unaudited)

	September 30, 2012	December 31, 2011
	amounts in millions	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 1,169	2,070
Trade and other receivables, net	308	288
Program rights	459	442
Short term marketable securities (note 5)	10	299
Restricted cash (note 8)	17	709
Financial instruments (note 5)	51	—
Deferred income tax assets	50	61
Other current assets	64	45
Total current assets	<u>2,128</u>	<u>3,914</u>
Investments in available-for-sale securities and other cost investments (note 6)	1,774	1,859
Investments in affiliates, accounted for using the equity method (note 7)	3,221	567
Property and equipment, at cost	506	504
Accumulated depreciation	(307)	(289)
	<u>199</u>	<u>215</u>
Intangible assets not subject to amortization	475	475
Intangible assets subject to amortization, net	122	135
Program rights	285	320
Other assets, at cost, net of accumulated amortization	221	238
Total assets	<u>\$ 8,425</u>	<u>7,723</u>

(continued)

See accompanying notes to condensed consolidated financial statements.

## LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets (Continued)

(unaudited)

	September 30, 2012	December 31, 2011
	amounts in millions	
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable	\$ 12	15
Accrued liabilities	293	313
Current portion of debt (note 8)	4	754
Deferred revenue	71	63
Other current liabilities	91	85
Total current liabilities	<u>471</u>	<u>1,230</u>
Long-term debt (note 8)	537	541
Deferred income tax liabilities	866	411
Other liabilities	157	290
Total liabilities	<u>2,031</u>	<u>2,472</u>
Stockholders' equity:		
Preferred stock, \$.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A Liberty Capital common stock, \$.01 par value. Authorized 2,000,000,000 shares; issued and outstanding 110,120,638 shares at September 30, 2012 and 112,411,965 shares at December 31, 2011	1	1
Series B Liberty Capital common stock, \$.01 par value. Authorized 75,000,000 shares; issued and outstanding 9,897,541 shares at September 30, 2012 and 9,918,454 shares at December 31, 2011	—	—
Series C Liberty Capital common stock, \$.01 par value. Authorized 2,000,000,000 shares; zero issued and outstanding shares at September 30, 2012 and December 31, 2011	—	—
Additional paid-in capital	3,419	3,564
Accumulated other comprehensive earnings, net of taxes	11	29
Retained earnings	2,967	1,667
Total stockholders' equity	<u>6,398</u>	<u>5,261</u>
Noncontrolling interests in equity of subsidiaries	(4)	(10)
Total equity	<u>6,394</u>	<u>5,251</u>
Commitments and contingencies (note 9)		
Total liabilities and equity	<u>\$ 8,425</u>	<u>7,723</u>

See accompanying notes to condensed consolidated financial statements.

## LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

## Condensed Consolidated Statements Of Operations

(unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
	amounts in millions, except per share amounts			
Revenue:				
Communications and programming services	\$ 555	540	1,532	2,051
Operating costs and expenses:				
Operating	333	323	902	1,048
Selling, general and administrative, including stock-based compensation (note 3)	95	91	285	290
Legal settlement	—	—	—	(7)
Depreciation and amortization	16	15	44	56
	<u>444</u>	<u>429</u>	<u>1,231</u>	<u>1,387</u>
Operating income	111	111	301	664
Other income (expense):				
Interest expense	(11)	(3)	(25)	(13)
Dividend and interest income	22	9	67	56
Share of earnings (losses) of affiliates, net (note 7)	1,281	53	1,294	3
Realized and unrealized gains (losses) on financial instruments, net (note 5)	135	(257)	175	(81)
Gains (losses) on dispositions, net	21	1	21	(1)
Other, net (note 9)	49	1	59	5
	<u>1,497</u>	<u>(196)</u>	<u>1,591</u>	<u>(31)</u>
Earnings (loss) before income taxes	1,608	(85)	1,892	633
Income tax (expense) benefit	(602)	42	(591)	(256)
Net earnings (loss)	1,006	(43)	1,301	377
Less net earnings (loss) attributable to the noncontrolling interests	(1)	(1)	1	(1)
Net earnings (loss) attributable to Liberty stockholders	<u>\$ 1,007</u>	<u>(42)</u>	<u>1,300</u>	<u>378</u>
Net earnings (loss) attributable to Liberty stockholders:				
Liberty Capital common stock	\$ 1,007	(103)	1,300	198
Liberty Starz common stock	NA	61	NA	180
	<u>\$ 1,007</u>	<u>(42)</u>	<u>1,300</u>	<u>378</u>

(continued)

See accompanying notes to condensed consolidated financial statements.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Condensed Consolidated Statements Of Operations (Continued)**

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	amounts in millions, except per share amounts			
Basic net earnings (loss) attributable to Liberty stockholders per common share (note 4):				
Series A and Series B Liberty Capital common stock	\$ 8.46	(1.27)	10.83	2.44
Series A and Series B Liberty Starz common stock	NA	1.20	NA	3.53
Diluted net earnings (loss) attributable to Liberty stockholders per common share (note 4):				
Series A and Series B Liberty Capital common stock	\$ 8.19	(1.27)	10.48	2.39
Series A and Series B Liberty Starz common stock	NA	1.15	NA	3.40

See accompanying notes to condensed consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements Of Comprehensive Earnings (Loss)

(unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
	amounts in millions			
Net earnings (loss)	\$ 1,006	(43)	1,301	377
Other comprehensive earnings (loss), net of taxes:				
Unrealized holding gains (losses) arising during the period	3	(1)	1	(28)
Recognition of previously unrealized (gains) losses on available-for-sale securities, net	(13)	(2)	(13)	—
Other	(5)	(1)	(6)	6
Other comprehensive earnings (loss)	(15)	(4)	(18)	(22)
Comprehensive earnings (loss)	991	(47)	1,283	355
Less comprehensive earnings (loss) attributable to the noncontrolling interests	(1)	(1)	1	(1)
Comprehensive earnings (loss) attributable to Liberty stockholders	\$ 992	(46)	1,282	356
Comprehensive earnings (loss) attributable to Liberty stockholders:				
Liberty Capital common stock	\$ 992	(111)	1,282	178
Liberty Starz common stock	NA	65	NA	178
	\$ 992	(46)	1,282	356

See accompanying notes to condensed consolidated financial statements.

## LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

## Condensed Consolidated Statements Of Cash Flows

(unaudited)

	Nine months ended September 30,	
	2012	2011
	amounts in millions	
Cash flows from operating activities:		
Net earnings	\$ 1,301	377
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	44	56
Amortization of program rights	560	523
Cash payments for program rights	(561)	(599)
Stock-based compensation	28	24
Cash payments for stock-based compensation	(50)	(10)
Share of (earnings) loss of affiliates, net	(1,294)	(3)
Realized and unrealized (gains) losses on financial instruments, net	(175)	81
Losses (gains) on disposition of assets, net	(21)	1
Change in tax accounts from Liberty Interactive, net	—	53
Deferred income tax expense (benefit)	484	125
Other noncash charges (credits), net	(43)	(287)
Changes in operating assets and liabilities		
Current and other assets	(17)	(200)
Payables and other liabilities	(28)	175
Net cash provided (used) by operating activities	<u>228</u>	<u>316</u>
Cash flows from investing activities:		
Cash proceeds from dispositions of securities	360	17
Proceeds (payments) on financial instruments, net	(68)	—
Investments in and loans to cost and equity investees	(1,423)	(297)
Repayment of loans by cost and equity investees	35	189
Capital expended for property and equipment	(12)	(9)
Net sales (purchases) of short term investments	289	302
Net (increase) decrease in restricted cash	692	(139)
Reattribution of cash to Liberty Interactive	—	(264)
Other investing activities, net	(6)	(4)
Net cash provided (used) by investing activities	<u>(133)</u>	<u>(205)</u>
Cash flows from financing activities:		
Borrowings of debt	500	1
Repayments of debt	(1,253)	(58)
Repurchases of Liberty common stock	(242)	(213)
Other financing activities, net	(1)	6
Net cash provided (used) by financing activities	<u>(996)</u>	<u>(264)</u>
Net increase (decrease) in cash and cash equivalents	(901)	(153)
Cash and cash equivalents at beginning of period	2,070	2,090
Cash and cash equivalents at end of period	<u>\$ 1,169</u>	<u>1,937</u>

See accompanying notes to condensed consolidated financial statements.

## LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

## Condensed Consolidated Statement Of Equity

(unaudited)

Nine months ended September 30, 2012

	Stockholders' equity						Noncontrolling interest in equity of subsidiaries	Total equity
	Preferred Stock	Liberty Capital		Additional Paid-in Capital	Accumulated other comprehensive earnings	Retained earnings		
		Series A	Series B					
	amounts in millions							
Balance at January 1, 2012	\$ —	\$ 1	\$ —	\$ 3,564	\$ 29	\$ 1,667	\$ (10)	\$ 5,251
Net earnings	—	—	—	—	—	1,300	1	1,301
Other comprehensive loss	—	—	—	—	(18)	—	—	(18)
Stock compensation	—	—	—	30	—	—	—	30
Series A Liberty Capital stock repurchases	—	—	—	(242)	—	—	—	(242)
Non-cash benefit from reversal of contingent liability (note 9)	—	—	—	72	—	—	—	72
Other	—	—	—	(5)	—	—	5	—
Balance at September 30, 2012	\$ —	\$ 1	\$ —	\$ 3,419	\$ 11	\$ 2,967	\$ (4)	\$ 6,394

See accompanying notes to condensed consolidated financial statements.

## LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

### Notes to Condensed Consolidated Financial Statements

(unaudited)

#### (1) Basis of Presentation

The accompanying consolidated financial statements of Liberty Media Corporation (formerly named Liberty CapStarz, Inc. and prior thereto known as Liberty Splitco, Inc.) ("Liberty" or the "Company" unless the context otherwise requires) represent a combination of the historical financial information of (1) certain video programming and other media related assets and businesses previously attributed to the Starz tracking stock group and the Capital tracking stock group of Liberty Interactive Corporation ("Liberty Interactive" and formerly named Liberty Media Corporation) further described in note 2 and (2) Liberty and its consolidated subsidiaries for the period following the date of the completed Split-Off (defined below). The Split-Off has been accounted for at historical cost due to the pro rata nature of the distribution.

During the second quarter of 2010, Liberty Interactive announced that its board of directors had authorized its management to proceed with a plan to separate its Capital and Starz tracking stock groups from its Liberty Interactive tracking stock group (the "Split-Off"). The Split-Off was completed on September 23, 2011 and was effected by means of a redemption of all of the outstanding Liberty Capital common stock and Liberty Starz common stock of Liberty Interactive in exchange for all of the common stock of Liberty, which at the time of the Split-Off, held all of the businesses, assets and liabilities previously attributed to the Capital and Starz tracking stock groups of Liberty Interactive pursuant to a Reorganization Agreement (described below). Immediately following the Split-Off, Liberty utilized a tracking stock capital structure similar to that used by Liberty Interactive prior to the Split-Off, with two tracking stock groups: one tracking the businesses, assets and liabilities previously attributed to Liberty Interactive's Capital group ("Capital Group") and the other tracking the businesses, assets and liabilities that were previously attributed to Liberty Interactive's Starz group ("Starz Group"). In November 2011, Liberty eliminated its tracking stock structure through the conversion of shares of its Liberty Starz common stock into shares of its Liberty Capital common stock.

Therefore, these financial statements have been presented using the historical presentation of the Liberty Interactive attributed financial information as a basis for the consolidated financial statements. Previous transactions of the Liberty Capital group and Liberty Starz group while part of Liberty Interactive have been reflected as transactions of Liberty and the historical transactions of the Liberty Interactive group have been treated as transactions of Liberty Interactive for purposes of these financial statements. Previous transactions between either the Liberty Starz group or the Liberty Capital group while part of Liberty Interactive and the Liberty Interactive group, including all reattributions, have been reflected at historical cost on a prospective basis (i.e., treated as book value transfers rather than retroactive as-if poolings). All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Following the Split-Off, Liberty and Liberty Interactive operate as separate publicly traded companies, and neither has any stock ownership, beneficial or otherwise, in the other. In connection with the Split-Off, Liberty and Liberty Interactive entered into agreements in order to govern ongoing relationships between the two companies after the Split-Off and to provide for an orderly transition. These agreements include a Reorganization Agreement, a Services Agreement, a Facilities Sharing Agreement and a Tax Sharing Agreement.

The Reorganization Agreement (with respect to the Split-Off) provides for, among other things, the principal corporate transactions required to effect the Split-Off and provisions governing the relationship between Liberty and Liberty Interactive with respect to and resulting from the Split-Off,

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**(unaudited)**

**(1) Basis of Presentation (Continued)**

including cross-indemnities. Pursuant to the Services Agreement, Liberty provides Liberty Interactive with general and administrative services including legal, tax, accounting, treasury and investor relations support. Liberty Interactive reimburses Liberty for direct, out-of-pocket expenses incurred by Liberty in providing these services and for Liberty Interactive's allocable portion of costs associated with any shared services or personnel based on an estimated percentage of time spent providing services to Liberty Interactive. Under the Facilities Sharing Agreement, Liberty Interactive shares office space with Liberty and related amenities at Liberty's corporate headquarters.

The Tax Sharing Agreement (with respect to the Split-Off) provides for the allocation and indemnification of tax liabilities and benefits between Liberty Interactive and Liberty and other agreements related to tax matters. Among other things, pursuant to the Tax Sharing Agreement, Liberty has agreed to indemnify Liberty Interactive, subject to certain limited exceptions, for losses and taxes resulting from the Split-Off to the extent such losses or taxes (i) result primarily from, individually or in the aggregate, the breach of certain restrictive covenants made by Liberty (applicable to actions or failures to act by Liberty and its subsidiaries following the completion of the Split-Off), (ii) result from the Liberty Capital common stock or the Liberty Starz common stock not being treated as stock of Liberty, or being treated as Section 306 stock within the meaning of Section 306(c) of the Internal Revenue Code of 1986, as amended (the "Code"), for U.S. federal income tax purposes, (iii) result from the Liberty Interactive common stock, the Liberty Capital common stock, or the Liberty Starz common stock not being treated as stock of Liberty Interactive, or being treated as Section 306 stock within the meaning of Section 306(c) of the Code, for U.S. federal income tax purposes, (iv) result from Section 355(e) of the Code applying to the Split-Off as a result of the Split-Off being part of a plan (or series of related transactions) pursuant to which one or more persons acquire a 50-percent or greater interest (measured by vote or value) in the stock of Liberty, or (v) result from deferred intercompany items or excess loss accounts that are triggered by the Split-Off, and that would otherwise be allocated to Liberty. In addition, Liberty will be required to indemnify Liberty Interactive for any losses or taxes resulting from the failure of the Liberty Entertainment, Inc. split-off (the "LEI Split-Off") previously completed by Liberty Interactive and related restructuring transactions to be a tax-free transaction described under Sections 355 and 368(a)(1)(D) (including any such losses or taxes arising as a result of the completion of the Split-Off), except to the extent that such losses or taxes result primarily from, individually or in the aggregate, a breach of certain restrictive covenants made by Liberty Interactive (applicable to actions or failures to act by Liberty Interactive and its subsidiaries following the completion of the Split-Off). Liberty Interactive has entered into a closing agreement with the IRS with respect to the Split-Off which provides that no gain or loss shall be recognized by Liberty Interactive or Liberty as a result of the Split-Off. Further, Liberty Interactive has entered into a closing agreement with the IRS with respect to the LEI Split-Off which provides that no gain or loss shall be recognized by Liberty Interactive as a result of the LEI Split-Off and the related DirecTV combination.

Liberty received \$9 million of cash during the nine months ended September 30, 2012 under these various agreements.

During August 2012, Liberty's Board of Directors authorized a plan to distribute to the stockholders of Liberty shares of a wholly-owned subsidiary, Liberty Spinco, Inc. ("Liberty Spinco"), that will hold all of the businesses, assets and liabilities of Liberty not associated with Starz, LLC (with the exception of the Starz, LLC office building) (the "Spin-Off"). The transaction will be effected as a

## LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

### Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

#### (1) Basis of Presentation (Continued)

pro-rata dividend of shares of Liberty Spinco to the stockholders of Liberty. Liberty Spinco, which will become a separate public company, will be renamed Liberty Media Corporation. The businesses, assets and liabilities not included in Liberty Spinco will be part of a separate public company to be named Starz. Due to the relative significance of Liberty Spinco to Starz (the legal spinnor) and senior management's continued involvement with Liberty Spinco following the Spin-Off, Liberty Spinco will be treated as the "accounting successor" to Starz for financial reporting purposes, notwithstanding the legal form of the Spin-Off previously described. Therefore, the historical financial statements of Liberty will continue to be the historical financial statements of Liberty Spinco and will present Starz as discontinued operations upon completion of the Spin-Off.

The Spin-Off is intended to be tax-free to stockholders of Liberty and its completion will be subject to various conditions, including the registration of the shares to be distributed, the receipt of an IRS private letter ruling, the opinions of tax counsel and required government approvals. The Spin-Off will not require a stockholder vote. Subject to such conditions, including those described above, the Spin-Off is currently expected to occur in late 2012 or early 2013.

Liberty, through its ownership of interests in subsidiaries and other companies, is primarily engaged in the media, communications and entertainment industries primarily in North America.

The accompanying (a) condensed consolidated balance sheet as of December 31, 2011, which has been derived from audited financial statements, and (b) the interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for such periods have been included. The results of operations for any interim period are not necessarily indicative of results for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in Liberty's Annual Report on Form 10-K for the year ended December 31, 2011.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Company considers (i) fair value measurement, (ii) accounting for income taxes, (iii) assessments of other-than-temporary declines in fair value of its investments and (iv) amortization of program rights to be its most significant estimates.

Liberty holds investments that are accounted for using the equity method. Liberty does not control the decision making process or business management practices of these affiliates. Accordingly, Liberty relies on management of these affiliates to provide it with accurate financial information prepared in accordance with GAAP that the Company uses in the application of the equity method. In addition, Liberty relies on audit reports that are provided by the affiliates' independent auditors on the financial statements of such affiliates. The Company is not aware, however, of any errors in or possible

## LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

### Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

#### (1) Basis of Presentation (Continued)

misstatements of the financial information provided by its equity affiliates that would have a material effect on Liberty's condensed consolidated financial statements.

#### (2) Tracking Stocks

Tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. Immediately following the Split-Off, Liberty had two tracking stocks—Liberty Starz common stock and Liberty Capital common stock, which were intended to track and reflect the economic performance of the Starz Group and Capital Group, respectively. On November 28, 2011, Liberty completed the conversion of each outstanding share of Liberty Starz common stock for 0.88129 of a share of the corresponding series of Liberty Capital common stock, with cash paid in lieu of any fractional shares (the "Conversion"). As a result of the Conversion, there are no outstanding shares of Liberty Starz common stock at September 30, 2012 and December 31, 2011, respectively. The Liberty Capital common stock previously traded under the LCAPA and LCAPB ticker symbols, and following the Conversion the ticker symbols changed to LMCA and LMCB, respectively.

While the Starz Group and the Capital Group had separate collections of businesses, assets and liabilities attributed to them prior to the Conversion, no group was a separate legal entity and therefore could not own assets, issue securities or enter into legally binding agreements. Holders of tracking stocks had no direct claim to the group's stock or assets and were not represented by separate boards of directors. Instead, holders of tracking stock were stockholders of the parent corporation, with a single board of directors and subject to all of the risks and liabilities of the parent corporation.

On February 9, 2011, prior to the Split-Off, Liberty Interactive's board approved a change in the attribution of the 3.125% Exchangeable Senior Debentures due 2023, the stock into which such debt is exchangeable and cash of \$264 million from its Capital Group to its Interactive Group (the "TWX Reattribution").

#### (3) Stock-Based Compensation

Prior to the Split-Off, Liberty Interactive granted, and Liberty has since granted to certain of its directors, employees and employees of its subsidiaries options and stock appreciation rights ("SARs") to purchase shares of its common stock (collectively, "Awards"). The Company measures the cost of employee services received in exchange for an Award of equity instruments (such as stock options and restricted stock) based on the grant-date fair value of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). The Company measures the cost of employee services received in exchange for an Award of liability instruments (such as SARs that will be settled in cash) based on the current fair value of the Award, and remeasures the fair value of the Award at each reporting date.

In connection with the Split-Off, Awards with respect to Liberty Interactive's Series A and Series B Liberty Starz and Liberty Capital common stock were converted to Awards with respect to Liberty's Series A and Series B Liberty Starz and Liberty Capital common stock pursuant to Liberty's Transitional Stock Adjustment Plan (the "Transitional Plan"). Following the Split-Off and the Conversion, the Transitional Plan governs the terms and conditions of such Awards in respect of a

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**(unaudited)**

**(3) Stock-Based Compensation (Continued)**

maximum of 7.8 million shares of Liberty Capital common stock. No additional grants may be made pursuant to the Transitional Plan. Therefore, the activity associated with such Awards of Liberty Interactive's Starz and Capital common stock, prior to the Split-Off, has been reflected as Awards of Liberty in the condensed consolidated financial statements.

Additionally, as discussed in note 2, the Company effected the Conversion, whereby it converted each share of outstanding Liberty Starz common stock into 0.88129 of a share of the corresponding series of Liberty Capital common stock (with cash paid in lieu of fractional shares). The outstanding Liberty Starz stock options, SARs and shares of restricted stock were also exchanged for Liberty Capital stock options, SARs and shares of restricted stock using the same ratio, and an adjustment was made to the exercise price or base price, as applicable, in the case of stock options or SARs, respectively, using the same ratio.

Included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations are the following amounts of stock-based compensation (amounts in millions):

Three months ended:	
September 30, 2012	\$ 10
September 30, 2011	\$ 3
Nine months ended:	
September 30, 2012	\$ 28
September 30, 2011	\$ 24

In the nine months ended September 30, 2012, the Company granted, primarily to Starz, LLC employees, 646,000 options to purchase shares of Series A Liberty Capital common stock. Such options had a weighted average grant-date fair value of \$39.77 per share. These options vest quarterly over 4 years.

Liberty Interactive previously calculated, and Liberty calculates, the grant-date fair value for all of its equity classified awards and the subsequent remeasurement of its liability classified awards using the Black-Scholes Model. Liberty estimates the expected term of the Awards based on historical exercise and forfeiture data. The volatility used in the calculation for Awards is based on the historical volatility of Liberty Capital common stock and the implied volatility of publicly traded Liberty Capital options. Liberty uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject Awards.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

(unaudited)

**(3) Stock-Based Compensation (Continued)**

*Liberty—Outstanding Awards*

The following table presents the number and weighted average exercise price ("WAEP") of Awards to purchase Liberty Capital common stock granted to certain officers, employees and directors of the Company.

	Series A	
	Liberty Capital	WAEP
	numbers of Awards in thousands	
Outstanding at January 1, 2012	7,665	\$ 36.57
Granted	646	\$ 89.66
Exercised	(1,085)	\$ 23.32
Forfeited/Cancelled/Exchanged	(42)	\$ 81.47
Outstanding at September 30, 2012	<u>7,184</u>	<u>\$ 43.09</u>
Exercisable at September 30, 2012	<u>1,685</u>	<u>\$ 25.12</u>

The following table provides additional information about outstanding Awards to purchase Liberty Capital common stock at September 30, 2012.

	No. of outstanding Awards (000's)	WAEP of outstanding Awards	Weighted average remaining life	Aggregate intrinsic value (000's)	No. of exercisable Awards (000's)	WAEP of exercisable Awards	Weighted average remaining life	Aggregate intrinsic value (000's)
Series A Liberty Capital	7,184	\$ 43.09	5.7 years	\$ 439,030	1,685	\$ 25.12	2.5 years	\$ 133,040

As of September 30, 2012, the total unrecognized compensation cost related to unvested Liberty Awards was approximately \$73 million. Such amount will be recognized in the Company's condensed consolidated statements of operations over a weighted average period of approximately 2.7 years.

As of September 30, 2012, Liberty reserved 7.2 million Series A Liberty Capital common stock for issuance under exercise privileges of outstanding stock Awards.

**(4) Earnings Attributable to Liberty Media Corporation Stockholders Per Common Share**

Basic earnings (loss) per common share ("EPS") is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding for the period. Diluted EPS presents the dilutive effect on a per share basis of potential common shares as if they had been converted at the beginning of the periods presented.

*Series A and Series B Liberty Capital Common Stock*

The basic and diluted EPS calculation is based on the following weighted average outstanding shares of Liberty Capital common stock, based on the conversion ratio of 1 to 1 utilized in the Split-Off, prior to the Split-Off, and the actual Liberty Capital common stock after the Split-Off.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

(unaudited)

**(4) Earnings Attributable to Liberty Media Corporation Stockholders Per Common Share (Continued)**

Excluded from diluted EPS for the three months ended September 30, 2012 are less than a million potential common shares because their inclusion would be anti-dilutive.

	<b>Liberty Capital Common Stock</b>			
	<b>Three months ended September 30, 2012</b>	<b>Nine months ended September 30, 2012</b>	<b>Three months ended September 30, 2011</b>	<b>Nine months ended September 30, 2011</b>
	<b>numbers of shares in millions</b>			
Basic EPS	119	120	81	81
Stock options	4	4	—	2
Diluted EPS	123	124	81	83

*Series A and Series B Liberty Starz Common Stock*

The basic and diluted EPS calculation is based on the following weighted average outstanding shares of Liberty Starz common stock for the three and nine months ended September 30, 2011, based on the conversion ratio of 1 to 1 utilized in the Split-Off and prior to the Split-Off. As discussed in note 2, on November 28, 2011 the Company converted each share of Liberty Starz into 0.88129 of a share of the corresponding series of Liberty Capital common stock (with cash paid in lieu of fractional shares) to eliminate the tracking stock structure. Therefore, there was no Liberty Starz common stock outstanding for the three and nine months ended September 30, 2012.

	<b>Liberty Starz Common Stock</b>	
	<b>Three months ended September 30, 2011</b>	<b>Nine months ended September 30, 2011</b>
	<b>numbers of shares in millions</b>	
Basic EPS	51	51
Stock options	2	2
Diluted EPS	53	53

**(5) Assets and Liabilities Measured at Fair Value**

For assets and liabilities required to be reported at fair value, GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs, other than quoted market prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

(5) Assets and Liabilities Measured at Fair Value (Continued)

Liberty's assets and liabilities measured at fair value are as follows:

Description	Total	Fair Value Measurements at September 30, 2012		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		amounts in millions		
Cash equivalents	\$ 1,063	1,057	6	—
Short term marketable securities	\$ 10	—	10	—
Available-for-sale securities	\$ 1,765	1,444	321	—
Financial instrument assets(1)	\$ 51	51	—	—
Financial instrument liabilities(1)	\$ (80)	—	(80)	—

- (1) Included within financial instruments are forward purchase options on marketable securities and related deposits. The Company may settle these options either through physical or cash exercise or net unwind of the contracts.

The majority of Liberty's Level 2 financial assets and liabilities are debt instruments with quoted market prices which are not considered to be traded on "active markets," as defined in GAAP and other financial instruments valued based on financial models that use observable market data such as interest rates, stock prices and volatilities. Accordingly, the financial instruments are reported in the foregoing table as Level 2 fair value.

*Realized and Unrealized Gains (Losses) on Financial Instruments*

Realized and unrealized gains (losses) on financial instruments are comprised of changes in the fair value of the following:

	Three months ended		Nine months ended	
	September 30, 2012	2011	September 30, 2012	2011
	amounts in millions			
Non-strategic Securities	\$ 126	(337)	257	48
Borrowed shares	—	72	—	(46)
Exchangeable senior debentures	—	—	—	(85)
Other derivatives	9	8	(82)	2
	\$ 135	(257)	175	(81)

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

(6) Investments in Available-for-Sale Securities and Other Cost Investments

All marketable equity and debt securities held by the Company are classified as available-for-sale ("AFS") and are carried at fair value generally based on quoted market prices. GAAP permits entities to choose to measure many financial instruments, such as AFS securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity's statement of operations (the "fair value option"). The Company previously entered into economic hedges for certain of its non-strategic AFS securities (although such instruments were not accounted for as fair value hedges by the Company). Changes in the fair value of these economic hedges were reflected in the Company's statement of operations as unrealized gains (losses). In order to better match the changes in fair value of the subject AFS securities and the changes in fair value of the corresponding economic hedges in the Company's financial statements, the Company elected the fair value option for those of its AFS securities which it considers to be non-strategic ("Non-strategic Securities"). Accordingly, changes in the fair value of Non-strategic Securities, as determined by quoted market prices, are reported in realized and unrealized gains (losses) on financial instruments in the accompanying condensed consolidated statements of operations. The total value of the Non-strategic Securities aggregated \$1,479 million as of September 30, 2012.

Investments in AFS securities, including Non-strategic Securities, and other cost investments are summarized as follows:

	September 30, 2012	December 31, 2011
	amounts in millions	
Time Warner Inc.	\$ 427	340
Time Warner Cable Inc.	225	150
Sprint Nextel Corporation ("Sprint")	104	44
Viacom, Inc.	270	345
CenturyLink, Inc.	73	67
Barnes & Noble, Inc.	223	253
Other AFS equity securities	32	46
Sirius XM Radio, Inc. ("SIRIUS XM") debt securities	253	384
Live Nation Entertainment, Inc. ("Live Nation") debt securities	25	24
Other AFS debt securities	142	206
	<u>\$ 1,774</u>	<u>1,859</u>

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

(unaudited)

**(6) Investments in Available-for-Sale Securities and Other Cost Investments (Continued)**

*Unrealized Holding Gains and Losses*

Unrealized holding gains and losses related to investments in AFS securities are summarized below.

	September 30, 2012		December 31, 2011	
	Equity securities	Debt securities	Equity securities	Debt securities
	amounts in millions			
Gross unrealized holding gains	\$ 2	36	1	57
Gross unrealized holding losses	\$ —	—	—	—

**(7) Investments in Affiliates Accounted for Using the Equity Method**

Liberty has various investments accounted for using the equity method. The following table includes the Company's carrying amount and percentage ownership of the more significant investments in affiliates at September 30, 2012 and the carrying amount at December 31, 2011:

	Percentage ownership	September 30, 2012		December 31, 2011	
		Market Value (level 1)	Carrying amount	Carrying amount	Carrying amount
		dollar amounts in millions			
SIRIUS XM(a)	49%	\$ 8,176	\$ 2,656	\$ 64	\$ 64
Live Nation(b)	26%	\$ 419	412	377	377
Other	various	N/A	153	126	126
			\$ 3,221	\$ 567	\$ 567

The following table presents the Company's share of earnings (losses) of affiliates:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
	amounts in millions			
SIRIUS XM(a)	\$ 1,276	42	1,327	34
Live Nation(b)	—	1	(38)	(44)
Other	5	10	5	13
	\$ 1,281	\$ 53	\$ 1,294	\$ 3

- (a) During the nine months ended September 30, 2012, Liberty acquired an additional 267.5 million shares of SIRIUS XM in the open market for \$647 million. Additionally, Liberty settled a forward contract and purchased an additional 302.2 million shares of SIRIUS XM for \$649 million. SIRIUS XM recognized approximately \$3.0 billion of tax benefit during the three months ended June 30, 2012. SIRIUS XM recorded the tax benefit as the result of significant positive evidence that a valuation allowance was not

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**(unaudited)**

**(7) Investments in Affiliates Accounted for Using the Equity Method (Continued)**

longer necessary for their recorded deferred tax assets. The Company recognized its portion of this benefit (\$1,229 million) in the three months ended September 30, 2012, based on our ownership percentage at the time of the recognition of the deferred tax benefit by SIRIUS XM, due to an election to record earnings (loss) on a three month lag as discussed below.

- (b) During June 2011, Liberty acquired an additional 5.5 million shares of Live Nation which increased our ownership percentage above 20% of the outstanding voting shares. Due to the presumption that an entity with an ownership percentage greater than 20% has significant influence and no other factors would rebut that presumption, the Company is accounting for the investment as an equity method affiliate. The Company has elected to record its share of earnings (loss) for Live Nation on a three-month lag due to timeliness considerations. Increases in ownership which result in a change to the equity method of accounting generally require retroactive recognition of an investment's share of earnings (loss) in prior periods. Due to the relative insignificance of our share of losses for Live Nation in previous periods not presented, both quantitatively and qualitatively, the Company has recorded approximately \$12 million of these losses in the nine months ended September 30, 2011.

***Sirius XM Radio Inc.***

Based on the Company's voting rights and its conclusion that the SIRIUS XM Preferred Stock is in-substance common stock, the Company accounts for its investment in the SIRIUS XM Preferred Stock using the equity method of accounting. The Company has elected to record its share of earnings (loss) for SIRIUS XM on a three-month lag due to timeliness considerations.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

(unaudited)

**(7) Investments in Affiliates Accounted for Using the Equity Method (Continued)**

Summarized unaudited financial information for SIRIUS XM is as follows:

**SIRIUS XM Consolidated Balance Sheet**

	<u>June 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
	<u>amounts in millions</u>	
Current assets	\$ 2,194	1,277
Property and equipment, net	1,631	1,674
Intangible assets	2,546	2,574
Goodwill	1,816	1,835
Deferred tax assets	1,237	—
Other assets	111	136
<b>Total assets</b>	<b>\$ 9,535</b>	<b>7,496</b>
Current liabilities	\$ 2,295	2,248
Deferred tax liabilities	—	1,011
Long-term debt	2,543	2,684
Other liabilities	683	849
Stockholders' equity	4,014	704
<b>Total liabilities and equity</b>	<b>\$ 9,535</b>	<b>7,496</b>

**SIRIUS XM Consolidated Statement of Operations**

	<u>Three months</u> <u>ended June 30,</u>		<u>Nine months</u> <u>ended June 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>amounts</u>		<u>amounts</u>	
	<u>in millions</u>		<u>in millions</u>	
Revenue	\$ 838	744	\$ 2,427	\$ 2,204
Costs of services	(294)	(273)	(885)	(836)
Selling, general and administrative expenses	(249)	(231)	(761)	(697)
Restructuring, impairments and related costs	—	—	—	(60)
Depreciation and amortization	(67)	(67)	(200)	(202)
Operating income	228	173	581	409
Interest expense	(73)	(76)	(225)	(227)
Loss on extinguishment of debt	(16)	(1)	(26)	(92)
Other income (loss), net	(2)	80	(7)	83
Income tax benefit (expense)	2,997	(3)	2,990	(3)
<b>Net income (loss) attributable to SIRIUS XM stockholders</b>	<b>\$ 3,134</b>	<b>173</b>	<b>\$ 3,313</b>	<b>\$ 170</b>

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

(unaudited)

**(7) Investments in Affiliates Accounted for Using the Equity Method (Continued)**

As of September 30, 2012, the SIRIUS XM common stock and preferred stock, owned by the Company, had an aggregate market value of \$8,176 million based on the value of the common stock and common stock into which the preferred stock is convertible (level 1).

**(8) Long-Term Debt**

Debt is summarized as follows:

	Outstanding Principal September 30, 2012	Carrying value	
		September 30, 2012	December 31, 2011
		amounts in millions	
Bank Facility	\$ —	—	750
Starz 5.00% Senior Notes due 2019	500	500	—
Starz Bank Facility	5	5	505
Subsidiary debt	36	36	40
<b>Total debt</b>	<b>\$ 541</b>	<b>541</b>	<b>1,295</b>
Less current maturities		(4)	(754)
<b>Total long-term debt</b>		<b>\$ 537</b>	<b>541</b>

**Bank Facility**

The prior year balance represents borrowings from a financial institution to be invested by the Company in a portfolio of selected debt and mezzanine-level instruments of companies in the telecommunications, media and technology sectors. The outstanding principal was repaid in March 2012 primarily funded by uninvested funds of \$660 million which were included in restricted cash in the accompanying condensed consolidated balance sheet at December 31, 2011 and additional proceeds from the sale of certain debt securities, from the invested portfolio, during the first quarter of 2012.

**Starz 5.00% Senior Notes due 2019**

In September 2012, Starz, LLC, a wholly owned subsidiary, issued \$500 million aggregate principal amount of 5.00% Senior Notes due September 15, 2019 at par. Proceeds from the notes were used to repay the term loan associated with the Starz Bank Facility.

**Starz Bank Facility**

In November 2011, Starz, LLC entered into a Credit Agreement that provides for a \$1 billion revolving credit facility, with a \$50 million sub-limit for standby letters of credit, and a \$500 million term loan. Starz, LLC may elect that the loans bear interest at a rate per annum equal to the Alternative Base Rate (as defined in the Credit Agreement) plus a margin of 0.75% to 1.75% or the LIBO Rate (as defined in the Credit Agreement) plus a margin of 1.75% to 2.75%, depending on Starz's Consolidated Leverage Ratio (as defined in the Credit Agreement). The applicable rate at September 30, 2012 was 2.0%.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**(unaudited)**

**(8) Long-Term Debt (Continued)**

As of September 30, 2012, Starz, LLC is in compliance with all of its debt covenants. As of September 30, 2012, Starz, LLC has approximately \$995 million available under the revolving credit facility. As noted above, proceeds from the Starz 5.00% Senior Notes due 2019 were used to repay the term loan. The commitment fee rate on the unused portion of the revolver is between 0.25% and 0.50% based on Starz, LLC's consolidated leverage ratio. The commitment fee rate at September 30, 2012 is 0.25%.

It is expected that, in connection with the Spin-Off discussed in note 1, Starz, LLC will distribute approximately \$1.8 billion in cash to Liberty, of which \$400 million was distributed in the third quarter of 2012 (and \$200 million of which was distributed thereafter). The amount of the distribution will depend upon the financial performance and cash position of Starz, LLC prior to the Spin-Off. Starz, LLC anticipates additional borrowings against the Starz Bank Facility prior to the Spin-Off to fund the distribution.

***Subsidiary Debt***

Subsidiary debt at September 30, 2012 is primarily comprised of capitalized satellite transponder lease obligations.

***Fair Value of Debt***

At September 30, 2012 the fair value of the Starz 5.00% Senior Notes was \$509 million. Due to the variable rate nature of the Company's other debt the Company believes that the carrying amount approximates fair value at September 30, 2012.

**(9) Commitments and Contingencies**

***Film Rights***

Starz, LLC provides premium subscription video programming to United States multichannel video distributors, including cable operators, satellite television providers and telecommunications companies. Starz, LLC has entered into agreements with a number of motion picture producers which obligate Starz, LLC to pay fees ("Programming Fees") for the rights to exhibit certain films that are released by these producers. Starz, LLC entered into an exclusive long-term licensing agreement for theatrically released films from Walt Disney Company ("Disney") studios through 2015. The agreement provides Starz, LLC with exclusive pay TV rights to exhibit qualifying theatrically released live-action and animated feature films from Walt Disney Pictures, Walt Disney Animation Studios, Disney-Pixar, Touchstone Pictures, Marvel Entertainment and Hollywood Pictures labels. Theatrically released films from Dream Works Studios and Miramax Films will not be licensed to Starz, LLC under the agreement. In addition, Starz, LLC is obligated to pay Programming Fees for all qualifying films that are released theatrically in the United States by Sony Pictures Entertainment Inc.'s Columbia Pictures, Screen Gems and Sony Pictures Classics ("Sony") through 2016, subject to certain limitations. Films are generally available to Starz, LLC for exhibition 8-12 months after their theatrical release. The Programming Fees to be paid by Starz, LLC to Sony and Disney are based on the quantity and domestic theatrical exhibition receipts of qualifying films. Starz, LLC has also entered into agreements with a number of other motion picture producers and is obligated to pay Programming Fees for the rights to exhibit certain films that are released by these producers.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**(unaudited)**

**(9) Commitments and Contingencies (Continued)**

The unpaid balance of Programming Fees for films that were available for exhibition by Starz, LLC at September 30, 2012 is reflected as a liability, in other liabilities, in the accompanying condensed consolidated balance sheet. The balance due as of September 30, 2012 is payable as follows: \$64 million in 2012 and \$7 million in 2013.

Under the above output agreements with Disney and Sony, Starz, LLC is obligated to pay Programming Fees for the rights to exhibit films that have been released theatrically, but are not available for exhibition by Starz, LLC until some future date. In addition, Starz, LLC has agreed to pay Sony (i) \$95 million in two remaining annual installments of \$47.5 million in 2013 and 2014, and (ii) a total of \$120 million in three equal annual installments beginning in 2015. The estimated payments under these agreements, including Disney and Sony, which have not been accrued as of September 30, 2012, are as follows: \$30 million in 2012; \$360 million in 2013; \$74 million in 2014; \$59 million in 2015; \$51 million in 2016 and \$58 million thereafter.

Starz, LLC is also obligated to pay Programming Fees for films that have not yet been released in theatres by Disney and Sony. Starz, LLC is unable to estimate the amounts to be paid under these output agreements for films that have not yet been released in theatres, however such amounts are expected to be significant.

***Guarantees***

The Company guarantees Starz, LLC's obligations under certain of its studio output agreements. At September 30, 2012, the Company's guarantees for obligations for films released by such date aggregated \$446 million. While the guarantee amount for films not yet released is not determinable, such amount is expected to be significant. As noted above, Starz, LLC has recognized the liability for a portion of its obligations under the output agreements. As this represents a direct commitment of Starz, LLC, a consolidated subsidiary of the Company, the Company has not recorded a separate indirect liability for its guarantee of these obligations.

In connection with agreements for the sale of assets by the Company or its subsidiaries, the Company may retain liabilities that relate to events occurring prior to its sale, such as tax, environmental, litigation and employment matters. The Company generally indemnifies the purchaser in the event that a third party asserts a claim against the purchaser that relates to a liability retained by the Company. These types of indemnification obligations may extend for a number of years. The Company is unable to estimate the maximum potential liability for these types of indemnification obligations as the sale agreements may not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, the Company has not made any significant indemnification payments under such agreements and no amount has been accrued in the accompanying condensed consolidated financial statements with respect to these indemnification guarantees.

***Employment Contracts***

The Atlanta Braves and certain of their players and coaches have entered into long-term employment contracts whereby such individuals' compensation is guaranteed. Amounts due under guaranteed contracts as of September 30, 2012 aggregated \$77 million, which is payable as

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**(unaudited)**

**(9) Commitments and Contingencies (Continued)**

follows: \$30 million in 2012, \$20 million in 2013, \$13 million in 2014, \$13 million in 2015 and \$1 million thereafter. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

***Operating Leases***

The Company and its subsidiaries lease business offices, have entered into satellite transponder lease agreements and use certain equipment under lease arrangements.

***Litigation***

The Company has contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible the Company may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying condensed consolidated financial statements.

In connection with a commercial transaction that closed during 2002 among Liberty, Vivendi Universal S.A. ("Vivendi") and the former USA Holdings, Inc., Liberty brought suit against Vivendi et. al. in the United States District Court for the Southern District of New York, alleging, among other things, breach of contract and fraud by Vivendi. On June 25, 2012, the jury awarded Liberty damages in the amount of €765 million in connection with a finding of breach of contract and fraud by the defendant. Judgment, however, will not be entered until the Court rules on any post-trial briefing. Vivendi has announced its intention to appeal the jury's verdict, and Liberty has indicated its intent to seek prejudgment interest on the jury's award. As a result, the amount that Liberty may ultimately recover in connection with the final resolution of the action, if any, is uncertain. Any recovery by Liberty will not be reflected in our consolidated financial statements until such time as the final disposition of this matter has been reached.

***Other***

During the period from March 9, 1999 to August 10, 2001, Liberty Interactive (Liberty's former parent) was included in the consolidated federal income tax return of AT&T and was party to a tax sharing agreement with AT&T (the "AT&T Tax Sharing Agreement"). While Liberty Interactive was a subsidiary of AT&T, Liberty Interactive recorded its stand-alone tax provision on a separate return basis. Under the AT&T Tax Sharing Agreement, Liberty Interactive received a cash payment from AT&T in periods when Liberty Interactive generated taxable losses and such taxable losses were utilized by AT&T to reduce its consolidated income tax liability. To the extent such losses were not utilized by AT&T, such amounts were available to reduce federal taxable income generated by Liberty Interactive in future periods, similar to a net operating loss carryforward, and were accounted for as a deferred federal income tax benefit. Subsequent to Liberty Interactive's split off from AT&T, if adjustments were made to amounts previously paid under the AT&T Tax Sharing Agreement, such adjustments are reflected as adjustments to additional paid-in capital. During the period from March 10, 1999 to December 31, 2002, Liberty Interactive received cash payments from AT&T aggregating \$670 million as payment for Liberty Interactive's taxable losses that AT&T utilized to

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**(unaudited)**

**(9) Commitments and Contingencies (Continued)**

reduce its income tax liability. AT&T requested a refund from Liberty of \$70 million, plus accrued interest, relating to losses that it generated in 2002 and 2003 and was able to carry back to offset taxable income previously offset by Liberty Interactive's losses. AT&T had previously asserted that Liberty Interactive's losses caused AT&T to pay \$70 million in alternative minimum tax ("AMT") that it would not have been otherwise required to pay had Liberty Interactive's losses not been included in its return.

Liberty indemnified Liberty Interactive for the contingent liability and therefore the liability remained with Liberty after the Split-Off. In prior years, a \$72 million contingent liability was recorded through additional paid in capital as these liabilities were considered to have been equity transactions with Liberty Interactive's former parent. Additionally, interest was accrued on the liabilities and recorded through interest expense, until the amounts reached an amount the Company considered to be the maximum exposure under the contingent liability. The total liability recorded, including accrued interest was \$128 million. During the year, the Company determined that a requisite amount of time had passed under the applicable state statutes and that the liability should be released. As \$72 million was originally set up through additional paid in capital that amount of the liability was relieved against additional paid in capital and the remainder was recorded through the Other, net line item in the Other income (expense) section of the accompanying condensed consolidated Statement of Operations.

**(10) Information About Liberty's Operating Segments**

The Company, through its ownership interests in subsidiaries and other companies, is primarily engaged in the media, communications and entertainment industries. The Company identifies its reportable segments as (A) those consolidated subsidiaries that represent 10% or more of its consolidated annual revenue, annual Adjusted OIBDA or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of the Company's annual pre-tax earnings.

The Company evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue, Adjusted OIBDA and gross margin. In addition, the Company reviews nonfinancial measures such as subscriber growth and penetration.

The Company defines Adjusted OIBDA as revenue less operating expenses, and selling, general and administrative expenses (excluding stock-based compensation). The Company believes this measure is an important indicator of the operational strength and performance of its businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes depreciation and amortization, stock-based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. The Company generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

**LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**(unaudited)**

**(10) Information About Liberty's Operating Segments (Continued)**

For the nine months ended September 30, 2012, the Company has identified the following businesses as its reportable segments:

- Starz, LLC—consolidated subsidiary that provides premium subscription video programming to United States multichannel video distributors, including cable operators, satellite television providers and telecommunications companies. Starz also develops, produces and acquires entertainment content and distributes this content to consumers in the United States and throughout the world.
- ANLBC—consolidated subsidiary that owns and operates the Atlanta Braves Major League Baseball franchise.
- TruePosition, Inc.—consolidated subsidiary that develops and markets technology for locating wireless phones and other wireless devices enabling wireless carriers, application providers and other enterprises to provide E-911 services domestically and other location-based services to mobile users both domestically and worldwide.

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technologies, distribution channels and marketing strategies. The accounting policies of the segments that are also consolidated subsidiaries are the same as those described in the Company's summary of significant policies.

**Performance Measures**

	Nine months ended September 30,			
	2012		2011	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
Starz, LLC	\$ 1,208	343	1,183	356
ANLBC	216	31	199	11
TruePosition	60	11	619	380
Corporate and other	48	(12)	50	(10)
	<u>\$ 1,532</u>	<u>373</u>	<u>2,051</u>	<u>737</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

(10) Information About Liberty's Operating Segments (Continued)

	Three months ended September 30,			
	2012		2011	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions			
Starz, LLC	\$ 400	108	389	107
ANLBC	114	26	104	19
TruePosition	21	7	32	7
Corporate and other	20	(4)	15	(4)
	<u>\$ 555</u>	<u>137</u>	<u>540</u>	<u>129</u>

Other Information

	September 30, 2012		
	Total assets	Investments in affiliates	Capital expenditures
	amounts in millions		
Starz, LLC	\$ 2,307	—	8
ANLBC	546	32	2
TruePosition	119	—	1
Corporate and other	5,453	3,189	1
	<u>\$ 8,425</u>	<u>3,221</u>	<u>12</u>

The following table provides a reconciliation of segment Adjusted OIBDA to earnings (loss) from continuing operations before income taxes:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
	amounts in millions			
Consolidated segment Adjusted OIBDA	\$ 137	129	373	737
Stock-based compensation	(10)	(3)	(28)	(24)
Gain on legal settlement	—	—	—	7
Depreciation and amortization	(16)	(15)	(44)	(56)
Interest expense	(11)	(3)	(25)	(13)
Dividend and interest income	22	9	67	56
Share of earnings (losses) of affiliates, net	1,281	53	1,294	3
Realized and unrealized gains (losses) on financial instruments, net	135	(257)	175	(81)
Gains (losses) on dispositions, net	21	1	21	(1)
Other, net	49	1	59	5
Earnings (loss) before income taxes	<u>\$ 1,608</u>	<u>(85)</u>	<u>1,892</u>	<u>633</u>

**Liberty Spingo, Inc.**

**Condensed Pro Forma Consolidated Financial Statements**

**September 30, 2012**

**(unaudited)**

During August 2012, Liberty Media Corporation's Board of Directors authorized a plan to distribute to the stockholders of Liberty Media Corporation ("Liberty") shares of a subsidiary that will hold all of the businesses, assets and liabilities of Liberty not associated with Starz, LLC (the "Spin-Off"), with the exception of the Starz office building as discussed in footnote 3 to the pro forma statements. The transaction will be effected as a pro-rata dividend of shares, expected to be on a 1 to 1 ratio, of Liberty Spingo, Inc. ("Liberty Spingo"), a newly created subsidiary to the stockholders of Liberty. The subsidiary, which will become a separate public company upon the completion of the Spin-Off, will be renamed Liberty Media Corporation. The businesses, assets and liabilities not included in Liberty Spingo will remain part of a separate public company to be named Starz. Due to the relative significance of Liberty Spingo to Starz (the legal spinor) and senior management's continued involvement with Liberty Spingo post Spin-Off, Liberty Spingo will be treated as the "accounting successor" to Liberty Media Corporation (which will be renamed Starz) for financial reporting purposes, notwithstanding the legal form of the Spin-Off previously described. Therefore, the historical financial statements of Liberty Media Corporation will continue to be the historical financial statements of Liberty Spingo and will present Starz as discontinued operations upon completion of the Spin-Off.

The Spin-Off is intended to be tax-free to stockholders of Liberty and its completion will be subject to various conditions, including the registration of the shares to be distributed, the receipt of an IRS private letter ruling, an opinion of tax counsel and any required government approvals. The Spin-Off will not require a stockholder vote. Subject to such conditions, including those described above, the Spin-Off is currently expected to occur in late 2012 or early 2013.

Following the Spin-Off, Liberty Spingo and Starz will operate independently, and neither will have any stock ownership, beneficial or otherwise, in the other. If the proposed Spin-Off is completed, it will be accounted for at historical cost since the Liberty Spingo common stock is to be distributed pro rata to the holders of Liberty Capital common stock.

The following unaudited condensed pro forma consolidated financial statements have been prepared giving effect to the Spin-Off as if it occurred as of each balance sheet date for the condensed pro forma consolidated balance sheets and January 1, 2010 for the condensed pro forma consolidated statements of operations. The unaudited condensed pro forma consolidated financial statements do not purport to represent what Liberty Spingo's financial position actually would have been had the Spin-Off occurred on the dates indicated or to project Liberty Spingo's operating results for any future period. The pro forma adjustments are based upon available information and certain assumptions that Liberty Spingo's management believes are reasonable. The unaudited condensed pro forma consolidated financial statements should be read in conjunction with, and are qualified in their entirety by, the information under Selected Financial Data, Management's Discussion and Analysis and the Liberty Media Corporation Financial Statements and notes thereto included elsewhere in the Information Statement.

Liberty Spinco, Inc.

Condensed Pro Forma Consolidated Balance Sheet

September 30, 2012

(unaudited)

	Liberty Media historical(1)	Less: Starz historical(2)	Add: Starz Building(3)	Liberty Spinco pro forma
	amounts in millions			
<b>Assets</b>				
Cash and cash equivalents	\$ 1,169	846	—	323
Other current assets	959	745	—	214
Investments in available-for-sale securities	1,774	—	—	1,774
Investments in affiliates, accounted for using the equity method	3,221	—	—	3,221
Property and equipment, net	199	92	44	151
Intangible assets not subject to amortization	475	132	—	343
Program rights	285	285	—	—
Deferred tax assets	—	—	—	—
Other assets, at cost, net of accumulated amortization	343	204	—	139
Total assets	<u>\$ 8,425</u>	<u>2,304</u>	<u>44</u>	<u>6,165</u>
<b>Liabilities and Equity</b>				
Current liabilities	\$ 471	276	—	195
Long-term debt	537	537	—	—
Deferred income tax liabilities	866	—	—	866
Other liabilities	157	37	—	120
Total liabilities	<u>2,031</u>	<u>850</u>	<u>—</u>	<u>1,181</u>
Total stockholders' equity	6,398	1,459	44	4,983
Noncontrolling interests in equity of subsidiaries	(4)	(5)	—	1
Total equity	<u>6,394</u>	<u>1,454</u>	<u>44</u>	<u>4,984</u>
Total liabilities and equity	<u>\$ 8,425</u>	<u>2,304</u>	<u>44</u>	<u>6,165</u>

See accompanying notes to condensed pro forma consolidated financial statements.

Liberty Spinco, Inc.

Condensed Pro Forma Consolidated Balance Sheet

December 31, 2011

(unaudited)

	Liberty Media historical(1)	Less: Starz historical(2)	Add: Starz Building(3)	Liberty Spinco pro forma
	amounts in millions			
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 2,070	1,100	—	970
Other current assets	1,844	756	—	1,088
Investments in available-for-sale securities	1,859	—	—	1,859
Investments in affiliates, accounted for using the equity method	567	—	—	567
Property and equipment, net	215	99	46	162
Intangible assets not subject to amortization	475	132	—	343
Program rights	320	320	—	—
Other assets, at cost, net of accumulated amortization	373	223	—	150
<b>Total assets</b>	<u>\$ 7,723</u>	<u>2,630</u>	<u>46</u>	<u>5,139</u>
<b>Liabilities and Equity</b>				
Current liabilities	\$ 1,230	341	—	889
Long-term debt	541	541	—	—
Deferred Income tax liabilities	411	34	—	377
Deferred revenue	39	—	—	39
Other liabilities	251	71	—	180
<b>Total liabilities</b>	<u>2,472</u>	<u>987</u>	<u>—</u>	<u>1,485</u>
Total stockholders' equity	5,261	1,651	46	3,656
Noncontrolling interests in equity of subsidiaries	(10)	(8)	—	(2)
<b>Total equity</b>	<u>5,251</u>	<u>1,643</u>	<u>46</u>	<u>3,654</u>
<b>Total liabilities and equity</b>	<u>\$ 7,723</u>	<u>2,630</u>	<u>46</u>	<u>5,139</u>

See accompanying notes to condensed pro forma consolidated financial statements.

Liberty Spinco, Inc.

Condensed Pro Forma Consolidated Balance Sheet

December 31, 2010

(unaudited)

	Liberty Media historical(1)	Less: Starz historical(2)	Add: Starz Building(3)	Liberty Spinco pro forma
	amounts in millions			
<b>Assets</b>				
Cash and cash equivalents	\$ 2,090	317	—	1,773
Other current assets	1,452	678	—	774
Investments in available-for-sale securities	4,550	—	—	4,550
Investments in affiliates, accounted for using the equity method	91	—	—	91
Property and equipment, net	247	109	48	186
Intangible assets not subject to amortization	485	132	—	353
Program rights	323	323	—	—
Deferred tax assets	371	158	—	213
Other assets, at cost, net of accumulated amortization	1,183	162	—	1,021
<b>Total assets</b>	<b>\$ 10,792</b>	<b>1,879</b>	<b>48</b>	<b>8,961</b>
<b>Liabilities and Equity</b>				
Current liabilities	\$ 2,511	253	—	2,258
Long-term debt	2,101	68	—	2,033
Deferred revenue	846	—	—	846
Other liabilities	308	49	—	259
<b>Total liabilities</b>	<b>5,766</b>	<b>370</b>	<b>—</b>	<b>5,396</b>
Total stockholders' equity	5,026	1,509	48	3,565
Noncontrolling interests in equity of subsidiaries	—	—	—	—
<b>Total equity</b>	<b>5,026</b>	<b>1,509</b>	<b>48</b>	<b>3,565</b>
<b>Total liabilities and equity</b>	<b>\$ 10,792</b>	<b>1,879</b>	<b>48</b>	<b>8,961</b>

See accompanying notes to condensed pro forma consolidated financial statements.

Liberty Spingo, Inc.

Condensed Pro Forma Consolidated Statement of Operations

Nine months ended September 30, 2012

(unaudited)

	Liberty Media historical(1)	Less: Starz historical(2)	Add: Starz Building(3)	Liberty Spingo pro forma
amounts in millions, except per share amounts				
<b>Revenue:</b>				
Communications and programming services	\$ 1,532	1,208	—	324
<b>Operating costs and expenses:</b>				
Operating	902	701	—	201
Selling, general and administrative, including stock-based compensation	285	174	—	111
Depreciation and amortization	44	14	2	32
	<u>1,231</u>	<u>889</u>	<u>2</u>	<u>344</u>
Operating income (loss)	301	319	(2)	(20)
Other income (expense)	1,591	(15)	—	1,606
Earnings (loss) before income taxes	1,892	304	(2)	1,586
Income tax (expense) benefit	(591)	(97)	—	(494)
Net earnings (loss)	1,301	207	(2)	1,092
Less net earnings (loss) attributable to the noncontrolling interests	1	1	—	—
Net earnings (loss) attributable to Liberty Spingo stockholders	<u>\$ 1,300</u>	<u>206</u>	<u>(2)</u>	<u>1,092</u>
<b>Net earnings (loss) attributable to Liberty Spingo stockholders:</b>				
Liberty Capital common stock	\$ 1,300	206	(2)	1,092
Liberty Starz common stock	NA			NA
<b>ProForma basic net earnings (loss) attributable to Liberty Spingo stockholders per common share:</b>				
Series A and Series B Liberty Capital common stock	\$ 10.83			9.10
Series A and Series B Liberty Starz common stock	NA			NA
<b>ProForma diluted net earnings (loss) attributable to Liberty Spingo stockholders per common share:</b>				
Series A and Series B Liberty Capital common stock	\$ 10.48			8.81
Series A and Series B Liberty Starz common stock	NA			NA
<b>Basic weighted average outstanding common stock</b>				
Series A and Series B Liberty Capital common stock	120			120
Series A and Series B Liberty Starz common stock	NA			NA
<b>Diluted weighted average outstanding common stock</b>				
Series A and Series B Liberty Capital common stock	124			124
Series A and Series B Liberty Starz common stock	NA			NA

See accompanying notes to condensed pro forma consolidated financial statements.

Liberty Spinco, Inc.

Condensed Pro Forma Consolidated Statement of Operations

Nine months ended September 30, 2011

(unaudited)

	Liberty Media historical(1)	Less: Starz historical(2)	Add: Starz Building(3)	Liberty Spinco pro forma
amounts in millions, except per share amounts				
Revenue:				
Communications and programming services	\$ 2,051	1,183	—	868
Operating costs and expenses:				
Operating	1,048	654	—	394
Selling, general and administrative, including stock-based compensation	290	178	—	112
Legal settlement	(7)	—	—	(7)
Depreciation and amortization	56	14	2	44
	1,387	846	2	543
Operating income (loss)	664	337	(2)	325
Other income (expense)	(31)	(11)	—	(20)
Earnings (loss) before income taxes	633	326	(2)	305
Income tax (expense) benefit	(256)	(138)	—	(118)
Net earnings (loss)	377	188	(2)	187
Less net earnings (loss) attributable to the noncontrolling interests	(1)	—	—	(1)
Net earnings (loss) attributable to Liberty Spinco stockholders	\$ 378	188	(2)	188
Net earnings (loss) attributable to Liberty Spinco stockholders:				
Liberty Capital common stock	\$ 198			198
Liberty Starz common stock	180	188	(2)	(10)
	\$ 378			188
ProForma basic net earnings (loss) attributable to Liberty Spinco stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ 2.44			2.44
Series A and Series B Liberty Starz common stock	\$ 3.53			(0.20)
ProForma diluted net earnings (loss) attributable to Liberty Spinco stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ 2.39			2.39
Series A and Series B Liberty Starz common stock	\$ 3.40			(0.20)
Basic weighted average outstanding common stock				
Series A and Series B Liberty Capital common stock	81			81
Series A and Series B Liberty Starz common stock	51			51
Diluted weighted average outstanding common stock				
Series A and Series B Liberty Capital common stock	83			83
Series A and Series B Liberty Starz common stock	53			51

See accompanying notes to condensed pro forma consolidated financial statements.

Liberty Spinco, Inc.

Condensed Pro Forma Consolidated Statement of Operations

Year Ended December 31, 2011

(unaudited)

	Liberty Media historical(1)	Less: Starz historical(2)	Add: Starz Building(3)	Liberty Spinco pro forma
amounts in millions, except per share amounts				
Revenue:				
Communications and programming services	\$ 3,024	1,615	—	1,409
Operating costs and expenses:				
Operating	1,600	927	—	673
Selling, general and administrative, including stock-based compensation	396	245	—	151
Legal settlement	2	—	—	2
Depreciation and amortization	69	18	2	53
	<u>2,067</u>	<u>1,190</u>	<u>2</u>	<u>879</u>
Operating income (loss)	957	425	(2)	530
Other income (expense)	170	(21)	—	191
Earnings (loss) before income taxes	1,127	404	(2)	721
Income tax (expense) benefit	(319)	(167)	—	(152)
Net earnings (loss)	808	237	(2)	569
Less net earnings (loss) attributable to the noncontrolling interests	(4)	(3)	—	(1)
Net earnings (loss) attributable to Liberty Spinco stockholders	<u>\$ 812</u>	<u>240</u>	<u>(2)</u>	<u>570</u>
Net earnings (loss) attributable to Liberty Spinco stockholders:				
Liberty Capital common stock	\$ 583			583
Liberty Starz common stock	229	240	(2)	(13)
	<u>\$ 812</u>			<u>570</u>
ProForma basic net earnings (loss) attributable to Liberty Spinco stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ 6.86			6.86
Series A and Series B Liberty Starz common stock	\$ 4.49			(0.25)
ProForma diluted net earnings (loss) attributable to Liberty Spinco stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ 6.63			6.63
Series A and Series B Liberty Starz common stock	\$ 4.32			(0.25)
Basic weighted average outstanding common stock				
Series A and Series B Liberty Capital common stock	85			85
Series A and Series B Liberty Starz common stock	51			51
Diluted weighted average outstanding common stock				
Series A and Series B Liberty Capital common stock	88			88
Series A and Series B Liberty Starz common stock	53			51

See accompanying notes to condensed pro forma consolidated financial statements.

Liberty Spinco, Inc.

Condensed Pro Forma Consolidated Statement of Operations

Year Ended December 31, 2010

(unaudited)

	Liberty Media historical(1)	Less: Starz historical(2)	Add: Starz Building(3)	Liberty Spinco pro forma
amounts in millions, except per share amounts				
Revenue:				
Communications and programming services	\$ 2,050	1,626	—	424
Operating costs and expenses:				
Operating	1,284	981	—	303
Selling, general and administrative, including stock-based compensation	525	341	—	184
Legal settlement	(48)	—	—	(48)
Depreciation and amortization	94	23	2	73
	<u>1,855</u>	<u>1,345</u>	<u>2</u>	<u>512</u>
Operating income (loss)	195	281	(2)	(88)
Other income (expense)	265	(22)	—	287
Earnings (loss) before income taxes	460	259	(2)	199
Income tax (expense) benefit	558	(99)	—	657
Net earnings (loss)	1,018	160	(2)	856
Less net earnings (loss) attributable to the noncontrolling interests	(3)	—	—	(3)
Net earnings (loss) attributable to Liberty Spinco stockholders	<u>\$ 1,021</u>	<u>160</u>	<u>(2)</u>	<u>859</u>
Net earnings (loss) attributable to Liberty Spinco stockholders:				
Liberty Capital common stock	\$ 815	(63)	—	878
Liberty Starz common stock	206	223	(2)	(19)
	<u>\$ 1,021</u>			<u>859</u>
ProForma basic net earnings (loss) attributable to Liberty Spinco stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ 9.06			9.76
Series A and Series B Liberty Starz common stock	\$ 4.12			(0.38)
ProForma diluted net earnings (loss) attributable to Liberty Spinco stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ 8.76			9.44
Series A and Series B Liberty Starz common stock	\$ 3.96			(0.38)
Basic weighted average outstanding common stock				
Series A and Series B Liberty Capital common stock	90			90
Series A and Series B Liberty Starz common stock	50			50
Diluted weighted average outstanding common stock				
Series A and Series B Liberty Capital common stock	93			93
Series A and Series B Liberty Starz common stock	52			50

See accompanying notes to condensed pro forma consolidated financial statements.

Liberty Spinco, Inc.

Condensed Pro Forma Consolidated Statement of Operations

Year Ended December 31, 2009

(unaudited)

	Liberty Media historical(1)	Less: Starz historical(2)	Add: Starz Building(3)	Liberty Spinco pro forma
amounts in millions, except per share amounts				
<b>Revenue:</b>				
Communications and programming services	\$ 1,853	1,540	—	313
<b>Operating costs and expenses:</b>				
Operating	1,171	906	—	265
Selling, general and administrative, including stock-based compensation	564	386	—	178
Depreciation and amortization	109	26	2	85
	<u>1,844</u>	<u>1,318</u>	<u>2</u>	<u>528</u>
Operating income (loss)	9	222	(2)	(215)
Other income (expense):	161	(32)	—	193
Earnings (loss) from continuing operations before income taxes	170	190	(2)	(22)
Income tax (expense) benefit	170	(72)	—	242
Net earnings (loss) from continuing operations	340	118	(2)	220
Earnings from discontinued operations	5,864	—	—	5,864
Net earnings (loss)	6,204	118	(2)	6,084
Less net earnings (loss) attributable to the noncontrolling interests	—	—	—	—
Net earnings (loss) attributable to Liberty Spinco stockholders	<u>\$ 6,204</u>	<u>118</u>	<u>(2)</u>	<u>6,084</u>
<b>Net earnings (loss) attributable to Liberty Spinco stockholders:</b>				
Liberty Capital common stock	\$ 127	(87)	—	214
Liberty Starz common stock	6,077	205	(2)	5,870
	<u>6,204</u>	<u>118</u>	<u>(2)</u>	<u>6,084</u>
<b>ProForma basic net earnings (loss) from continuing operations attributable to Liberty stockholders per common share (note 4):</b>				
Series A and Series B Liberty Capital common stock	\$ 1.32	—	—	2.23
Series A and Series B Liberty Starz common stock	\$ 0.46	—	—	0.01
<b>ProForma diluted net earnings (loss) from continuing operations attributable to Liberty stockholders per common share (note 4) :</b>				
Series A and Series B Liberty Capital common stock	\$ 1.31	—	—	2.21
Series A and Series B Liberty Starz common stock	\$ 0.46	—	—	0.01
<b>ProForma basic net earnings (loss) attributable to Liberty stockholders per common share (note 4):</b>				
Series A and Series B Liberty Capital common stock	\$ 1.32	—	—	2.23
Series A and Series B Liberty Starz common stock	\$ 13.13	—	—	12.68
<b>ProForma diluted net earnings (loss) attributable to Liberty stockholders per common share (note 4):</b>				
Series A and Series B Liberty Capital common stock	\$ 1.31	—	—	2.21
Series A and Series B Liberty Starz common stock	\$ 13.04	—	—	12.60
<b>Basic weighted average outstanding common stock</b>				
Series A and Series B Liberty Capital common stock	96	—	—	96
Series A and Series B Liberty Starz common stock	463	—	—	463
<b>Diluted weighted average outstanding common stock</b>				
Series A and Series B Liberty Capital common stock	97	—	—	97
Series A and Series B Liberty Starz common stock	466	—	—	466

See accompanying notes to condensed pro forma consolidated financial statements.

**Liberty Spincó, Inc.**

**Notes to Condensed Pro Forma Consolidated Financial Statements**

**September 30, 2012**

**(unaudited)**

- (1) Represents the historical financial position and results of operations of Liberty Media Corporation. Such amounts were derived from the historical consolidated financial statements of Liberty Media Corporation found elsewhere in this information statement. Although Liberty Spincó is the legal spinnee it has been determined that based on the relative significance of Liberty Spincó to Starz (the legal spinnor) and senior management's continued involvement with Liberty Spincó following the Spin-Off, Liberty Spincó is the spinnor for accounting purposes. Therefore, the historical financial statements of Liberty Media Corporation will remain the historical financial statements of Liberty Spincó upon the completion of the Spin-Off.
- (2) Represents the historical financial position and results of operations of Starz. Although Starz is the legal spinnor it has been determined that based on the relative significance of Liberty Spincó to Starz and senior management's continued involvement with Liberty Spincó post Spin-Off, that Starz is the spinee for accounting purposes. These amounts will be presented as discontinued operations upon the completion of the Spin-Off.
- (3) Prior to the completion of the Spin-Off the Starz corporate headquarters building will be contributed to Liberty Spincó and Starz will enter into a lease agreement relating to the building. As the terms of the lease agreement are unknown at the time of this filing no rental income has been reflected in these pro forma statements but it is expected that rental income will be equal to or in excess of depreciation reported for pro forma purposes. In connection with the Spin-Off, it is expected that Starz, LLC will distribute approximately \$1.8 billion in cash to Liberty, of which \$400 million was distributed in the third quarter of 2012 (on July 9, August 17 and September 4). The total amount of the distribution will depend upon the financial performance and cash position of Starz, LLC prior to the Spin-Off. Accordingly, the amounts presented as of and for the nine months ended September 30, 2012 do not include \$200 million distributed on November 16, 2012 and the additional \$1.2 billion expected to be distributed prior to the Spin-Off. This distributed cash, as reduced by investments of such cash prior to the Spin-Off, will be contributed to Liberty Spincó in connection with the Spin-Off.

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## Executive and Director Compensation Information

The following sets forth information concerning the compensation of the named executive officers and directors of Liberty Media Corporation and Liberty Interactive Corporation for the year ended December 31, 2011.

### *Liberty Media Corporation*

The following information concerning the compensation of the named executive officers and directors of Liberty Media Corporation for the year ended December 31, 2011 has been excerpted from Liberty Media Corporation's definitive proxy statement on Schedule 14A file with the Securities and Exchange Commission on July 5, 2012 relating to its 2012 annual meeting of stockholders (the "proxy statement"). References such as "we," "us" and "our" refer to Liberty Media Corporation and not Liberty Spinco, Inc. Terms used below but not defined have the meanings assigned to the them in the proxy statement.

## EXECUTIVE COMPENSATION

This section sets forth information relating to, and an analysis and discussion of, compensation paid by our company to:

- John C. Malone, our Chairman of the Board;
- Gregory B. Maffei, our Chief Executive Officer and President;
- David J.A. Flowers, our principal financial officer through October 2011;
- Christopher W. Shean, our principal financial officer beginning November 2011; and
- Charles Y. Tanabe and Albert E. Rosenthaler our other two executive officers.

We collectively refer to these persons as our named executive officers.

### Compensation Discussion and Analysis

#### *Compensation Overview; Philosophy*

The compensation committee of our board of directors has responsibility for establishing, implementing and regularly monitoring adherence to our compensation philosophy. That philosophy seeks to align the interests of the named executive officers with those of our stockholders, with the ultimate goal of appropriately motivating and rewarding our executives in an effort to increase stockholder value. Accordingly, our compensation committee believes that our compensation packages should assist our company in attracting key executives critical to our long-term success. To that end, the compensation packages provided to the named executive officers include both cash and stock-based incentive compensation, with an emphasis placed on performance-based compensation.

Our compensation committee believes that each named executive officer should receive a compensation package that is commensurate with the responsibilities and proven performance of that executive. In addition, historically, the compensation packages of the named executive officers were intended to be competitive relative to the compensation packages paid to similarly situated executives at companies in the reference group (as listed below, the **Reference Group**) selected by the compensation committee (the **LIC Committee**) of our former parent company, Liberty Interactive. In connection with the LMC Split-Off, we assumed, and our compensation committee effectively ratified, the existing compensation packages applicable to each named executive officer, as well as those of the other employees of Liberty Interactive (all of whom became employees of our company in connection

with the LMC Split-Off). Accordingly, the following discussion combines the compensation philosophy of our compensation committee and historical information concerning the establishment of the assumed compensation packages for the named executive officers.

The compensation packages of the named executive officers were not based on any benchmarking analysis; rather, they were based on the LIC Committee's familiarity with the range of total compensation paid by members of the Reference Group, which range was used as a guide to ensure that the named executive officers receive attractive compensation packages. Taking into account the general industry knowledge of the members of the LIC Committee, including its knowledge of the executive compensation paid by the Reference Group, and the input of the Chief Executive Officer of Liberty Interactive, who is also our Chief Executive Officer, with respect to the compensation packages for Messrs. Tanabe, Flowers, Rosenthaler and Shean, the LIC Committee determined to provide each named executive officer (other than Mr. Malone) with a 2011 compensation package comprised primarily of a base salary and a performance-based bonus, weighted heavily toward the latter compensation element. Unlike prior years, equity incentive awards were not granted during 2011 because each of the named executive officers (other than Mr. Malone) received a grant of multi-year equity incentive awards in one of the preceding two years. See "*Elements of 2011 Executive Compensation—Equity Incentive Compensation*" below for a discussion of these awards.

In addition, the compensation of Messrs. Malone and Maffei are governed by the terms of their respective employment agreements, which were assumed by our company in the LMC Split-Off. See "*Executive Compensation Arrangements—John C. Malone*" and "*Gregory B. Maffei*" below for more information.

#### ***Services Agreement***

In connection with the LMC Split-Off, we entered into a services agreement with Liberty Interactive pursuant to which Liberty Interactive compensates us for the portion of the salary and other cash compensation we pay to our employees, including the named executive officers, that is allocable to Liberty Interactive for time spent by each such employee on matters related to that company. The allocable percentages of time spent performing services for Liberty Interactive, on the one hand, and our company, on the other hand, are evaluated semi-annually for reasonableness. The compensation information included in the "Summary Compensation Table" below reflects the portion of the compensation paid by and allocable to Liberty Media and does not reflect the portion of the compensation allocable to Liberty Interactive and for which Liberty Interactive reimbursed Liberty Media under the services agreement. For the period between September 24, 2011 (the day after the LMC Split-Off) through December 31, 2011, the percentage of each named executive officer's time that was allocated to our company was: 70% as to Messrs. Malone, Maffei and Tanabe; 60% as to Messrs. Rosenthaler and Shean; and 90% as to Mr. Flowers. Notwithstanding the services agreement, each of Liberty Media and Liberty Interactive directly paid its allocable portion of each named executive officers' performance-based bonus to its respective named executive officers. See "*Elements of 2011 Executive Compensation—2011 Performance-based Bonuses*" below.

#### ***Role of Chief Executive Officer in Compensation Decisions***

Although the compensation package of each named executive officer was within the discretion of and determined by the LIC Committee, and later our compensation committee, recommendations were obtained from Mr. Maffei, Chief Executive Officer of Liberty Interactive and our company, as to all elements of each named executive officer's compensation package (other than that of Messrs. Malone and Maffei). The Chief Executive Officer's recommendations are based on his evaluation of the performance and contributions of such other named executive officers, given their respective areas of

responsibility. When making recommendations, the Chief Executive Officer considers various qualitative factors such as:

- the named executive officer's experience and overall effectiveness;
- the responsibilities of the named executive officer, including any changes to those responsibilities over the year;
- the named executive officer's demonstrated leadership and management ability;
- the named executive officer's compensation relative to other executives at our company with similar, greater or lesser responsibilities;
- the named executive officer's compensation relative to compensation paid to similarly situated executives at companies within our reference group;
- the named executive officer's years of service with us; and
- the performance of any group for which the named executive officer is primarily responsible.

***Setting Executive Compensation***

In establishing the compensation package of each named executive officer, the following were considered:

- each element of the named executive officer's historical compensation, including salary, bonus, equity compensation, perquisites and other personal benefits;
- corporate financial performance compared to internal forecasts and budgets;
- the scope of the named executive officer's responsibilities;
- the performance of the group reporting to the named executive officer;
- as to each named executive officer (other than Messrs. Malone and Maffei), the performance evaluations and compensation recommendations of the Chief Executive Officer; and
- as to each named executive officer (other than Mr. Malone), compensation provided to similarly situated executives at companies within the Reference Group.

As mentioned above, the range of total compensation paid by members of the Reference Group was used as a guide to ensure that the named executive officers receive attractive compensation packages. This group of companies consists of publicly-traded media, telecommunications and entertainment companies and includes companies which we, together with our former parent, Liberty Interactive, may have competed for executive talent and stockholder investment. This group also includes companies in those industries that were similar to our company, when taken together with our former parent, Liberty Interactive, in size and complexity of operations. Companies included in the Reference Group are:

Cablevision Systems Corporation  
CBS Corporation  
Comcast Corporation  
Discovery Communications, Inc.  
DIRECTV (f/k/a The DIRECTV Group, Inc.)  
Dreamworks Animation SKG, Inc.  
Expedia, Inc.  
IAC/InterActiveCorp  
Liberty Global, Inc.

News Corporation  
priceline.com Incorporated  
Scripps Networks Interactive, Inc.  
Sirius XM Radio Inc.  
Time Warner Inc.  
Time Warner Cable Inc.  
Viacom Inc.  
The Walt Disney Company

Our compensation committee may develop a new reference group of companies as a result of the LMC Split-Off, which group may include some of the foregoing companies.

Although the compensation packages awarded by these companies was considered in establishing the compensation of the named executive officers, adjustments were made to these packages based on qualitative factors, such as:

- the size, scope and complexity of the businesses of the companies in the Reference Group;
- the cost of living and other factors related to the geographic location of these companies; and
- the compensation philosophy of the particular company, including any policies relating to compensation of founders or others with substantial personal wealth.

In addition, comparisons based on the roles performed by the named executive officers of the companies in the Reference Group and roles performed by our named executive officers were considered to be difficult to draw. That difficulty is attributable, at least in part, to the fact that none of the named executive officers has the title of chief operating officer or, until the fourth quarter of 2011, chief financial officer, two positions commonly held by named executive officers of other companies. That difficulty is further pronounced when considering those companies in the Reference Group whose management has direct responsibility for operating businesses, because their named executive officers have responsibilities different from those of our named executive officers. As a result, the Reference Group data was merely used as a guide for industry practice on the basis of total compensation paid, and not comparing each individual element thereof. At times, total compensation, or any specific element thereof, payable to our named executive officers may exceed that of the Reference Group or may be less than that of the Reference Group. For example, the multi-year equity incentive awards discussed below are not comparable to the incentive awards generally paid by the members of the Reference Group. See "—Elements of 2011 Executive Compensation—Equity Incentive Compensation" below for a discussion of these awards. As a general matter, however, our compensation committee believes in weighing equity incentive compensation more heavily than cash compensation, which is a practice that may not be consistently followed by the Reference Group.

#### ***Elements of 2011 Executive Compensation***

For 2011 the principal components of compensation for the named executive officers (other than Mr. Malone) were:

- base salary;
- a performance-based bonus, payable in cash;
- perquisites and other limited personal benefits; and
- deferred compensation arrangements.

As referenced above, although our compensation committee believes that the compensation packages of the named executive officers should be weighed more heavily toward equity incentive awards than cash compensation, stand-alone equity incentive awards were not granted in 2011 because the named executive officers (other than Mr. Malone) all received multi-year equity incentive awards in one of the two preceding years.

*Base Salary.* The base salaries of the named executive officers are reviewed on an annual basis (other than Messrs. Malone and Maffei, whose salaries are governed by their respective employment agreements), as well as at the time of any change in responsibilities. Typically, after establishing a named executive officer's base salary, salary increases are limited to cost-of-living adjustments and adjustments based on an evaluation of a named executive officer's job performance, any changes in the scope of the named executive officer's responsibilities, and the named executive officer's salary level

compared to other named executive officers. Our compensation committee believes base salary should be a relatively smaller portion of each named executive officer's overall compensation package, thereby aligning the interests of our executives more closely with those of our stockholders. The LIC Committee considered similar factors when setting the base salary and annual increases to be paid to Mr. Maffei under his employment agreement, which has been assumed by our company. Similarly, in accordance with the terms of his employment agreement, Mr. Malone's cash compensation is limited. After completion of the annual review described above, the base salaries of the named executive officers (other than Mr. Malone, who received no increase under the terms of his employment agreement) were all increased in 2011. Mr. Maffei received the increase prescribed by his employment agreement and the other named executive officers (other than Mr. Malone) received cost-of-living adjustments.

*2011 Performance-based Bonuses.* For 2011, the LIC Committee adopted an annual, performance-based bonus program for each of the named executive officers (other than Mr. Malone), which was similar in structure to the program adopted for Liberty Interactive in 2010. This program was adopted by our compensation committee in connection with the LMC Split-Off. This bonus program, which is structured to comply with Section 162(m) of the Code, based each participant's bonus on the achievement of an increase in the market capitalization of our company, which was subject to negative adjustment depending on a combination of corporate and personal performance measures. Pursuant to the 2011 bonus program, the aggregate market capitalization of Liberty Media common stock would need to exceed \$5 billion (the **2011 Market Capitalization Threshold**) before any participant would be entitled to receive any bonus. The Liberty Media market capitalization was calculated using the average closing sales prices of Liberty Media's two series of common stock for the 50 trading days ending on December 15, 2011. The market capitalization calculation was subject to adjustment to reflect stock repurchases, extraordinary dividends, recapitalizations or similar events that could affect market capitalization. If the prescribed 2011 Market Capitalization Threshold were exceeded, 0.5% of the excess would be used to establish the available notional bonus pool from which performance-based bonuses would be payable under this program. Upon establishing the final award amounts, our compensation committee determined that the actual bonus amounts would be payable in cash. That determination was made after consideration of the named executive officers' holdings in Liberty Media common stock and options. In addition, our compensation committee determined to pay the bonuses in cash to better align the bonus payment structure with the bonus payment terms of Mr. Maffei's employment agreement. Finally, our compensation committee, with the concurrence of the LIC Committee, allocated the final bonus amounts payable between Liberty Media and Liberty Interactive as discussed below.

Each participant was assigned a maximum bonus amount, expressed as a multiple of his 2011 base salary (without giving effect to the allocation of such salary between our company and Liberty Interactive). The maximum bonus amounts were 400%, 200% and 150% for our Chief Executive Officer, executive vice president and each senior vice president, respectively. If the bonus pool was insufficient to cover the aggregate maximum bonus amounts of all participants, each participant's maximum bonus amount would be reduced pro rata, for all purposes under the program, based upon his respective maximum bonus amount. Assuming the bonus pool was sufficient to cover the aggregate maximum bonus amounts:

- Our compensation committee then considered reducing the maximum bonus payable to each participant based on a subjective assessment of our and Liberty Interactive's financial performance. No more than 30% of a participant's maximum bonus amount (the **Corporate Performance Component**) would be affected by this measure. Any reduction would be based on the rating scale below, after review of the adjusted OIBDA (as defined in our and Liberty

Interactive's public filings), revenue and cash flow performance of our company and Liberty Interactive.

Corporate Performance Component Rating	Portion of Maximum Bonus Payable
10	Full 30%
9	27%
8	24%
7	21%
6	18%
5	15%
4	12%
3	9%
2	6%
1	3%

- Each participant would be entitled to receive the remaining 70% of his maximum bonus amount (the **Individual Performance Component or IPC**) subject to the right of the compensation committee to reduce the amount payable based upon its assessment of that participant's individual performance, as follows:

Individual Performance Rating (IPR)	Portion of Maximum Bonus Payable (IPC)
10	Full 70%
9	61.25%
8	52.50%
7	35.00%
6	17.50%
5 and below	0%

In December 2011, after calculating the Liberty Media market capitalization using the formula described above, our compensation committee determined that the 2011 Market Capitalization Threshold was sufficiently exceeded, thereby creating a notional bonus pool large enough to cover the aggregate maximum bonus amounts of all the participants and enabling each participant to receive a bonus of up to his maximum bonus amount. Our compensation committee then, in agreement with the LIC Committee, made a subjective determination as to the corporate performance rating that would be ascribed for purposes of determining the Corporate Performance Component of each participating named executive officer's bonus. In making this determination, our compensation committee considered the adjusted OIBDA, revenue and cash flow results for each of Liberty Media's and Liberty Interactive's business groups in comparison to preliminary forecasts and took into account general economic conditions and industry developments during the year. Our compensation committee then agreed upon a consensus rating for the Corporate Performance Component.

Our compensation committee then, in agreement with the LIC committee, reviewed the individual performance of each participant to determine his IPR and corresponding IPC. Our compensation committee took into account a variety of factors, without assigning a numerical weight to any single performance measure. This determination was based on reports of our board, the observations of committee members throughout the year, executive self-evaluations and, with respect to the participants other than Mr. Maffei, the observations and input of Mr. Maffei. In evaluating the performance of each of the participating named executive officers, our compensation committee considered the various

performance objectives related to Liberty Media which had been assigned to each named executive officer for 2011, including:

<u>Individual</u>	<u>Performance Objectives</u>
Gregory B. Maffei	<ul style="list-style-type: none"><li>• Completion of split-off of the Liberty Capital and Liberty Starz tracking stock groups</li><li>• Successful management of Liberty Media's balance sheet</li><li>• Outperformance of peer and stock market indices</li><li>• Development of strategy for cash deployment by the Capital Group</li><li>• Refinement of business development plan</li><li>• Oversight of executive management team and continuation of long-term succession planning</li></ul>
Charles Y. Tanabe	<ul style="list-style-type: none"><li>• Leadership of legal staff in structuring, negotiating and completing various transactions, including the split-off of the Liberty Capital and Liberty Starz tracking stock groups</li><li>• Efficient management of legal costs and compliance costs</li><li>• Oversight of legal issues handled by outside and in-house counsel</li><li>• Provision of legal support to subsidiaries and equity affiliates</li></ul>
David J.A. Flowers	<ul style="list-style-type: none"><li>• Negotiation and structuring of complex investments and transactions, including alternative energy transactions</li><li>• Management and restructuring of financial instruments and investment portfolio</li><li>• Evaluation of potential acquisition and divestiture transactions, including completion of the sale of certain assets</li></ul>
Albert E. Rosenthaler	<ul style="list-style-type: none"><li>• Completion of closing agreements with IRS on various tax matters</li><li>• Analysis of tax implications of various asset and liability restructurings</li><li>• Analysis of tax implications of potential business opportunities</li></ul>
Christopher W. Shean	<ul style="list-style-type: none"><li>• Maintenance of timely and accurate SEC reporting</li><li>• Broadening of responsibilities of controller role</li><li>• Evaluation of financial control processes at operating companies, including completion of a risk assessment at those companies</li><li>• Development of transactional and structural initiatives to improve quality of internal procedures and reporting</li></ul>

The following table presents information concerning the aggregate 2011 performance-based bonus payable to each named executive officer and the amount allocated to and paid by Liberty Media (as described below), including the Corporate Performance Component and IPC assigned to each participant.

Name	Total Cash Bonus	Cash Bonus Paid by Liberty Media	Corporate Performance Component (of possible 30%)	IPC (of possible 70%)
Gregory B. Maffei	\$ 4,441,500	\$ 2,853,900	18.00%	52.50%
Charles Y. Tanabe	\$ 1,271,489	\$ 816,999	18.00%	52.50%
David J.A. Flowers	\$ 707,996	\$ 560,371	18.00%	52.50%
Albert E. Rosenthaler	\$ 883,740	\$ 507,648	18.00%	70.00%
Christopher W. Shean	\$ 751,932	\$ 428,563	18.00%	56.91%

After determining the total cash bonus for each participant, our compensation committee, in agreement with the LIC compensation committee, allocated the final total bonus amounts payable between Liberty Media and Liberty Interactive, and we paid each of the named executive officers the amount allocated to our company. The allocation of the Individual Performance Component was determined by reference to the amount of time spent by a named executive officer on matters for each company as well as results produced by that executive officer for each company. The Corporate Performance Component was allocated according to the amount of such measure attributable to the revenue, adjusted OIBDA and cash flow performance of the Liberty Interactive business group as compared to the revenue, adjusted OIBDA and cash flow performance of the Liberty Capital and the Liberty Starz business groups.

For more information regarding these bonus awards, please see the "Grants of Plan-Based Awards" table below.

*Equity Incentive Compensation.* Consistent with our compensation philosophy, our compensation committee believes in aligning the interests of the named executive officers with those of our stockholders through awards of stock-based incentive compensation. This ensures that our executives have a continuing stake in our long-term success. Our compensation committee believes that stock-based compensation should be weighed more heavily than cash compensation in determining each named executive officer's overall compensation mix.

The Liberty Media Corporation 2011 Incentive Plan (the **incentive plan**) provides for the grant of a variety of incentive awards, including stock options, restricted shares, restricted stock units, stock appreciation rights and performance awards. Our compensation committee has a preference for grants of stock options and awards of restricted stock (as compared with other types of available awards under the plan) based on the belief that they better promote retention of key employees through the continuing, long-term nature of an equity investment.

It is the policy of our compensation committee that stock options be awarded with an exercise price equal to fair market value on the date of grant, measured by reference to the closing sale price on the grant date. Historically, grants had been made by our former parent, Liberty Interactive, once a year with a term of seven years and vesting over a three to five year period. In late 2009 and early 2010, however, the LIC Committee determined to make larger grants (equaling approximately four to five years' value of the annual grants made in 2009) that vest between four and five and three-quarters years after grant, rather than making annual grants over the same period. These multi-year grants provide for back-end weighted vesting and expire in 10 years rather than 7 years to encourage executives to remain with the company over the long-term and to better align their interests with those of the shareholders. In that regard, in March 2010, the LIC Committee granted to each of the named executive officers (other than (i) Mr. Maffei who had received his multi-year grant in connection with

his December 2009 agreement in principle to serve as Chief Executive Officer of Liberty Interactive for the next five years and (ii) Mr. Malone) multi-year stock option awards. One-third of the shares subject to options vest in each of June 2013, June 2014 and December 2015. For more information regarding these equity incentive grants, please see the "Outstanding Equity Awards at Fiscal Year-End" table below. As a result of these grants, no equity incentive awards were granted to the named executive officers during the 2011 calendar year.

*Perquisites and Other Personal Benefits.* The perquisites and other personal benefits available to our executives (that are not otherwise available to all of our salaried employees, such as matching contributions to the Liberty Media 401(k) Savings Plan and the payment of life insurance premiums) consist of:

- limited personal use of corporate aircraft;
- occasional, personal use of an apartment in New York City owned by our company, which is primarily used for business purposes, and occasional, personal use of a company car and driver;
- a deferred compensation plan that provides above-market preferential returns; and
- in the case of Mr. Malone, an annual allowance of \$1 million for personal expenses provided pursuant to the terms of his employment agreement.

Taxable income may be incurred by our executives in connection with their receipt of perquisites and personal benefits. Other than as contemplated by Mr. Malone's employment agreement, we have not provided gross-up payments to our executives in connection with any such taxable income incurred during the past three years.

On occasion, and with the approval of our Chairman or Chief Executive Officer, executives may have family members and other guests accompany them on our corporate aircraft when traveling on business. Under the terms of the employment arrangements with our Chairman and Chief Executive Officer, those individuals and their guests may use corporate aircraft for non-business purposes subject to specified limitations.

Pursuant to Mr. Maffei's employment agreement, Mr. Maffei is entitled to 120 hours per year of personal flight time through the first to occur of (i) the termination of his employment, except as otherwise provided below, (ii) the cessation of ownership or lease of aircraft by our company or (iii) December 31, 2014. If Mr. Maffei's employment terminates due to disability, for good reason or without cause, Mr. Maffei will be entitled to continued use of the company's aircraft for 18 months after termination of his employment. Mr. Maffei incurs taxable income, calculated in accordance with the Standard Industry Fare Level (**SIFL**) rates, for all personal use of our corporate aircraft. Pursuant to our services agreement and aircraft sharing arrangement with Liberty Interactive, Liberty Interactive reimburses us for any costs, calculated in accordance with SIFL, associated with Mr. Maffei using our corporate aircraft that are allocable to Liberty Interactive.

The cost of Mr. Malone's personal use of our corporate aircraft, calculated in accordance with SIFL, counts toward his \$1 million personal expense allowance (described above). For disclosure purposes, we determine incremental cost using a method that takes into account:

- landing and parking expenses;
- crew travel expenses;
- supplies and catering;
- aircraft fuel and oil expenses per hour of flight;
- any customs, foreign permit and similar fees; and

- passenger ground transportation.

Because the company's aircraft is used primarily for business travel, this methodology excludes fixed costs that do not change based on usage, such as salaries of pilots and crew, purchase or lease costs of aircraft and costs of maintenance and upkeep. Pursuant to our services agreement and aircraft sharing arrangement with Liberty Interactive, Liberty Interactive reimburses us for any costs, calculated in accordance with SIFL, associated with Mr. Malone using our corporate aircraft that are allocable to Liberty Interactive.

For purposes of determining an executive's taxable income, personal use of our aircraft is valued using a method based on SIFL rates, as published by the IRS. The amount determined using the SIFL rates is typically lower than the amount determined using the incremental cost method. Under the American Jobs Creation Act of 2004, the amount we may deduct for a purely personal flight is limited to the amount included in the taxable income of the executives who took the flight. Also, the deductibility of any non-business use will be limited by Section 162(m) of the Code to the extent that the named executive officer's compensation that is subject to that limitation exceeds \$1 million. See "—Deductibility of Executive Compensation" below.

*Deferred Compensation.* To help accommodate the tax and estate planning objectives of the named executive officers, as well as other executives with the title of Senior Vice President and above, our board of directors assumed the previously established Liberty Media Corporation 2006 Deferred Compensation Plan (as amended and restated) in connection with the LMC Split-Off. Under that plan, participants may elect to defer up to 50% of the portion of their base salaries and their cash performance bonuses that are allocable to our company. Compensation deferred under the plan that otherwise would have been received in 2011 will earn interest income at the rate of 9% per annum, compounded quarterly, for the period of the deferral. In the LMC Split-Off, we assumed the plan and all outstanding obligations thereunder, and, following the LMC Split-Off, the named executive officers may not participate in the plan with respect to any portion of their base salaries or cash performance bonuses allocable to Liberty Interactive, with the exception of the application of the previously made deferral elections to the 2011 performance-based bonuses which were paid by Liberty Interactive. Mr. Shean had a deferral election in place for such bonus, and Liberty Interactive will remain responsible for the payment of such deferred amount and all deferred interest thereon going forward. For more information on this plan, see "—Executive Compensation Arrangements—2006 Deferred Compensation Plan" and the "—Nonqualified Deferred Compensation Plans" table below.

We provide Mr. Malone with certain deferred compensation arrangements that were entered into by our predecessors and assumed by us in connection with the various restructurings that we have undergone. Beginning in February 2009, Mr. Malone began receiving accelerated payments under those deferred compensation arrangements. For more information on these arrangements, see "—Executive Compensation Arrangements—John C. Malone" below.

#### *Employment Arrangements with Certain Named Executive Officers*

Our employment agreement with Mr. Malone was first entered into in the 1980s, when he was the Chief Executive Officer of our former parent TCI. That agreement was assumed by our predecessor in connection with the merger of AT&T and TCI in 1999 and was most recently assumed by our company in connection with the LMC Split-Off. For a more detailed description of the employment agreement of Mr. Malone, including the amendments thereto, see "—Executive Compensation Arrangements—John C. Malone" below.

In December 2009, the LIC Committee approved a new compensation package for Mr. Maffei commencing January 1, 2010, which was later memorialized in his employment agreement. In connection with the LMC Split-Off, we assumed his employment agreement and later entered into a

clarifying amendment thereto. For a more detailed description of the employment agreement, see "—Executive Compensation Arrangements—Gregory B. Maffei" below.

#### ***Deductibility of Executive Compensation***

In developing the compensation packages for the named executive officers, the deductibility of executive compensation under Section 162(m) of the Code is considered. That provision prohibits the deduction of compensation of more than \$1 million paid to certain executives, subject to certain exceptions. One exception is for performance-based compensation, including stock options granted by our predecessors under their incentive plans (and assumed by us to the extent applicable under the Liberty Media Corporation 2011 Transitional Stock Adjustment Plan) or to be granted under the incentive plan. Our compensation committee has not adopted a policy requiring all compensation to be deductible under Section 162(m) of the Code, in order to maintain flexibility in making compensation decisions. Portions of the compensation we pay to certain of the named executive officers may not be deductible due to the application of Section 162(m) of the Code.

#### ***Policy on Restatements***

In those instances where we grant cash or equity-based incentive compensation, we include in the related agreement with the executive a right, in favor of our company, to require the executive to repay or return to the company any cash, stock or other incentive compensation (including proceeds from the disposition of shares received upon exercise of options or stock appreciation rights). That right will arise if (1) a material restatement of any of our financial statements is required and (2) in the reasonable judgment of our compensation committee, (A) such restatement is due to material noncompliance with any financial reporting requirement under applicable securities laws and (B) such noncompliance is a result of misconduct on the part of the executive. In determining the amount of such repayment or return, our compensation committee may take into account, among other factors it deems relevant, the extent to which the market value of the applicable series of our common stock was affected by the errors giving rise to the restatement. The cash, stock or other compensation that we may require the executive to repay or return must have been received by the executive during the 12-month period beginning on the date of the first public issuance or the filing with the SEC, whichever occurs earlier, of the financial statement requiring restatement. The compensation required to be repaid or returned will include (1) cash or company stock received by the executive (A) upon the exercise during that 12-month period of any stock appreciation right held by the executive or (B) upon the payment during that 12-month period of any incentive compensation, the value of which is determined by reference to the value of company stock, and (2) any proceeds received by the executive from the disposition during that 12-month period of company stock received by the executive upon the exercise, vesting or payment during that 12-month period of any award of equity-based incentive compensation.

**SUMMARY COMPENSATION TABLE**

The table below sets forth information relating to the compensation of our named executive officers for the year ended December 31, 2011. Although these individuals were performing services in connection with the business of Liberty Interactive prior to the LMC Split-Off, those individuals were not dedicated exclusively to our businesses and devoted substantial time and effort to the businesses of a consolidated Liberty Interactive. Accordingly, no information on the compensation of our named executive officers is reported for periods prior to September 23, 2011.

Name and Principal Position (as of 12/31/11)	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(3)	All Other Compensation (\$)(4)(5)(6)	Total (\$)
<b>John C. Malone</b> Chairman of the Board	2011	455	—	—	—	—	65,489	469,863(7)	535,807
<b>Gregory B. Maffei</b> President and Chief Executive Officer	2011	275,625	—	—	—	2,853,900	—	64,018(8)	3,193,543
<b>Charles Y. Tanabe</b> Executive Vice President and General Counsel	2011	157,809	—	—	—	816,999	—	1,736	976,544
<b>David J.A. Flowers</b> Senior Vice President	2011	150,638	—	—	—	560,371	—	1,131	712,140
<b>Albert E. Rosenthaler</b> Senior Vice President	2011	100,425	—	—	—	507,648	—	605	608,678
<b>Christopher W. Shean</b> Senior Vice President and Chief Financial Officer (principal financial officer)	2011	100,425	—	—	—	428,563	3,377	394	532,759

- (1) Represents only that portion of each named executive officer's salary that was allocated to Liberty Media under the services agreement. For a description of the allocation of compensation between our company and Liberty Interactive, see "—Compensation Discussion and Analysis—Services Agreement."
- (2) Reflects the portion of the performance-based bonuses paid to each of the named executive officers by our company (other than Mr. Malone, who does not participate in the program). See "—Compensation Discussion and Analysis—Elements of 2011 Executive Compensation—2011 Performance-based Bonuses."
- (3) Reflects the above-market earnings credited during 2011 to the deferred compensation accounts of each applicable named executive officer. See "—Compensation Discussion and Analysis—Elements of 2011 Executive Compensation—Deferred Compensation," "—Executive Compensation Arrangements—Employment Agreements—John C. Malone," and "—Nonqualified Deferred Compensation Plans" below.

- (4) Included in this column are the following life insurance premiums paid on behalf of each of the named executive officers and allocated to our company under the services agreement:

<u>Name</u>	<u>Amounts (\$)</u>
John C. Malone	1,586
Gregory B. Maffei	605
Charles Y. Tanabe	1,736
David J.A. Flowers	1,131
Albert E. Rosenthaler	605
Christopher W. Shean	394

- (5) We make available to our personnel, including our named executive officers, tickets to various sporting events with no aggregate incremental cost attributable to any single person.
- (6) In connection with the LMC Split-Off, we assumed the sponsorship and administration of the Liberty Media 401(k) Savings Plan, which had previously been sponsored and administered by Liberty Interactive. This plan provides employees with an opportunity to save for retirement. The Liberty Media 401(k) Savings Plan participants may contribute up to 75% of their eligible compensation on a pre-tax basis to the plan and an additional 10% of their eligible compensation on an after-tax basis (subject to specified maximums and IRS limits), and we contribute a matching contribution based on the participants' own contributions up to the maximum matching contribution set forth in the plan. Participant contributions to the Liberty Media 401(k) Savings Plan are fully vested upon contribution. Prior to our assumption of the plan in the LMC Split-Off, the employer matching contributions to the plan had been made and were up to date for our named executive officers. Accordingly, no amounts with respect to plan contributions are reflected in this column.
- (7) Includes the following amounts which were allocated to our company under the services agreement:

	<u>Amounts (\$)</u>
Reimbursement for personal legal, accounting and tax services	87,891
Compensation related to personal use of corporate aircraft(a)	47,004
Tax payments made on behalf of Mr. Malone	328,129

- (a) Calculated based on aggregate incremental cost of such usage to our company.

Also includes miscellaneous personal expenses, such as courier charges.

- (8) Includes the following amount which was allocated to our company under the services agreement:

	<u>Amounts (\$)</u>
Compensation related to personal use of corporate aircraft(a)	3,413

- (a) Calculated based on aggregate incremental cost of such usage to our company

## Executive Compensation Arrangements

### *John C. Malone*

In connection with the merger of TCI and AT&T in 1999, an employment agreement between John C. Malone and TCI was assigned to a predecessor of Liberty Interactive. In connection with the LMC Split-Off, Mr. Malone's employment agreement and his deferred compensation arrangements, as described below, were assigned to our company. The term of Mr. Malone's employment agreement is extended daily so that the remainder of the employment term is five years. The employment agreement was amended in June 1999 to provide for, among other things, an annual salary of \$2,600, subject to increase with board approval. The employment agreement was amended in 2003 to provide for payment or reimbursement of personal expenses, including professional fees and other expenses incurred by Mr. Malone for estate, tax planning and other services, and for personal use of corporate aircraft and flight crew. The aggregate amount of such payments or reimbursements and the value of his personal use of corporate aircraft was originally limited to \$500,000 per year but increased to \$1 million effective January 1, 2007 by the LIC Committee. Although the "Summary Compensation Table" table above reflects the portion of the aggregate incremental cost of Mr. Malone's personal use of our corporate aircraft attributable to our company, the value of his aircraft use for purposes of his employment agreement is determined in accordance with SIFL, which aggregated \$80,381 for use of the aircraft by our company and Liberty Interactive during the year ended December 31, 2011. Portions of the costs, calculated in accordance with SIFL, incurred prior to the LMC Split-Off were paid by Liberty Interactive, and following the LMC Split-Off a portion of such remaining charges, calculated in accordance with SIFL, were reimbursed to our company by Liberty Interactive. Similarly, Liberty Interactive is allocated, and reimburses us for, portions of the other components of the payments/reimbursements to Mr. Malone described above.

In December 2008, the LIC Committee determined to modify Mr. Malone's employment arrangements to permit Mr. Malone to begin receiving fixed monthly payments in 2009, in advance of a termination event, in satisfaction of its obligations to him under a 1993 deferred compensation arrangement, a 1982 deferred compensation arrangement and an installment severance plan, in each case, entered into with him by Liberty Interactive's predecessors (and which had been assumed by Liberty Interactive). At the time of the amendment, the amounts owed to Mr. Malone under these arrangements aggregated approximately \$2.4 million, \$20 million and \$39 million, respectively. As a result of these modifications, Mr. Malone receives 240 equal monthly installments, which commenced February 2009, of: (1) approximately \$20,000 under the 1993 deferred compensation arrangement, (2) approximately \$237,000 under the 1982 deferred compensation arrangement and (3) approximately \$164,000 under the installment severance plan. Interest ceased to accrue under the installment severance plan once these payments began; however, interest continues to accrue on the 1993 deferred compensation arrangement at a rate of 8% per annum and on the 1982 deferred compensation arrangement at a rate of 13% per annum. In connection with the LMC Split-Off, we assumed these payment obligations.

Under the terms of Mr. Malone's employment agreement, he is entitled to receive upon the termination of his employment at our election for any reason (other than for death or "cause"), a lump sum equal to his salary for a period of 5 full years following termination (calculated on the basis of \$2,600 per annum, the **lump sum severance payment**). As described above, in connection with the LMC Split-Off, we assumed Mr. Malone's employment agreement and all outstanding obligations thereunder, and Liberty Interactive will reimburse us for its allocated portion of any such lump sum severance payments made thereunder.

For a description of the effect of any termination event or a change in control of our company on his employment agreement, see "—Potential Payments Upon Termination or Change in Control" below.

**Gregory B. Maffei**

*Employment Agreement.* On December 17, 2009, the compensation committee of Liberty Interactive approved in principle a new compensation arrangement in favor of Mr. Maffei providing, among other things, for a five year employment term beginning January 1, 2010 and ending December 31, 2014, with an annual base salary of \$1.5 million, increasing annually by 5% of the prior year's base salary, and an annual target cash bonus equal to 200% of the applicable year's annual base salary. On May 17, 2010, Liberty Interactive entered into a definitive employment agreement with Mr. Maffei, memorializing the compensation arrangement that was approved in principle by the Liberty Interactive compensation committee on December 17, 2009. The employment agreement also included terms related to Liberty Interactive equity awards held by Mr. Maffei, including the multi-year award of options that was granted to him on December 17, 2009.

We assumed Mr. Maffei's 2009 employment agreement in connection with the LMC Split-Off and in February 2012 the agreement was amended and restated effective as of September 23, 2011 to reflect the change in employer and to specify the equity awards covered by the agreement following the LMC Split-Off, which included Mr. Maffei's December 17, 2009 grant of options to now acquire 1,353,000 shares of our Series A Liberty Capital common stock at an exercise price of \$23.28 per share and 669,780 shares of our Series A Liberty Capital common stock at an exercise price of \$54.13 per share (the **Multi-Year Award**). (A portion of Mr. Maffei's Multi-Year Award with respect to our former Liberty Starz common stock was converted into awards with respect to our Liberty Capital common stock in November 28, 2011 following the elimination of our tracking stock structure.) One-half of the options granted in the Multi-Year Award will vest on the fourth anniversary of the grant date with the remaining options vesting on the fifth anniversary of the grant date, in each case, subject to Mr. Maffei being employed by our company on the applicable vesting date and to the early vesting events described below. The options have a term of 10 years.

The amended and restated agreement provides that, in the event Mr. Maffei is terminated for cause (as defined in the agreement) he will be entitled only to his accrued base salary, unpaid expenses and any amounts due under applicable law, and he will forfeit all rights to his unvested restricted shares and unvested options. If Mr. Maffei terminates his employment without good reason (as defined in the agreement), he will be entitled only to his accrued base salary, accrued but unpaid bonus for the prior year, unpaid expenses and any amounts due under applicable law (**Standard Payments**), and he will forfeit all rights to his unvested restricted shares and unvested options. However, in both cases, his vested, unexercised options and similar rights as of his termination date will remain exercisable either (1) for 90 days after his termination or until the original expiration date of the applicable award, if sooner, or (2) if any such termination of his employment occurs following December 31, 2014 or following a change in control of Liberty Media (as defined in the agreement), until the original expiration date of the applicable award. If Mr. Maffei is terminated by Liberty Media without cause or if he terminates his employment for good reason, the agreement provides for him to receive the Standard Payments and a severance payment of \$7.8 million and provides for his unvested restricted shares and unvested options and similar rights (including his Multi-Year Award) to vest pro rata based on the portion of the term elapsed through the termination date plus 18 months and for all vested and accelerated options and similar rights to remain exercisable until their respective expiration dates; provided, that if Mr. Maffei continues to be employed by Liberty Interactive following such a termination from Liberty Media, without cause or for good reason, he may elect to have his unvested equity awards continue to vest in accordance with the terms of the agreement based on his continued service with Liberty Interactive. If a termination without cause or for good reason occurs within 90 days before or 210 days after members of the Malone Group (as defined in the agreement) cease to meet certain ownership requirements with respect to Liberty Media as described in the agreement, then Mr. Maffei's unvested restricted shares and unvested options and similar rights granted by Liberty Media will instead vest in full and will remain exercisable until their respective expiration dates. In the

case of Mr. Maffei's death or his disability, the agreement provides for the right to receive the Standard Payments and a severance payment of \$7.8 million, for his unvested restricted shares and unvested options and similar rights to fully vest and for his vested and accelerated options and similar rights to remain exercisable until their respective expiration dates. Further, in the event of certain change in control transactions, including spin-off or split-off transactions which exceed a specified threshold of Liberty Media's consolidated assets, Mr. Maffei's unvested restricted shares and unvested options and similar rights would vest in full unless Mr. Maffei is named the Chief Executive Officer of the spin-off or split-off entity and his equity awards are adjusted in the transaction in such a manner as to preserve the intrinsic value thereof. In addition, if Mr. Maffei is terminated without cause or due to disability, or terminates his employment for good reason, Mr. Maffei will be entitled to continuation of certain perquisites for 18 months, including use of our corporate aircraft.

Also pursuant to the amended and restated employment agreement, Mr. Maffei is entitled to customary benefits and perquisites provided to senior executive officers of Liberty Media and is entitled through the term of his amended and restated employment agreement (and in certain instances described above, for a period of 18 months after the end of his employment) to use of our corporate aircraft as provided in the 2008 letter agreement with Liberty Interactive that Liberty Media assumed in connection with the LMC Split-Off. See "*Aircraft Usage*" below. The amended and restated employment agreement further provides that it is intended to meet the requirements of Section 409A of the Code and provides for certain reimbursements to Mr. Maffei in the event the agreement does not so comply. The agreement also contains customary provisions pertaining to confidentiality and limitations on outside activities.

As described above, in connection with the LMC Split-Off, Liberty Media assumed Mr. Maffei's employment agreement and all outstanding obligations thereunder (other than with respect to Liberty Interactive equity awards, which are now governed by a separate agreement between Mr. Maffei and Liberty Interactive). As a result, Liberty Interactive reimburses us for its allocated portion under the services agreement of customary benefits and perquisites to which Mr. Maffei is entitled pursuant to his employment agreement. Liberty Interactive will also reimburse us for its allocated portion of Mr. Maffei's \$7.8 million severance payment in the event of his termination as described above.

*Aircraft Usage.* In 2008, Liberty Interactive entered into a letter agreement with Mr. Maffei (which Liberty Media assumed in the LMC Split-Off), pursuant to which he is entitled to personal use of corporate aircraft not to exceed 120 hours of flight time per year through the first to occur of the end of his employment period (December 31, 2014), termination of his employment (subject to his right in certain instances described above to continued use of the aircraft for a period of 18 months after the end of his employment) or the cessation of aircraft ownership by our company. Mr. Maffei will continue to incur taxable income, calculated in accordance with SIFL, for all personal use of our corporate aircraft. Pursuant to our services agreement and aircraft sharing arrangement with Liberty Interactive, Liberty Interactive reimburses us for any costs, calculated in accordance with SIFL, associated with Mr. Maffei using our corporate aircraft that are allocable to Liberty Interactive.

#### ***Equity Incentive Plans***

The incentive plan is administered by the compensation committee of our board of directors. The compensation committee has full power and authority to grant eligible persons the awards described below and to determine the terms and conditions under which any awards are made. The incentive plan is designed to provide additional remuneration to certain employees and independent contractors for exceptional service and to encourage their investment in our company. Our compensation committee may grant non-qualified stock options, SARs, restricted shares, restricted stock units, cash awards, performance awards or any combination of the foregoing under the incentive plan (collectively, **awards**).

The maximum number of shares of our common stock with respect to which awards may be issued under the incentive plan is 23,834,000, subject to anti-dilution and other adjustment provisions of the incentive plan. With limited exceptions, under the incentive plan, no person may be granted in any calendar year awards covering more than 7,626,922 shares of our common stock (subject to anti-dilution and other adjustment provisions of the incentive plan) nor may any person receive under the incentive plan payment for cash awards during any calendar year in excess of \$10 million. Shares of our common stock issuable pursuant to awards made under the incentive plan are made available from either authorized but unissued shares or shares that have been issued but reacquired by our company. The incentive plan has a 5 year term. For more information regarding the incentive plan, see "Proposals of Our Board—Proposal 4—The Incentive Plan Proposal."

In connection with the LMC Split-Off, our company's board of directors adopted the Liberty Media Corporation Transitional Stock Adjustment Plan (the **TSAP**, and together with the incentive plan, the **existing plans**), which governs the terms and conditions of awards granted prior to the LMC Split-Off by Liberty Interactive with respect to its former Liberty Capital common stock and Liberty Starz common stock which were converted into awards with respect to our Liberty Capital common stock (after giving effect to the LMC Split-Off and the subsequent elimination of our tracking stock structure). No further grants are permitted under the TSAP.

#### ***2006 Deferred Compensation Plan***

In connection with the LMC Split-Off (pursuant to which employees of Liberty Interactive became employees of our company), we assumed the Liberty Media Corporation 2006 Deferred Compensation Plan (as amended and restated, the **2006 deferred compensation plan**) and all obligations outstanding thereunder. Under the 2006 deferred compensation plan, officers at the level of Senior Vice President and above are eligible elect to defer up to 50% of the portion of such officer's annual base salary and the portion of such officer's cash performance bonus, in each case, allocable to our company pursuant to the services agreement, with the exception of the application of the previously made deferral elections to the 2011 performance-based bonuses which were paid by Liberty Interactive. Mr. Shean had a deferral election in place for such bonus, and Liberty Interactive will remain responsible for the payment of such deferred amount and all interest thereon going forward. Elections must be made in advance of certain deadlines and may include (1) the selection of a payment date, which generally may not be later than 30 years from the end of the year in which the applicable compensation is initially deferred, and (2) the form of distribution, such as a lump-sum payment or substantially equal annual installments over two to five years. Compensation deferred under the 2006 deferred compensation plan will earn interest at the rate of 9% per year, compounded quarterly at the end of each calendar quarter.

In addition to the accelerated distribution events described under "—Potential Payments Upon Termination or Change-in-Control" below, at the eligible officer's request, if the compensation committee determines that such officer has suffered a financial hardship, it may authorize immediate distribution of amounts deferred under the 2006 deferred compensation plan.

Our board of directors reserves the right to terminate the 2006 deferred compensation plan at any time. An optional termination by our board of directors will not result in any distribution acceleration.

## Grants of Plan-Based Awards

The following table contains information regarding plan-based incentive awards granted during the year ended December 31, 2011 to the named executive officers (other than Mr. Malone, who did not receive any grants).

Name	Grant Date(1)	Estimated Future Payouts under Non-equity Incentive Plan Awards		
		Threshold \$(2)	Target \$(2)	Maximum \$(3)
Gregory B. Maffei	3/10/11	—	—	6,300,000
Charles Y. Tanabe	3/10/11	—	—	1,803,530
David J.A. Flowers	3/10/11	—	—	1,004,250
Albert E. Rosenthaler	3/10/11	—	—	1,004,250
Christopher W. Shean	3/10/11	—	—	1,004,250

- (1) Reflects the date on which the Liberty Interactive compensation committee established the terms of the 2011 performance-based bonus program, as described under "Compensation Discussion and Analysis—Elements of 2011 Executive Compensation—2011 Performance-based Bonuses." Following the LMC Split-Off, the compensation committee of our company determined to continue with this plan as previously adopted by the Liberty Interactive compensation committee.
- (2) Our 2011 performance-based bonus program does not provide for a threshold bonus amount nor does it provide for a target payout amount for any named executive officer. For the actual bonuses allocated to and paid by our company, see the amounts included for 2011 in the column entitled Non-Equity Incentive Plan Compensation in the "Summary Compensation Table" above.
- (3) Represents the maximum amount that would have been payable to each named executive officer assuming (x) the 2011 Market Capitalization Threshold was exceeded by a sufficient amount to permit the maximum bonus amounts to have been payable, (y) the highest corporate performance rating of 10 was ascribed for 2011 and (z) the highest individual performance rating of 10 was ascribed for 2011 to each named executive officer, and without giving effect to the allocation of any portion of such maximum bonus amount to Liberty Interactive under the services agreement. For more information on this performance bonus program, see "—Compensation Discussion and Analysis—Elements of 2011 Executive Compensation—2011 Performance-based Bonuses."

## Outstanding Equity Awards at Fiscal Year-End

The following table contains information regarding unexercised options and unvested shares of our common stock which were outstanding as of December 31, 2011 and held by the named executive officers.

Name	Option awards				Stock awards	
	Number of securities underlying unexercised options (#) Exercisable	Number of securities underlying unexercised options (#) Unexercisable	Option exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)
<b>John C. Malone</b>						
<i>Option Awards</i>						
LMCA	5,288	—	15.96	3/29/14	—	—
LMCA	1,860	—	38.26	3/29/14	—	—
LMCA	83,436	83,439(1)	3.57	12/16/15	—	—
LMCA	30,264	30,265(1)	29.54	12/16/15	—	—
<i>Stock Awards</i>						
LMCA	—	—	—	—	6,703(1)	523,169
<b>Gregory B. Maffei</b>						
<i>Option Awards</i>						
LMCA	275,000	—	10.88	11/8/12	—	—
LMCA	96,941	—	26.74	11/8/12	—	—
LMCA	15,625	—	11.36	3/2/13	—	—
LMCA	5,508	—	27.83	3/2/13	—	—
LMCA	112,600	—	15.96	3/29/14	—	—
LMCA	39,693	—	38.26	3/29/14	—	—
LMCA	114,606	—	17.26	12/24/14	—	—
LMCA	40,399	—	41.20	12/24/14	—	—
LMCA	250,308	83,439(1)	3.57	12/16/15	—	—
LMCA	90,793	30,265(1)	29.54	12/16/15	—	—
LMCA	—	1,353,000(2)	23.28	12/17/19	—	—
LMCA	—	669,780(2)	54.13	12/17/19	—	—
<i>Stock Awards</i>						
LMCA	—	—	—	—	6,703(1)	523,169
LMCA	—	—	—	—	7,224(3)	563,833
<b>Charles Y. Tanabe</b>						
<i>Option Awards</i>						
LMCA	703	—	38.26	3/29/14	—	—
LMCA	6,069	—	17.26	12/24/14	—	—
LMCA	2,849	—	41.20	12/24/14	—	—
LMCA	—	23,657(1)	3.57	12/16/15	—	—
LMCA	8,581	8,580(1)	29.54	12/16/15	—	—
LMCA	8,806	23,483(4)	23.28	12/17/16	—	—
LMCA	5,820	11,645(4)	54.13	12/17/16	—	—
LMCA	—	207,940(5)	34.39	3/19/20	—	—
LMCA	—	93,577(5)	58.11	3/19/20	—	—
<i>Stock Awards</i>						
LMCA	—	—	—	—	1,900(1)	148,295
LMCA	—	—	—	—	1,500(3)	117,075

Name	Option awards				Stock awards	
	Number of securities underlying unexercised options (#) Exercisable	Number of securities underlying unexercised options (#) Unexercisable	Option exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)
<b>David J.A. Flowers</b>						
<i>Option Awards</i>						
LMCA	10,000	—	10.92	7/31/13	—	—
LMCA	12,500	—	9.95	8/6/14	—	—
LMCA	398	—	27.64	2/28/13	—	—
LMCA	16,900	—	15.96	3/29/14	—	—
LMCA	2,234	—	38.26	3/29/14	—	—
LMCA	17,141	—	17.26	12/24/14	—	—
LMCA	3,398	—	41.20	12/24/14	—	—
LMCA	37,848	12,618(1)	3.57	12/16/15	—	—
LMCA	10,296	4,576(1)	29.54	12/16/15	—	—
LMCA	12,524	12,524(4)	23.28	12/17/16	—	—
LMCA	6,209	6,210(4)	54.13	12/17/16	—	—
LMCA	—	110,901(5)	34.39	3/19/20	—	—
LMCA	—	49,907(5)	58.11	3/19/20	—	—
<i>Stock Awards</i>						
LMCA	—	—	—	—	1,014(1)	79,143
LMCA	—	—	—	—	882(3)	68,840
<b>Albert E. Rosenthaler</b>						
<i>Option Awards</i>						
LMCA	1,060	—	15.96	3/29/14	—	—
LMCA	372	—	38.26	3/29/14	—	—
LMCA	3,218	—	17.26	12/24/14	—	—
LMCA	1,509	—	41.20	12/24/14	—	—
LMCA	9,462	12,618(1)	3.57	12/16/15	—	—
LMCA	3,431	4,576(1)	29.54	12/16/15	—	—
LMCA	4,697	12,524(4)	23.28	12/17/16	—	—
LMCA	2,327	6,210(4)	54.13	12/17/16	—	—
LMCA	—	110,901(5)	34.39	3/19/20	—	—
LMCA	—	49,907(5)	58.11	3/19/20	—	—
<i>Stock Awards</i>						
LMCA	—	—	—	—	1,014(1)	79,143
LMCA	—	—	—	—	882(3)	68,840
<b>Christopher W. Shean</b>						
<i>Option Awards</i>						
LMCA	449	—	27.64	2/28/13	—	—
LMCA	5,957	—	38.26	3/29/14	—	—
LMCA	3,218	—	17.26	12/24/14	—	—
LMCA	6,042	—	41.20	12/24/14	—	—
LMCA	9,462	12,618(1)	3.57	12/16/15	—	—
LMCA	10,335	4,576(1)	29.54	12/16/15	—	—
LMCA	4,697	12,524(4)	23.28	12/17/16	—	—
LMCA	6,209	6,210(4)	54.13	12/17/16	—	—
LMCA	—	110,901(5)	34.39	3/19/20	—	—
LMCA	—	49,907(5)	58.11	3/19/20	—	—
<i>Stock Awards</i>						
LMCA	—	—	—	—	1,014(1)	79,143
LMCA	—	—	—	—	744(3)	58,069

(1) Vests quarterly (based on original amount of grant) over 4 years from December 16, 2008 grant date.

(2) Vests 50% on December 17, 2013 and 50% on December 17, 2014.

- (3) Vests quarterly (based on original amount of grant) over 3 years from December 17, 2009 grant date.
- (4) Vests quarterly (based on original amount of grant) over 4 years from December 17, 2009 grant date.
- (5) Vests one-third on June 30, 2013, one-third on June 30, 2014 and one-third on December 31, 2015.

#### Option Exercises and Stock Vested

The following table sets forth information regarding the exercise of vested options to acquire shares of, and the vesting of restricted shares of, our Series A Liberty Capital common stock held by our named executive officers, in each case, between September 24, 2011 (the day after the LMC Split-Off) and December 31, 2011. There were no exercises of or vesting events with respect to shares of our former Liberty Starz common stock following the LMC Split-Off and prior to the elimination of our tracking stock structure on November 28, 2011.

Name	Option Awards		Stock Awards	
	Number of shares acquired on exercise #(1)	Value realized on exercise (\$)	Number of shares acquired on vesting #(1)	Value realized on vesting (\$)
<b>John C. Malone</b> LCAPA/LMCA	—	—	1,675	123,967
<b>Gregory B. Maffei</b> LCAPA/LMCA	—	—	19,256	1,425,137
<b>Charles Y. Tanabe</b> LCAPA/LMCA	17,742	1,316,002	4,658	344,739
<b>David J.A. Flowers</b> LCAPA/LMCA	—	—	2,200	162,822
<b>Albert E. Rosenthaler</b> LCAPA/LMCA	—	—	2,601	192,500
<b>Christopher W. Shean</b> LCAPA/LMCA	—	—	2,366	175,108

- (1) Includes shares withheld in payment of withholding taxes at election of holder.

## Nonqualified Deferred Compensation Plans

The following table sets forth information regarding the nonqualified deferred compensation plans in which our named executive officers participated during the year ended December 31, 2011. Mr. Shean participated in the 2006 deferred compensation plan. See "—Executive Compensation Arrangements—2006 Deferred Compensation" for more information. Mr. Malone's deferred compensation arrangements are described under "—Executive Compensation Arrangements—John C. Malone." In connection with the LMC Split-Off, these plans and the outstanding obligations thereunder were assumed by our company effective September 23, 2011 (with a limited exception, see note (2) below).

<u>Name</u>	<u>Responsibility under Plans Transferred from Liberty Interactive</u>	<u>Executive contributions in 2011 (\$)</u>	<u>Registrant contributions in 2011 (\$)</u>	<u>Aggregate earnings in 2011 (\$)(1)</u>	<u>Aggregate withdrawals/ distributions (\$)</u>	<u>Aggregate balance at 12/31/11 (\$)</u>
John C. Malone	21,787,992	—	—	683,125	(770,704)	21,700,413
Christopher W. Shean(2)	587,354	27,257	—	13,771	—	628,383

- (1) Of these amounts, the following were reported in the "Summary Compensation Table" as above-market earnings that were credited to the named executive officer's deferred compensation account during 2011:

<u>Name</u>	<u>Amount (\$)</u>
John C. Malone	65,489
Christopher W. Shean	3,377

- (2) As described above in "—Executive Compensation Arrangements—2006 Deferred Compensation," Mr. Shean had a deferral election in place under the 2006 deferred compensation plan following the LMC Split-Off with respect to \$32,336, which represents 10% of the portion of his 2011 performance-based bonus that was allocable to and paid by Liberty Interactive. While such amount is reflected in the amounts under the plan that were transferred to Liberty Media upon its assumption of the plan and obligations thereunder (and is thus reflected in the table above), Liberty Interactive will continue to be responsible for the payment of the \$32,336 of deferred principal amount and for the payment of interest income at the rate of 9% per annum, compounded quarterly, thereon.

## Potential Payments Upon Termination or Change-in-Control

The following table sets forth the potential payments to our named executive officers if their employment had terminated or a change in control had occurred, in each case, as of December 31, 2011. In the event of such a termination or change in control, the actual amounts may be different due to various factors. In addition, we may enter into new arrangements or modify these arrangements from time to time.

The amounts provided in the tables are based on the closing market prices on December 30, 2011, the last trading day of such year, for each series of our common stock then-outstanding: LMCA—\$78.05 and LMCB—\$77.95. The value of the options and SARs shown in the table is based on the spread between the exercise or base price of the award and the applicable closing market price. The value of the restricted stock shown in the table is based on the applicable closing market price and the number of shares vested.

Each of our named executive officers has received awards and payments under the existing incentive plans, and each of our named executive officers is eligible to participate in our deferred compensation plans. Additionally, each of Messrs. Malone and Maffei is entitled to certain payments upon termination under his respective employment agreement. See "—Executive Compensation Arrangements" above.

Set forth below is a description of the circumstances giving rise to these potential payments and a brief summary of the provisions governing their payout:

*Voluntary Termination.* Under the existing incentive plans, each named executive officer would only have a right to the equity grants that vested prior to his termination date.

Under the 2006 deferred compensation plan, we do not have an acceleration right to pay out account balances to the participants upon this type of termination. For purposes of the tabular presentation below, we have assumed that we were permitted to make payments to the executive officers in accordance with their respective standing elections under the plans, subject to compliance with Section 409A of the Code.

*Termination for Cause.* All equity grants (whether vested or unvested) under the existing incentive plans would be forfeited by any named executive officer (other than Mr. Maffei) who is terminated for "cause." The existing incentive plans define "cause" as insubordination, dishonesty, incompetence, moral turpitude, other misconduct of any kind and the refusal to perform his duties and responsibilities for any reason other than illness or incapacity; *provided* that, if such termination is within 12 months after a change in control (as described below), "cause" means a felony conviction for fraud, misappropriation or embezzlement. Pursuant to Mr. Maffei's employment agreement, in the event of his termination for cause (as defined in his agreement), Mr. Maffei's vested stock options and similar rights would remain exercisable for a short period following his termination.

No immediate distributions under the 2006 deferred compensation plan are permitted as a result of this type of termination (other than pursuant to the compensation committee's right to distribute certain de minimus amounts from an officer's deferred compensation account).

*Termination Without Cause or for Good Reason.* Messrs. Malone and Maffei's employment agreements provide for benefits in the case of termination by our company not for cause or, in the case of Mr. Maffei, if he terminates for good reason (as defined in his employment agreement). See "—Executive Compensation Arrangements" above. Pursuant to the existing incentive plans and the related award agreements (and except as described below), if a named executive officer were terminated without cause or for good reason, in addition to his vested equity awards, he would be entitled to vesting in full with respect to any outstanding options or SARs that would have vested during the calendar year in which the termination occurs. Mr. Maffei's employment agreement instead

provides for an additional 18 months of vesting following a termination without cause or for good reason, with respect to his equity incentive awards, including his Multi-Year Award. Similarly, the award agreements relating to Mr. Tanabe's, Shean's, Flowers' and Rosenthaler's Multi-Year Awards provide for an additional 12 months of vesting.

No immediate distributions under the 2006 deferred compensation plan are permitted as a result of this type of termination (other than pursuant to the compensation committee's right to distribute certain de minimus amounts from an officer's deferred compensation account).

*Death.* In the event of death, the existing incentive plans provide for vesting in full of any outstanding options or SARs and the lapse of restrictions on any restricted share awards.

No amounts are shown for payments pursuant to life insurance policies, which we make available to all our employees.

Assuming the deceased executive filed an election to accelerate distributions upon his separation from service, the beneficiary of a deceased executive has the option to accelerate distributions under the 2006 deferred compensation plan (which option is assumed to have been exercised for purposes of the tabular presentation below).

*Disability.* In the event of a disability, which is generally the inability to perform gainful activity for at least 12 months, the existing incentive plans provide for vesting in full of any outstanding options or SARs and the lapse of restrictions on any restricted share awards.

No amounts are shown for payments pursuant to short-term and long-term disability policies, which we make available to all our employees.

Assuming the disabled executive filed an election to accelerate distributions upon his separation from service, a disabled executive has the option to accelerate distributions under the 2006 deferred compensation plan (which option is assumed to have been exercised for purposes of the tabular presentation below).

*Change in Control.* In case of a change in control, the incentive plans provide for vesting in full of any outstanding options or SARs and the lapse of restrictions on any restricted share awards. A change in control is generally defined as:

- The acquisition of beneficial ownership of at least 20% of the combined voting power of the then outstanding shares of our company ordinarily having the right to vote in the election of directors.
- Any non-exempt person purchases our common stock pursuant to a tender offer or exchange offer, without the prior consent of our board of directors.
- The individuals constituting our board of directors over any two consecutive years cease to constitute at least a majority of the board, subject to certain exceptions that permit the board to approve new members by approval of at least two-thirds of the remaining directors.
- Any merger, consolidation or binding share exchange that causes the persons who were common stockholders of our company immediately prior thereto to lose their proportionate interest in the common stock or voting power of the successor or to have less than a majority of the combined voting power of the then outstanding shares ordinarily having the right to vote in the election of directors, the sale of substantially all of the assets of the company or the dissolution of the company.

In the case of a change in control described in the last bullet point, our compensation committee may determine not to accelerate the existing equity awards (other than those held by Mr. Maffei, whose awards are more specifically covered by the terms of his employment agreement) if equivalent

awards will be substituted for the existing awards. For purposes of the tabular presentation below, we have assumed no such determination was made.

The 2006 deferred compensation plan provides our compensation committee with the option of terminating the plan 30 days preceding or within 12 months after a change of control and distributing the account balances (which option is assumed to have been exercised for purposes of the tabular presentation below).

### Benefits Payable Upon Termination or Change in Control

Name	Voluntary Termination (\$)	Termination for Cause (\$)	Termination Without Cause or for Good Reason (\$)	Death (\$)	Disability (\$)	After a Change in Control (\$)
<b>John C. Malone</b>						
Lump Sum Severance(1)	13,000	—	13,000	—	13,000	13,000
Installment Severance Plan(2)	33,560,423	33,560,423	33,560,423	33,560,423	33,560,423	33,560,423
1993 Deferred Compensation Arrangement(3)	4,117,468	4,117,468	4,117,468	2,241,165	4,117,468	4,117,468
1982 Deferred Compensation Arrangement(3)	48,547,335	48,547,335	48,547,335	19,459,248	48,547,335	48,547,335
Options/SARs	8,084,761(4)	—	8,084,761(4)	15,767,453(5)	15,767,453(5)	15,767,453(5)
Restricted Stock	—	—	—	523,169(5)	523,169(5)	523,169(5)
<b>Total</b>	<b>94,322,987</b>	<b>86,225,226</b>	<b>94,322,987</b>	<b>71,551,458</b>	<b>102,528,848</b>	<b>102,528,848</b>
<b>Gregory B. Maffei</b>						
Severance(6)	—	—	7,800,000	7,800,000	7,800,000	7,800,000
Options/SARs	64,838,064(4)	64,838,064(4)	72,520,756(7)	162,645,704(5)	162,645,704(5)	162,645,704(5)
Restricted Stock	—	—	1,087,002(7)	1,087,002(5)	1,087,002(5)	1,087,002(5)
<b>Total</b>	<b>64,838,064</b>	<b>64,838,064</b>	<b>81,407,758</b>	<b>171,532,706</b>	<b>171,532,706</b>	<b>171,532,706</b>
<b>Charles Y. Tanabe</b>						
Options/SARs	1,539,676(4)	—	1,539,676(4)(8)	16,227,163(5)	16,227,163(5)	16,227,163(5)
Restricted Stock	—	—	—	265,370(5)	265,370(5)	265,370(5)
<b>Total</b>	<b>1,539,676</b>	<b>—</b>	<b>1,539,676</b>	<b>16,492,533</b>	<b>16,492,533</b>	<b>16,492,533</b>
<b>David J.A. Flowers</b>						
Options/SARs	8,000,879(4)	—	8,000,879(4)(8)	15,834,216(5)	15,834,216(5)	15,834,216(5)
Restricted Stock	—	—	—	147,983(5)	147,983(5)	147,983(5)
<b>Total</b>	<b>8,000,879</b>	<b>—</b>	<b>8,000,879</b>	<b>15,982,199</b>	<b>15,982,199</b>	<b>15,982,199</b>
<b>Albert E. Rosenthaler</b>						
Options/SARs	1,515,930(4)	—	1,515,930(4)(8)	9,349,267(5)	9,349,267(5)	9,349,267(5)
Restricted Stock	—	—	—	147,983(5)	147,983(5)	147,983(5)
<b>Total</b>	<b>1,515,930</b>	<b>—</b>	<b>1,515,930</b>	<b>9,497,250</b>	<b>9,497,250</b>	<b>9,497,250</b>
<b>Christopher W. Shean</b>						
Deferred Compensation(9)	628,383	628,383	628,383	628,383(10)	628,383(10)	628,383(10)
Options/SARs	2,289,788(4)	—	2,289,788(4)(8)	10,123,124(5)	10,123,124(5)	10,123,124(5)
Restricted Stock	—	—	—	137,212(5)	137,212(5)	137,212(5)
<b>Total</b>	<b>2,918,171</b>	<b>628,383</b>	<b>2,918,171</b>	<b>10,888,719</b>	<b>10,888,719</b>	<b>10,888,719</b>

- (1) Under Mr. Malone's employment agreement, which was assigned to us in the LMC Split-Off, if his employment had been terminated, as of December 31, 2011, at Liberty Media's election (other than for death or cause) (whether before or after a change in control) or upon Mr. Malone's prior written notice, he would have been entitled to a lump sum severance payment of \$13,000 payable upon termination, which is equal to five years' of his current annual salary of \$2,600. See "—Executive Compensation Arrangements—John C. Malone" above. Pursuant to the services agreement, 30% of such lump sum severance payment would have been allocable to Liberty Interactive.

- (2) As described above, Mr. Malone began receiving 240 consecutive monthly installment severance payments in February 2009 pursuant to the terms of his amended employment agreement. The number included in the table represents the aggregate amount of the payments remaining as of December 31, 2011. With respect to periods following the termination of his employment, the foregoing payments are conditioned on Mr. Malone's compliance with the confidentiality, non-competition, non-solicitation and non-interference covenants contained in his employment agreement. See "—Executive Compensation Arrangements—John C. Malone" above.
- (3) As described above, Mr. Malone began receiving 240 consecutive monthly payments of his deferred compensation plus interest, in February 2009 pursuant to the terms of his amended employment agreement, which our company assumed in connection with the LMC Split-Off. The number included in the table represents the aggregate amount of these payments remaining as of December 31, 2011. With respect to periods following the termination of his employment, the foregoing payments are conditioned on Mr. Malone's compliance with the confidentiality, non-competition, non-solicitation and non-interference covenants contained in his employment agreement. If Mr. Malone's employment had been terminated, as of December 31, 2011, as a result of his death, his beneficiaries would have instead been entitled to a lump sum payment of the unamortized principal balance of the remaining deferred compensation payments, and the compliance conditions described above would be inapplicable. See "—Executive Compensation Arrangements—John C. Malone" above.
- (4) Based on the number of vested options and SARs held by each named executive officer at year-end. For more information, see the "Outstanding Equity Awards at Fiscal Year-End" table above.
- (5) Based on (i) the number of vested options and SARs and (ii) the number of unvested options and SARs and the number of shares of restricted stock, in each case, held by each named executive officer at year-end. For more information, see the "Outstanding Equity Awards at Fiscal Year-End" table above.
- (6) If Mr. Maffei's employment had been terminated at Liberty Media's election for any reason (other than cause) or by Mr. Maffei for good reason (as defined in his employment agreement) (whether before or within a specified period following a change in control), as of December 31, 2011, he would have been entitled to receive a lump sum payment of \$7,800,000. See "—Executive Compensation Arrangements—Gregory B. Maffei" above. Pursuant to the services agreement, 30% of such lump sum severance payment would have been allocable to Liberty Interactive.
- (7) Based on (i) the number of vested options and SARs held by Mr. Maffei at year-end and (ii) the number of unvested options and SARs and the number of shares of restricted stock held by Mr. Maffei at year-end that would vest during his 18-month severance period (January 1, 2012 through June 30, 2013), pursuant to his employment arrangements. See "—Executive Compensation Arrangements—Gregory B. Maffei" above and the "Outstanding Equity Awards at Fiscal Year-End" table above.
- (8) Does not include any portion of the multi-year awards granted to such named executive officers because, even giving effect to the additional 12 months of vesting, no portion of such multi-year awards would have become vested.
- (9) Amounts include \$32,433, which would be allocable to and payable by Liberty Interactive based on a one-time deferral election of a portion of his annual cash bonus that was allocable to and paid by Liberty Interactive pursuant to the services agreement. See "—Executive Compensation Arrangements—2006 Deferred Compensation" and "—Nonqualified Deferred Compensation Plans" above for more information.
- (10) Under these circumstances (and subject to the assumptions described above), Mr. Shean would receive an immediate distribution of the balance of his deferred compensation account (rather than receiving distributions under the plan in accordance with the elections previously filed by Mr. Shean).

## DIRECTOR COMPENSATION

### Nonemployee Directors

*Director Fees.* Each of our directors who is not an employee of our company is paid an annual fee of \$163,000 (which we refer to as the **director fee**), of which \$80,000 is payable in cash and the balance is payable in restricted shares of or options to purchase shares of LMCA. See "—Director Restricted Share Grants" and "—Director Option Grants" below for information on the incentive awards granted in 2011 to the nonemployee directors. Each of our directors who resides outside of Colorado receives \$2,000 per meeting for attending meetings at our offices in Englewood, Colorado. The chairman of the audit committee of our board of directors and each other member of that committee is paid an additional annual fee of \$30,000. With respect to our executive committee, each nonemployee member thereof receives an additional annual fee of \$10,000 for his participation on the committee. With respect to our compensation committee and nominating and corporate governance committee, each member thereof receives an additional annual fee of \$10,000 for his or her participation on each such committee, except that any committee member who is also the chairman of that committee instead receives an additional annual fee of \$20,000 for his or her participation on that committee. The cash portion of the director fees, the meeting fees and the fees for participation on committees are payable quarterly in arrears. For the year ended December 31, 2011, the director and committee fees were prorated for the three months our directors served following the LMC Split-Off.

*Charitable Contributions.* If a director makes a donation to our political action committee, we will make a matching donation to a charity of his or her choice in an amount not to exceed \$10,000.

*Equity Incentive Plan.* The Liberty Media Corporation 2011 Nonemployee Director Incentive Plan (the **director plan**) is administered by our entire board of directors. Our board of directors has full power and authority to grant eligible persons the awards described below and to determine the terms and conditions under which any awards are made. The director plan is designed to provide our nonemployee directors with additional remuneration for services rendered, to encourage their investment in our common stock and to aid in attracting persons of exceptional ability to become nonemployee directors of our company. Our board of directors may grant non-qualified stock options, SARs, restricted shares, restricted stock units and cash awards or any combination of the foregoing under the director plan.

The maximum number of shares of our common stock with respect to which awards may be issued under the director plan is 1,430,000, subject to anti-dilution and other adjustment provisions of the plan. Shares of our common stock issuable pursuant to awards made under the director plan are made available from either authorized but unissued shares or shares that have been issued but reacquired by our company. For more information regarding the director plan, see "Proposals of Our Board—Proposal 5—The Director Plan Proposal."

*Director Restricted Share Grants.* Pursuant to our director compensation policy described above and the director plan, on December 15, 2011, our board of directors granted each of Mr. Bennett, Mr. Rapley and Ms. Wong 1,100 restricted shares of LMCA. These restricted shares will vest on the second anniversary of the grant date, or on such earlier date that the grantee ceases to be a director because of death or disability, and will be forfeited if the grantee resigns or is removed from the board before the vesting date.

*Director Option Grants.* Pursuant to our director compensation policy described above and the director plan, on December 15, 2011, our board of directors granted to each of Mr. Fisher, Mr. Gilchrist, Dr. Evan Malone and Mr. Romrell options to purchase 2,800 shares of LMCA at an exercise price equal to \$73.45, which was the closing price of such stock on the grant date. The per share grant date fair value of these options for each director was \$32.6019. The options will become exercisable on the second anniversary of the grant date, or on such earlier date that the grantee ceases

to be a director because of death or disability, and will be terminated without becoming exercisable if the grantee resigns or is removed from the board before the vesting date. Once vested, the options will remain exercisable until the seventh anniversary of the grant date, or, if earlier, until the first business day following the first anniversary of the date the grantee ceases to be a director.

#### Director Compensation Table

Name(1)	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(2)(3)	Option Awards (\$)(2)(3)	All other compensation (\$)	Total (\$)
Robert R. Bennett	22,257	80,795	—	3,227(4)	106,279
Donne F. Fisher	29,757	—	91,285	3,227(4)	124,269
M. Ian G. Gilchrist	37,340	—	91,285	1,825(4)	130,450
Evan D. Malone	19,757	—	91,285	—	111,042
David E. Rapley	27,257	80,795	—	3,227(4)	111,279
Larry E. Romrell	29,757	—	91,285	3,227(4)	124,269
Andrea L. Wong	24,757	80,795	—	608(4)	106,160

- (1) John C. Malone and Gregory B. Maffei, each of whom is a director of our company and a named executive officer, received no compensation for serving as directors of our company during 2011.
- (2) As of December 31, 2011, our directors (other than Messrs. Malone and Maffei, whose stock incentive awards are listed in "Outstanding Equity Awards at Fiscal Year-End" above) held the following stock incentive awards:

	Robert R. Bennett	Donne F. Fisher	M. Ian G. Gilchrist	Evan D. Malone	David E. Rapley	Larry E. Romrell	Andrea L. Wong
<b>Options/SARs</b>							
LMCA	142,303	15,881	2,800	8,524	—	15,881	—
<b>Restricted Stock</b>							
LMCA	1,806	706	706	706	1,806	706	2,595

- (3) The aggregate grant date fair value of the stock options and restricted stock awards has been computed in accordance with FASB ASC Topic 718, but (pursuant to SEC regulations) without reduction for estimated forfeitures. For a description of the assumptions applied in these calculations, see Note 13 to our consolidated financial statements for the year ended December 31, 2011 (which are included in our Annual Report on Form 10-K as filed with the SEC on February 23, 2012).
- (4) Represents the following amounts of health insurance premiums paid by our company for the benefit of the following directors:

Name	Amounts (\$)
Robert R. Bennett	3,227
Donne F. Fisher	3,227
M. Ian G. Gilchrist	1,825
David E. Rapley	3,227
Larry E. Romrell	3,227
Andrea L. Wong	608

The following information concerning the compensation of the named executive officers and directors of Liberty Interactive Corporation for the year ended December 31, 2011 has been excerpted from Amendment No. 3 to Liberty Interactive Corporation's Registration Statement on Form S-4 filed with the Securities and Exchange Commission on June 29, 2012 relating to its 2012 annual meeting of stockholders (the "S-4"). References such as "we," "us" and "our" refer to Liberty Interactive Corporation and not Liberty Spinco, Inc. Terms used below but not defined have the meanings assigned to them in the S-4.

## **EXECUTIVE COMPENSATION**

This section sets forth information relating to, and an analysis and discussion of, compensation paid by our company to:

- Gregory B. Maffei, our Chief Executive Officer and President;
- David J.A. Flowers, our principal financial officer through October 2011;
- Christopher W. Shean, our principal financial officer beginning November 2011; and
- Michael A. George, Charles Y. Tanabe and Albert E. Rosenthaler, our other three executive officers.

We collectively refer to these persons as our named executive officers.

### **Compensation Discussion and Analysis**

#### *Compensation Overview; Philosophy*

The compensation committee of our board of directors has responsibility for establishing, implementing and regularly monitoring adherence to our compensation philosophy. That philosophy seeks to align the interests of the named executive officers with those of our stockholders, with the ultimate goal of appropriately motivating and rewarding our executives in an effort to increase stockholder value. To that end, the compensation packages provided to the named executive officers include both cash and stock-based incentive compensation, with an emphasis placed on performance-based compensation.

The compensation committee seeks to approve a compensation package for each named executive officer that is commensurate with the responsibilities and proven performance of that executive, and that is competitive relative to the compensation packages paid to similarly situated executives in other companies, including, as to the named executive officers other than Mr. George, companies in our reference group (as listed below). The compensation committee does not engage in any benchmarking analysis; rather, it is familiar with the range of total compensation paid by other companies and uses this range as a guide to ensure that the named executive officers receive attractive compensation packages. The compensation committee believes that our compensation packages should assist our company in attracting key executives critical to our long-term success. Taking into account the general industry knowledge of the members of the compensation committee, including its knowledge of the executive compensation paid by the reference group companies, and the input of our Chief Executive Officer (with respect to the compensation packages paid to our other named executive officers), the compensation committee determined to provide each named executive officer (other than Mr. George) with a 2011 compensation package comprised primarily of a base salary and a performance-based bonus. No equity awards were made to these named executive officers in 2011 as they all received grants of multi-year equity incentive awards in one of the preceding two years.

Mr. George is party to an employment agreement with QVC, which governs his compensation arrangements. This employment agreement is premised on the same compensation philosophy described above. Mr. George receives a base salary and a performance-based bonus that is based upon the bonus programs in place at QVC. Our Chief Executive Officer is responsible for reviewing and approving the executive compensation programs of our operating subsidiaries, including QVC. In addition, the compensation committee reviews and makes recommendations regarding the compensation package of the CEOs of our operating subsidiaries, including the compensation paid to Mr. George. The compensation committee generally applies the same standards as outlined herein when reviewing and making recommendations concerning executive compensation for our operating subsidiaries, including that of Mr. George. In 2011, Mr. George received a grant of multi-year equity incentive awards similar to those made to the other named executive officers in prior years. See "—Elements of 2011 Executive Compensation—Equity Incentive Compensation."

In the case of all our named executive officers, the compensation committee believes that performance-based bonuses and equity incentive awards should represent a substantial portion of each named executive officer's compensation package. At our 2011 annual stockholders meeting, our stockholders' representing 96.6% of our aggregate voting power present and entitled to vote on our say-on-pay proposal approved, on an advisory basis, our executive compensation, as disclosed in our proxy statement for our 2011 annual meeting of stockholders. The compensation committee did not implement any material changes to our executive compensation program as a result of this vote.

#### ***Services Agreement***

In connection with the split-off of Liberty Media from our company (the **LMC Split-Off**), we entered into a services agreement with Liberty Media pursuant to which we compensate Liberty Media for the portion of the salary and other cash compensation Liberty Media pays to our employees, including the named executive officers (except Mr. George), that is allocable to our company for time spent by each such employee on matters related to our company. The allocable percentages of time spent performing services for Liberty Media, on the one hand, and our company, on the other hand, are evaluated semi-annually for reasonableness. The compensation information included in the "Summary Compensation Table" below (other than with respect to Mr. George, whose cash compensation is paid directly by QVC) includes the portion of the compensation paid by Liberty Media to the named executive officers that is allocable to our company and for which we have reimbursed Liberty Media and does not include the portion of any compensation allocable to Liberty Media under the services agreement. For the period between September 24, 2011 (the day after the LMC Split-Off) through December 31, 2011, the percentage of each such named executive officer's time that was allocated to our company was: 30% as to Messrs. Maffei and Tanabe; 40% as to Messrs. Rosenthaler and Shean; and 10% as to Mr. Flowers. Notwithstanding the services agreement, each of Liberty Media and Liberty directly paid its allocable portion of each such named executive officers' performance-based bonus to its respective named executive officers. See "—Elements of 2011 Executive Compensation—2011 Performance-based Bonuses" below.

#### ***Composition of our Named Executive Officers***

In connection with the LMC Split-Off, our board determined to include Michael A. George, President and Chief Executive Officer of QVC, as an executive officer of our company. As a result, Mr. George became a named executive officer of our company for the year ended December 31, 2011.

Also, in the last quarter of 2011, David J.A. Flowers ceased to serve as our principal financial officer and treasurer, even though he remains with our company as a Senior Vice President. At that time, Christopher W. Shean, a Senior Vice President of our company and our then-controller, became our principal financial officer, and another officer of our company became our treasurer. As a result of

these changes, Messrs. Flowers and Shean are both treated as named executive officers for the year ended December 31, 2011.

In connection with the foregoing changes, our Chairman John C. Malone is no longer a named executive officer of our company; however, information relating to his compensation is included elsewhere herein. See "—Director Compensation—John C. Malone" and "—Director Compensation—Director Compensation Table."

#### ***Role of Chief Executive Officer in Compensation Decisions***

Recommendations with respect to our executive compensation are obtained from our Chief Executive Officer as to all elements of each other named executive officer's compensation package, and, in the case of Mr. George, our Chief Executive Officer reviews and approves Mr. George's compensation package before it is submitted to the compensation committee for consideration. In taking these actions, our Chief Executive Officer evaluates the performance and contributions of each other named executive officers, given their respective areas of responsibility, and, in doing so, considers various qualitative factors such as:

- the named executive officer's experience and overall effectiveness;
- the responsibilities of the named executive officer, including any changes to those responsibilities over the year;
- the named executive officer's demonstrated leadership and management ability;
- the named executive officer's compensation relative to other executives at our company with similar, greater or lesser responsibilities;
- the named executive officer's compensation relative to compensation paid to similarly situated executives at companies within our reference group;
- the named executive officer's years of service with us; and
- the performance of any group for which the named executive officer is primarily responsible.

#### ***Setting Executive Compensation***

In making its compensation decision for each named executive officer, the compensation committee considers the following:

- each element of the named executive officer's historical compensation, including salary, bonus, equity compensation, perquisites and other personal benefits;
- the financial performance of our company compared to internal forecasts and budgets;
- the scope of the named executive officer's responsibilities;
- the performance of the group reporting to the named executive officer; and
- the performance evaluations and compensation recommendations given by our Chief Executive Officer as to each other named executive officer.

As mentioned above, the compensation committee also considers the range of total compensation paid by members of our reference group of companies and uses this range as a guide to ensuring that our named executive officers (other than Mr. George whose compensation is not guided by this reference group of companies) receive attractive compensation packages. This group of companies consists of publicly-traded media, telecommunications and entertainment companies and includes companies with which we may compete for executive talent and stockholder investment. This reference

group also includes companies in those industries that are similar to our company in size and complexity of operations. Companies included in our reference group are:

Cablevision Systems Corporation	News Corporation
CBS Corporation	priceline.com Incorporated
Comcast Corporation	Scripps Networks Interactive, Inc.
Discovery Communications, Inc.	Sirius XM Radio Inc.
DIRECTV (f/k/a The DIRECTV Group, Inc.)	Time Warner Inc.
Dreamworks Animation SKG, Inc.	Time Warner Cable Inc.
Expedia, Inc.	Viacom Inc.
IAC/InterActiveCorp	The Walt Disney Company
Liberty Global, Inc.	

Given our company's focus on video and online commerce following the completion of the LMC Split-Off, the compensation committee may develop a new reference group of companies for future periods, which group may include some of the foregoing companies.

Although the compensation committee considers the compensation packages awarded by these companies, the compensation committee makes adjustments to these packages based on qualitative factors, such as:

- the size, scope and complexity of the businesses of the companies in our reference group;
- the cost of living and other factors related to the geographic location of these companies; and
- the compensation philosophy of the particular company, including any policies relating to compensation of founders or others with substantial personal wealth.

In addition, the compensation committee recognizes that comparisons based on the roles performed by the named executive officers of companies in our reference group and roles performed by our named executive officers (other than Mr. George) may be difficult to draw. That difficulty is attributable, at least in part, to the fact that none of the named executive officers has the title of chief operating officer or, until the fourth quarter of 2011, chief financial officer, two positions commonly held by named executive officers of other companies. That difficulty is further pronounced when considering those companies in our reference group whose management has direct responsibility for operating businesses, because their named executive officers have responsibilities different from those of the named executive officers (other than Mr. George who has direct responsibility for QVC). As a result, the compensation committee does not seek to compare each element of our named executive officers' compensation packages to those provided by our reference group. Rather, the reference group data is merely used as a guide for industry practice on the basis of total compensation paid. At times, total compensation, or any specific element thereof, payable to our named executive officers may exceed that of our reference group or may be less than that of our reference group. For example, the multi-year equity incentive awards discussed below are not comparable to the incentive awards generally paid by the members of our reference group. See "—Elements of 2011 Executive Compensation—Equity Incentive Compensation" below for a discussion of these awards.

Our Chief Executive Officer, Mr. Maffei, had primary responsibility for negotiating and approving Mr. George's employment agreement and continues to have primary responsibility for approving all elements of Mr. George's compensation because Mr. George is the chief executive officer of one of our operating subsidiaries, QVC. Mr. Maffei draws upon his industry knowledge of compensation paid to similarly situated executives at other video and online commerce companies and other consumer goods retailers in designing the performance-based bonus program for QVC executives, in which Mr. George participates, as well as the other components of Mr. George's compensation. Once Mr. Maffei approves a compensation package for Mr. George, the compensation committee considers and separately

approves the package. The compensation committee applies similar standards to those outlined above in approving Mr. George's compensation arrangements.

With respect to all named executive officers, the compensation committee believes in weighing equity incentive compensation more heavily than cash compensation, which is a practice that may not be consistently followed by our reference group or other companies that operate in the same industry as our company.

#### ***Elements of 2011 Executive Compensation***

For 2011 the principal components of compensation for the named executive officers were:

- base salary;
- a performance-based bonus, payable in cash;
- in the case of Mr. George, a grant of multi-year equity incentive awards; and
- perquisites and other limited personal benefits.

**Base Salary.** The compensation committee reviews the base salaries of the named executive officers on an annual basis (other than Messrs. Maffei and George, who are compensated pursuant to their respective employment agreements), as well as at the time of any change in responsibilities. Historically, after establishing a named executive officer's base salary, the compensation committee has limited increases to cost-of-living adjustments and adjustments based on an evaluation of a named executive officer's job performance, any changes in the scope of the named executive officer's responsibilities, and the named executive officer's salary level compared to other named executive officers. The compensation committee believes base salary should be a relatively smaller portion of each named executive officer's overall compensation package, thereby aligning the interests of our executives more closely with those of our stockholders. The compensation committee considered these factors when setting or approving, as applicable, the base salary and annual increases to be paid to Messrs. Maffei and George under their respective employment agreements. After completion of the annual review described above, the named executive officers (other than Messrs. Maffei and George) received cost of living adjustments to their base salaries for 2011.

#### ***2011 Performance-based Bonuses***

**Liberty Awards.** For 2011, our compensation committee adopted an annual, performance-based bonus program for each of the named executive officers (other than Mr. George who participated in a separate performance-based bonus program, described below), which was similar in structure to the program adopted for 2010. This bonus program, which is structured to comply with Section 162(m) of the Internal Revenue Code (the **Code**), based each participant's bonus on the achievement of an increase in the market capitalization of Liberty Media (assuming the LMC Split-Off occurred), which was subject to negative adjustment depending on a combination of corporate and personal performance measures. Pursuant to the 2011 bonus program, the aggregate market capitalization of Liberty Media's common stock would need to exceed \$5 billion (the **2011 Market Capitalization Threshold**) before any participant would be entitled to receive any bonus. Liberty Media's market capitalization was calculated using the average closing sales prices of Liberty Media's two series of common stock for the 50 trading days ending on December 15, 2011. The market capitalization calculation was subject to adjustment to reflect stock repurchases, extraordinary dividends, recapitalizations or similar events that could affect market capitalization. If the prescribed 2011 Market Capitalization Threshold were exceeded, 0.5% of the excess would be used to establish the available notional bonus pool from which performance-based bonuses would be payable under this program. Upon establishing the final award amounts, the compensation committee determined that the actual bonus amounts would be payable in cash. That determination was made after consideration of the named executive officers' holdings in Liberty

Interactive common stock and options. In addition, the compensation committee determined to pay the bonuses in cash to better align the bonus payment structure with the bonus payment terms of Mr. Maffei's employment agreement. Finally, our compensation committee, with the concurrence of the Liberty Media compensation committee, allocated the final bonus amounts payable between our company and Liberty Media as discussed below.

Each participant was assigned a maximum bonus amount, expressed as a multiple of his 2011 base salary (without giving effect to the allocation of such salary between our company and Liberty Media). The maximum bonus amounts were 400%, 200% and 150% for our Chief Executive Officer, executive vice president and each senior vice president, respectively. If the bonus pool was insufficient to cover the aggregate maximum bonus amounts of all participants, each participant's maximum bonus amount would be reduced pro rata, for all purposes under the program, based upon his respective maximum bonus amount. Assuming the bonus pool was sufficient to cover the aggregate maximum bonus amounts:

- The compensation committee then considered reducing the maximum bonus payable to each participant based on a subjective assessment of our and Liberty Media's financial performance. No more than 30% of a participant's maximum bonus amount (the **Corporate Performance Component**) would be affected by this measure. Any reduction would be based on the rating scale below, after review of the adjusted OIBDA (as defined in our and Liberty Media's public filings), revenue and cash flow performance of our company and Liberty Media.

<u>Corporate Performance Component Rating</u>	<u>Portion of Maximum Bonus Payable</u>
10	Full 30%
9	27%
8	24%
7	21%
6	18%
5	15%
4	12%
3	9%
2	6%
1	3%

- Each participant would be entitled to receive the remaining 70% of his maximum bonus amount (the **Individual Performance Component** or **IPC**) subject to the right of the compensation committee to reduce the amount payable based upon its assessment of that participant's individual performance, as follows:

<u>Individual Performance Rating (IPR)</u>	<u>Portion of Maximum Bonus Payable (IPC)</u>
10	Full 70%
9	61.25%
8	52.50%
7	35.00%
6	17.50%
5 and below	0%

In December 2011, after calculating the Liberty Media market capitalization using the formula described above, the compensation committee determined that the 2011 Market Capitalization Threshold was sufficiently exceeded, thereby creating a notional bonus pool large enough to cover the aggregate maximum bonus amounts of all the participants and enabling each participant to receive a bonus of up to his maximum bonus amount. The compensation committee then, in agreement with the

Liberty Media compensation committee, made a subjective determination as to the corporate performance rating that would be ascribed for purposes of determining the Corporate Performance Component of each participating named executive officer's bonus. In making this determination, the compensation committee considered the adjusted OIBDA, revenue and cash flow results for each of our company's and Liberty Media's business groups in comparison to preliminary forecasts and took into account general economic conditions and industry developments during the year. A consensus rating for the Corporate Performance Component was then agreed upon.

The compensation committee then reviewed the individual performance of each participant to determine, in agreement with the Liberty Media compensation committee, his IPR and corresponding IPC. The compensation committee took into account a variety of factors, without assigning a numerical weight to any single performance measure. This determination was based on reports of our board, the observations of committee members throughout the year, executive self-evaluations and, with respect to the participants other than Mr. Maffei, the observations and input of Mr. Maffei. In evaluating the performance of each of the participating named executive officers, the compensation committee considered the various performance objectives related to Liberty which had been assigned to each named executive officer for 2011, including:

Individual	Performance Objectives
Gregory B. Maffei	<ul style="list-style-type: none"> <li>• Completion of split-off of the Liberty Capital and Liberty Starz tracking stock groups</li> <li>• Rationalization of non-core assets</li> <li>• Outperformance of peer and stock market indices</li> <li>• Development of strategy for cash deployment by the company</li> <li>• Refinement of business development plan, including developing international expansion plans</li> <li>• Continuation of development of company-wide mobile and social media plan</li> <li>• Oversight of executive management team and continuation of long-term succession planning</li> </ul>
Charles Y. Tanabe	<ul style="list-style-type: none"> <li>• Leadership of legal staff in structuring, negotiating and completing various transactions, including the split-off of the Liberty Capital and Liberty Starz tracking stock groups</li> <li>• Efficient management of legal costs and compliance costs</li> <li>• Oversight of legal issues handled by outside and in-house counsel</li> <li>• Provision of legal support to subsidiaries and equity affiliates</li> </ul>
David J.A. Flowers	<ul style="list-style-type: none"> <li>• Negotiation and structuring of complex investments and transactions, including alternative energy transactions</li> <li>• Management of investment portfolio, including rationalization of non-core assets</li> <li>• Evaluation of potential acquisition and divestiture transactions, including completion of the sale of certain assets</li> </ul>
Albert E. Rosenthaler	<ul style="list-style-type: none"> <li>• Completion of closing agreements with IRS on various tax matters</li> <li>• Analysis of tax implications of various asset and liability restructurings</li> <li>• Analysis of tax implications of potential business opportunities</li> </ul>
Christopher W. Shean	<ul style="list-style-type: none"> <li>• Maintenance of timely and accurate SEC reporting</li> <li>• Broadening of responsibilities of controller role</li> <li>• Evaluation of financial control processes at operating companies, including completion of a risk assessment at those companies</li> <li>• Development of transactional and structural initiatives to improve quality of internal procedures and reporting</li> </ul>

The following table presents information concerning the aggregate 2011 performance-based bonus payable to each named executive officer and the amount allocated to and paid by Liberty (as described below), including the Corporate Performance Component and IPC assigned to each participant.

Name	Total Cash Bonus	Cash Bonus Paid By Liberty	Corporate Performance Component (of possible 30%)	IPC (of possible 70%)
Gregory B. Maffei	\$ 4,441,500	\$ 1,587,600	18.00%	52.50%
Charles Y. Tanabe	\$ 1,271,489	\$ 454,490	18.00%	52.50%
David J.A. Flowers	\$ 707,996	\$ 147,625	18.00%	52.50%
Albert E. Rosenthaler	\$ 883,740	\$ 376,092	18.00%	70.00%
Christopher W. Shean	\$ 751,932	\$ 323,369	18.00%	56.91%

After determining the total cash bonus for each participant, our compensation committee, in agreement with the Liberty Media compensation committee, allocated the final total bonus amounts between Liberty and Liberty Media, and we paid each of the named executive officers the amount allocated to our company. The allocation of the Individual Performance Component was determined by reference to the amount of time spent by a named executive officer on matters for each company as well as results produced by that executive officer for each company. The Corporate Performance Component was allocated according to the amount of such measure attributable to the revenue, adjusted OIBDA and cash flow performance of the Liberty Interactive business group as compared to the revenue, adjusted OIBDA and cash flow performance of the Liberty Capital and the Liberty Starz business groups.

**QVC Award.** As discussed above, Mr. George was designated as an executive officer of the company in the fourth quarter of 2011. As a result and consistent with the charter of our compensation committee, Mr. George's 2011 performance-based bonus program, was reviewed and approved by the Chief Executive Officer of our company and our compensation committee. Mr. George's 2011 performance-based bonus was structured to align with the 2011 performance-based bonus program established at QVC for QVC senior officers. Pursuant to the program, Mr. George would be paid a bonus based upon QVC EBITDA growth year over year. EBITDA was defined as U.S. EBITDA Growth (earnings before interest, taxes, depreciation and amortization) of QVC for fiscal year 2011. That bonus would then be subject to increase of up to 200% or decrease down to zero based on Mr. George's individual performance, as determined by a personal modifier grid that was adopted in connection with the program. The EBITDA payout grid ranged from a threshold payout of 70% of target for 5% EBITDA growth to 240% of target for 15% EBITDA growth.

Mr. George's target bonus was established as 100% of his base salary in connection with the signing of his employment agreement in 2011 as described below. QVC achieved a 5% EBITDA target for the year ended December 31, 2011, which resulted in a payout of 70% of target for the EBITDA performance portion of the bonus. Mr. George's personal performance modifier was 100%, resulting in no adjustment of his bonus up or down for his personal performance. Because Mr. George is now a named executive officer, pursuant to Mr. George's employment agreement, his 2012 and subsequent performance-based bonuses will be determined by our compensation committee.

For more information regarding these bonus awards, please see the "Grants of Plan-Based Awards" table below.

**Equity Incentive Compensation.** Consistent with our compensation philosophy, the compensation committee seeks to align the interests of the named executive officers with those of our stockholders by awarding stock-based incentive compensation. This ensures that our executives have a continuing stake in our long-term success. The compensation committee weighs stock-based compensation more heavily than cash compensation in determining each named executive officer's overall compensation mix.

The Liberty Interactive Corporation 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011) (the **2007 Incentive Plan**) and the Liberty Interactive Corporation 2010 Incentive Plan (As Amended and Restated Effective November 7, 2011) (the **2010 Incentive Plan**) provide for the grant of a variety of incentive awards, including stock options, restricted shares, restricted stock units, stock appreciation rights and performance awards. Our executives have historically been granted stock options and awards of restricted stock in preference to other awards because of our company's belief that options and restricted shares better promote retention of key employees through the continuing, long-term nature of an equity investment. Upon making the determination to grant equity incentive awards to our named executive officers, the compensation committee establishes the value of the awards to be made to each named executive officer, and, prior to the LMC Split-Off, that value had been allocated among our tracking stocks, pro rata, based on then-recent, relative market capitalizations of each tracker.

Stock options are awarded with an exercise price equal to fair market value on the date of grant, measured by reference to the closing sale price on the grant date. Historically, grants had been made to our employees once a year with a term of seven years and vesting over a three to five year period. In late 2009 and early 2010, however, the compensation committee determined to make larger grants (equaling approximately four to five years' value of the annual grants made in 2009) that vest between four and five and three-quarters years after grant, rather than making annual grants over the same period. These new grants provide for back-end weighted vesting and expire in 10 years rather than 7 years to encourage our executives to remain with our company over the long-term and to better align them with our shareholders. Mr. Maffei received such a multi-year grant in December 2009 and the other named executive officers (other than Mr. George) received similar multi-year stock option awards in March 2010. The grants to the named executive officers (other than Mr. Maffei and Mr. George) vest one-third of the shares subject to such options in each of June 2013, June 2014 and December 2015. Mr. Maffei's multi-year grant vests one-half in December 2013 and one-half in December 2014. In keeping with this compensation philosophy, Mr. George received a multi-year stock option award in March 2011. One-half of the shares subject to Mr. George's options vest in each of December 2014 and December 2015 and the options expire 7 years from grant. For more information regarding these equity incentive grants, please see the "Grants of Plan-Based Awards" table below.

*Perquisites and Other Personal Benefits.* The perquisites and other personal benefits available to our executives (that are not otherwise available to all of our salaried employees, such as matching contributions to the Liberty Media 401(k) Savings Plan and the payment of life insurance premiums) consist of:

- limited personal use of Liberty Media's corporate aircraft (pursuant to an aircraft sharing arrangement between our company and Liberty Media);
- occasional, personal use of Liberty Media's apartment in New York City (pursuant to a sharing arrangement between our company and Liberty Media), which is primarily used for business purposes, and occasional, personal use of a company car and driver;
- in the case of the named executive officers other than Mr. George, for periods prior to the LMC Split-Off, a deferred compensation plan that provides above-market preferential returns; and
- in the case of Mr. George, a tax gross-up relating to certain out of state income taxes to which Mr. George was subject in connection with the performance of his duties outside of QVC's headquarters.

On occasion, and with the approval of our Chairman or Chief Executive Officer, executives may have family members and other guests accompany them on Liberty Media's corporate aircraft when traveling on business. Under the terms of the employment arrangements with our Chairman and Chief

Executive Officer, those individuals and their guests may use the corporate aircraft we share with Liberty Media for non-business purposes subject to specified limitations.

Pursuant to Mr. Maffei's employment agreement (which was assigned to Liberty Media in the LMC Split-Off), Mr. Maffei is entitled to 120 hours per year of personal flight time through the first to occur of (i) the termination of his employment, except as otherwise provided below, (ii) the cessation of ownership or lease of corporate aircraft or (iii) December 31, 2014. If Mr. Maffei's employment terminates due to disability, for good reason or without cause, Mr. Maffei will be entitled to continued use of the corporate aircraft for 18 months after termination of his employment. Mr. Maffei incurs taxable income, calculated in accordance with the Standard Industry Fare Level (**SIFL**) rates, for all personal use of the corporate aircraft. Pursuant to our services agreement and aircraft sharing arrangement with Liberty Media, we reimburse Liberty Media for any costs, calculated in accordance with SIFL rates, associated with Mr. Maffei using its corporate aircraft that are allocable to our company.

For disclosure purposes, we determine the aggregate incremental cost to our company of an executive's personal use of corporate aircraft using a method that takes into account:

- landing and parking expenses;
- crew travel expenses;
- supplies and catering;
- aircraft fuel and oil expenses per hour of flight;
- any customs, foreign permit and similar fees; and
- passenger ground transportation.

Because the company's aircraft is used primarily for business travel, this methodology excludes fixed costs that do not change based on usage, such as salaries of pilots and crew, purchase or lease costs of aircraft and costs of maintenance and upkeep.

For purposes of determining an executive's taxable income, personal use of corporate aircraft is valued using a method based on SIFL rates, as published by the IRS. The amount determined using the SIFL rates is typically lower than the amount determined using the incremental cost method. Under the American Jobs Creation Act of 2004, the amount we may deduct for a purely personal flight is limited to the amount included in the taxable income of the executives who took the flight. Also, the deductibility of any non-business use will be limited by Section 162(m) of the Code to the extent that the named executive officer's compensation that is subject to that limitation exceeds \$1 million. See "—Deductibility of Executive Compensation" below.

*Deferred Compensation.* Prior to the LMC Split-Off, the named executive officers (other than Mr. George who is an employee of our operating subsidiary, not our company), as well as other executives with the title of Senior Vice President and above, were entitled to participate in our former 2006 Deferred Compensation Plan (as amended and restated) to help accommodate their tax and estate planning objectives. This plan was originally adopted by our board of directors and assumed by Liberty Media in the LMC Split-Off. Under the plan, participants were entitled to elect to defer up to 50% of their base salaries and their cash performance bonuses. Compensation deferred under the plan that otherwise would have been received in 2011 prior to the LMC Split-Off will earn interest income at the rate of 9% per annum, compounded quarterly, for the period of the deferral. In the LMC Split-Off, Liberty Media assumed the plan and all outstanding obligations thereunder. Following the LMC Split-Off, our named executive officers may not participate in the plan with respect to any portion of their base salaries or cash performance bonuses allocable to our company, with the exception of the application of the previously made deferral elections to the 2011 performance-based

bonuses which were paid by Liberty. Mr. Shean had a deferral election in place for such bonus, and we will be responsible for the payment of such deferred amount and all interest thereon going forward. For more information on the deferred compensation plan, see "—Executive Compensation Arrangements—2006 Deferred Compensation Plan" and the "—Nonqualified Deferred Compensation Plans" table below.

#### ***Employment Arrangements with Certain Named Executive Officers***

In December 2009, the compensation committee approved a new compensation package for Mr. Maffei commencing January 1, 2010, which was later memorialized in his employment agreement. In connection with the LMC Split-Off, Liberty Media assumed his employment agreement but we effectively continue to be subject to the compensatory requirements included therein as we share Mr. Maffei's services with Liberty Media. In addition, in connection with the assignment of his employment agreement to Liberty Media, we entered into a separate agreement with Mr. Maffei pursuant to which we memorialized our respective rights and obligations with respect to his Liberty Interactive equity incentive awards. For a more detailed description of these arrangements, see "—Executive Compensation Arrangements—Gregory B. Maffei" below.

In May 2011, in recognition of Mr. George's strong performance at our operating subsidiary, QVC, and to induce him to remain with QVC as its chief executive officer, QVC entered into an employment agreement with Mr. George. Consistent with our executive compensation policies, Mr. Maffei was primarily responsible for negotiating and approving the compensatory elements included in Mr. George's employment agreement (as described in more detail above). For a more detailed description of these arrangements, see "—Executive Compensation Arrangements—Michael A. George" below.

#### ***Deductibility of Executive Compensation***

In developing the compensation packages for the named executive officers, the compensation committee considered the deductibility of executive compensation under Section 162(m) of the Code. That provision prohibits the deduction of compensation of more than \$1 million paid to certain executives, subject to certain exceptions. One exception is for performance-based compensation, including stock options granted under the existing incentive plans or to be granted under the 2010 Incentive Plan. The compensation committee has not adopted a policy requiring all compensation to be deductible under Section 162(m) of the Code, in order to maintain flexibility in making compensation decisions. Portions of the compensation we pay to certain of the named executive officers may not be deductible due to the application of Section 162(m) of the Code.

#### ***Policy on Restatements***

In those instances where we grant cash or equity-based incentive compensation, we include in the related agreement with the executive a right, in favor of our company, to require the executive to repay or return to the company any cash, stock or other incentive compensation (including proceeds from the disposition of shares received upon exercise of options or stock appreciation rights). That right will arise if (1) a material restatement of any of our financial statements is required and (2) in the reasonable judgment of our compensation committee, (A) such restatement is due to material noncompliance with any financial reporting requirement under applicable securities laws and (B) such noncompliance is a result of misconduct on the part of the executive. In determining the amount of such repayment or return, our compensation committee may take into account, among other factors it deems relevant, the extent to which the market value of the applicable series of our common stock was affected by the errors giving rise to the restatement. The cash, stock or other compensation that we may require the executive to repay or return must have been received by the executive during the 12-month period beginning on the date of the first public issuance or the filing with the SEC,

whichever occurs earlier, of the financial statement requiring restatement. The compensation required to be repaid or returned will include (1) cash or company stock received by the executive (A) upon the exercise during that 12-month period of any stock appreciation right held by the executive or (B) upon the payment during that 12-month period of any incentive compensation, the value of which is determined by reference to the value of company stock, and (2) any proceeds received by the executive from the disposition during that 12-month period of company stock received by the executive upon the exercise, vesting or payment during that 12-month period of any award of equity-based incentive compensation.

#### ***Risk Assessment in Compensation Programs***

Following the completion of a risk assessment of our compensation programs applicable to all employees, we have concluded that the design and operation of our compensation programs do not provide our employees with incentive to engage in business activities or other actions that would threaten the value of our company or the investment of our stockholders. We have also concluded that any risks associated with our compensation programs are not reasonably likely to have a material adverse effect on our company. In making these determinations, we considered that the 2011 performance-based bonus program for our executive officers included, as a threshold requirement for the payment of any bonuses, a minimum aggregate market capitalization of our former subsidiary Liberty Media, which would have been supported by Liberty Media's ongoing stock repurchase program. However, we believe that the inclusion of the separate corporate performance evaluation and the individual performance evaluation to establish the actual bonus amounts payable under this program more than mitigate any perceived risk associated with the use of Liberty Media's market capitalization in determining executive compensation. See "Compensation Discussion and Analysis—Elements of 2011 Executive Compensation—2011 Performance-based Bonuses". This assessment also consisted of a review of program policies and practices, determinations as to the sufficiency of risk identification, and determinations as to our ability to manage significant risks arising from such programs.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position (as of 12/31/11)	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards (\$)(2)	Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)	Change in	All Other Compensation (\$)(4)(5)(6)	Total (\$)
							Pension Value and Nonqualified Deferred Compensation Earnings (\$)(3)		
<b>Gregory B. Maffei</b>	2011	1,299,375	—	—	—	1,587,600(7)	—	384,718(8)	3,271,693
President and Chief Executive Officer	2010	1,500,000	—	—	—	4,302,000	—	593,793(8)	6,395,793
	2009	1,000,000	—	1,687,503	79,345,879(9)	5,062,500	4,096	393,587(8)	87,493,565(9)
<b>Charles Y. Tanabe</b>	2011	743,956	—	—	—	454,490(7)	—	30,288	1,228,734
Executive Vice President and General Counsel	2010	875,500	—	—	16,528,958	1,332,073	—	29,403	18,765,934
	2009	875,500	—	350,233	2,292,387	1,050,600	1,361	29,403	4,599,484
<b>David J.A. Flowers</b>	2011	518,862	—	—	—	147,625(7)	—	28,271	694,758
Senior Vice President	2010	650,000	177,000	—	8,815,417	699,075	—	29,403	10,370,895
	2009	650,000	—	205,686	1,222,602	616,992	763	29,403	2,725,446
<b>Michael A. George</b>	2011	1,000,000	—	—	27,867,300(10)	700,000	—	52,583(11)	29,619,883
President, QVC, Inc.									
<b>Albert E. Rosenthaler</b>	2011	569,075	—	—	—	376,092(7)	—	26,517	971,684
Senior Vice President	2010	650,000	—	—	8,815,417	784,388	—	27,122	10,276,927
	2009	650,000	—	205,686	1,222,602	616,992	371	27,122	2,722,773
<b>Christopher W. Shean</b>	2011	569,075	—	—	—	323,369(7)	8,905	25,816	927,165
Senior Vice President and Chief Financial Officer	2010	650,000	—	—	8,815,417	699,075	8,588	26,210	10,199,290
(principal financial officer)	2009	650,000	—	173,651	1,222,602	521,016	5,282	25,640	2,598,191

- (1) With respect to the year ended December 31, 2011, the amounts set forth in this table reflect compensation paid to our named executive officers from January 1, 2011 to September 23, 2011 (the date of the LMC Split-Off) and compensation paid to our named executive officers by Liberty Media, but allocable to our company under the services agreement, for the period September 24, 2011 to December 31, 2011 (except with respect to Mr. George, whose compensation reported below was paid directly by QVC with respect to the entire year and is not covered by the services agreement). With respect to the years ended December 31, 2010 and 2009, the amounts set forth in this table reflect all compensation paid to our named executive officers by our company (other than Mr. George who first became a named executive officer of our company in 2011). See "—Compensation Discussion and Analysis—Services Agreement."
- (2) The aggregate grant date fair value of the equity incentive awards has been computed in accordance with FASB ASC Topic 718, but (pursuant to SEC regulations) without reduction for estimated forfeitures. For a description of the assumptions applied in these calculations, see Note 13 to our consolidated financial statements for the year ended December 31, 2011 (which are included in our Annual Report on Form 10-K as filed with the SEC on February 23, 2012).
- (3) Reflects the above-market earnings credited during 2011, 2010 and 2009 to the deferred compensation accounts of each applicable named executive officer. See "—Compensation Discussion and Analysis—Elements of 2011 Executive Compensation—Deferred Compensation," and "—Nonqualified Deferred Compensation Plans" below. Additionally, the 2011 amount reflected for Mr. Shean represents the portion of above-market earnings incurred prior to the LMC Split-Off and an additional amount of above-market earnings following the LMC Split-Off on the portion of Mr. Shean's year-end bonus which was allocated to our company under the services agreement.
- (4) The Liberty Media 401(k) Savings Plan, which was sponsored and administered by our company prior to the LMC Split-Off, was transferred to and assumed by Liberty Media. The plan provides employees with an opportunity to save for retirement. The Liberty Media 401(k) Savings Plan participants may contribute up to 75% of their eligible compensation on a pre-tax basis to the plan and an additional 10% of their eligible compensation on an after-tax basis (subject to specified maximums and IRS limits), and we contributed a matching contribution based on the participants' contributions as set forth in the plan. Participant contributions to the Liberty Media 401(k) Savings Plan are fully vested upon contribution.

Generally, participants acquire a vested right in our matching contributions as follows:

<u>Years of Service</u>	<u>Vesting Percentage</u>
Less than 1	0%
1 - 2	33%
2 - 3	66%
3 or more	100%

Included in this column, with respect to each named executive officer, is \$24,500 of matching contributions made by our company to the Liberty Media 401(k) Savings Plan in each of 2011, 2010 and 2009, respectively, except with respect to Mr. George, for which a \$16,367 matching contribution was made by QVC to its 401(k) savings plan in 2011. With respect to these matching contributions, all of our named executive officers are fully vested.

- (5) Included in this column are the following life insurance premiums paid by our company (with the exception of Mr. George, whose life insurance premium was paid by QVC), on behalf of each of the named executive officers and, for amounts reflected for 2011 following the LMC Split-Off, paid by Liberty Media and allocated to our company under the services agreement:

<u>Name</u>	<u>Amounts (\$)</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Gregory B. Maffei	2,017	2,622	1,710
Charles Y. Tanabe	5,788	4,903	4,903
David J.A. Flowers	3,771	4,903	4,903
Michael A. George	1,373	—	—
Albert E. Rosenthaler	2,017	2,622	2,622
Christopher W. Shean	1,316	1,710	1,140

- (6) We make available to our personnel, including our named executive officers, tickets to various sporting events with no aggregate incremental cost attributable to any single person.
- (7) Reflects the portion of the 2011 performance-based bonuses paid by our company. See "—Compensation Discussion and Analysis—Elements of 2011 Executive Compensation—2011 Performance-based Bonuses."
- (8) Includes the following:

	<u>Amounts (\$)</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Reimbursement for personal legal services	—	118,589	—
Compensation related to personal use of corporate aircraft(a)	355,201(b)	445,082	364,766

- (a) Calculated based on aggregate incremental cost of such usage to our company.
- (b) Includes the amounts allocated to our company under the services agreement following the LMC Split-Off.

Prior to the LMC Split-Off, we owned an apartment in New York City which was primarily used for business purposes. The apartment was assigned to Liberty Media in the LMC Split-Off. Mr. Maffei makes use of this apartment and a company car and driver for personal reasons. From time to time, we also pay the cost of miscellaneous shipping and catering expenses for Mr. Maffei.

- (9) Includes the grant date fair value of Mr. Maffei's multi-year option award granted in connection with his previous agreement in principle to continue serving as our Chief Executive Officer until 2014. See "—Compensation Discussion and Analysis—Elements of 2011 Executive Compensation—Equity Incentive Compensation" for information regarding our compensation practices relating to equity incentive awards. Although his amended compensation package, which applies to the period 2010-2014, was assumed by Liberty Media in connection with the LMC Split-Off, these awards were granted in December 2009 by our company and are, accordingly, reflected in his 2009 compensation information above. Mr. Maffei entered into a separate agreement with our company with respect to certain of his equity awards (including his Multi-Year Award) in connection with the LMC Split-Off. See "—Executive Compensation Arrangements—Gregory B. Maffei—Agreement Regarding LINTA Equity Awards."
- (10) Represents the grant date fair value of Mr. George's multi-year option award granted in March 2011. See "—Compensation Discussion and Analysis—Elements of 2011 Executive Compensation—Equity Incentive Compensation" and "—Executive Compensation Arrangements—Michael A. George" for more information. Mr. George's multi-year option award is similar in function to the multi-year awards previously granted to named executive officers, and it is anticipated that Mr. George will not receive any additional equity awards during the term of his employment agreement with QVC.
- (11) Includes a tax gross-up relating to certain out of state income taxes to which Mr. George was subject in connection with the performance of his duties outside of QVC's headquarters.

## Executive Compensation Arrangements

### *Gregory B. Maffei*

*Employment Agreement.* On December 17, 2009, the compensation committee approved in principle a new compensation arrangement in favor of Mr. Maffei providing, among other things, for a five year employment term beginning January 1, 2010 and ending December 31, 2014, with an annual base salary of \$1.5 million, increasing annually by 5% of the prior year's base salary, and an annual

target cash bonus equal to 200% of the applicable year's annual base salary. Also, on December 17, 2009, in connection with the approval in principle of his compensation arrangement, Mr. Maffei received a multi-year grant of options to purchase the following shares of our company with exercise prices equal to the closing sale prices of the applicable series of stock on the grant date: 8,743,000 shares of LINTA, 760,000 shares of our former Series A Liberty Starz common stock and 1,353,000 shares of our former Series A Liberty Capital common stock. One-half of the options will vest on the fourth anniversary of the grant date with the remaining options vesting on the fifth anniversary of the grant date, in each case, subject to Mr. Maffei's continued employment on the applicable vesting date. The options have a term of 10 years. See "—Agreement Regarding LINTA Equity Awards" below for more information regarding these options.

On May 17, 2010, we entered into a definitive employment agreement with Mr. Maffei, memorializing the compensation arrangement that was approved in principle by the compensation committee on December 17, 2009. The employment agreement also included terms related to Liberty Interactive equity awards held by Mr. Maffei, including the multi-year award of options that was granted to him on December 17, 2009 (as described in more detail below).

In connection with the LMC Split-Off, Liberty Media assumed this employment agreement, and in February 2012 the agreement was amended and restated effective September 23, 2011 to reflect the change in employer and to specify the equity awards covered by the agreement following the LMC Split-Off. The amended and restated agreement with Liberty Media provides that: (i) in the event Mr. Maffei is terminated for cause (as defined in the agreement) he will be entitled only to his accrued base salary, unpaid expenses and any amounts due under applicable law; (ii) if Mr. Maffei terminates his employment without good reason (as defined in the agreement), he will be entitled only to his accrued base salary, accrued but unpaid bonus for the prior year, unpaid expenses and any amounts due under applicable law (**Standard Payments**); (iii) if Mr. Maffei is terminated by Liberty Media without cause or if he terminates his employment for good reason, the agreement provides for him to receive the Standard Payments and a severance payment of \$7.8 million; and (iv) in the case of Mr. Maffei's death or his disability, the agreement provides for the right to receive the Standard Payments and a severance payment of \$7.8 million. In addition, if Mr. Maffei is terminated without cause or due to disability, or terminates his employment for good reason, Mr. Maffei will be entitled to continuation of certain perquisites for 18 months, including use of our corporate aircraft. Although we are not a party to Mr. Maffei's amended and restated employment agreement, we are obligated to reimburse Liberty Media for our allocable portion of any payments made to Mr. Maffei thereunder (other than payments relating to equity awards which are not allocable under the services agreement) pursuant to the services agreement.

*Agreement Regarding LINTA Equity Awards.* Following the LMC Split-Off, Mr. Maffei continued to be the President and Chief Executive Officer of our company and we entered into an Agreement Regarding LINTA Equity Awards with Mr. Maffei, effective as of September 23, 2011, pursuant to which we agreed that for so long as Mr. Maffei is employed by us he will be employed as the company's President and Chief Executive Officer and will be nominated and recommended for election to our board of directors at each annual meeting of shareholders occurring prior to December 31, 2014. The agreement includes provisions, similar to those in Mr. Maffei's December 2009 employment agreement, regarding his employment as our company's President and Chief Executive Officer while he is employed by our company and regarding his position on our board of directors, including his membership on the executive committee of the board. The agreement does not include an obligation to pay Mr. Maffei a salary or bonus or to provide him with benefits (other than reimbursement of expenses) or to pay him severance upon termination of his employment with us, but our company bears a portion of the cost to Liberty Media of Mr. Maffei's salary, bonus, severance and other benefits pursuant to agreements entered into between our company and Liberty Media in connection with the LMC Split-Off (as described above).

The Agreement Regarding LINTA Equity Awards also includes terms previously set forth in his 2009 employment agreement with us that relate to Liberty Interactive Corporation equity awards held by Mr. Maffei, including terms that affect the options to now purchase 8,743,000 shares of LINTA stock at an exercise price of \$10.27 per share that were granted to Mr. Maffei on December 17, 2009 (the **Multi-Year Award**). One-half of the options granted in the Multi-Year Award will vest on the fourth anniversary of the grant date with the remaining options vesting on the fifth anniversary of the grant date, in each case, subject to Mr. Maffei being employed by our company on the applicable vesting date and to the early vesting events described below. The options have a term of 10 years.

The Agreement Regarding LINTA Equity Awards provides that, in the event Mr. Maffei is terminated for cause (as defined in the agreement), or if he terminates his employment without good reason (as defined in the agreement), he will forfeit all rights to his unvested restricted shares and unvested options. However, in both cases, his vested, unexercised options and similar rights as of his termination date will remain exercisable either (1) for 90 days after his termination or until the original expiration date of the applicable award, if sooner, or (2) if any such termination of his employment occurs following December 31, 2014 or following a change in control of our company (as defined in the agreement), until the original expiration date of the applicable award. If Mr. Maffei is terminated by our company without cause or if he terminates his employment for good reason, the agreement provides for his unvested restricted shares and unvested options and similar rights (including his Multi-Year Award) to vest pro rata based on the portion of the vesting period elapsed through the termination date plus 18 months and for all vested and accelerated options and similar rights to remain exercisable until their respective expiration dates; provided, that if Mr. Maffei continues to be employed by Liberty Media following such a termination from our company without cause or for good reason, he may elect to have his unvested equity awards continue to vest in accordance with the terms of the agreement based on his continued service with Liberty Media. If a termination without cause or for good reason occurs within 90 days before or 210 days after members of the Malone Group (as defined in the agreement) cease to meet certain ownership requirements with respect to our company as described in the agreement, then Mr. Maffei's unvested restricted shares and unvested options and similar rights granted by our company will instead vest in full and will remain exercisable until their respective expiration dates. In the case of Mr. Maffei's death or his disability, the agreement provides for his unvested restricted shares and unvested options and similar rights to fully vest and for his vested and accelerated options and similar rights to remain exercisable until their respective expiration dates. Further, in the event of certain change in control transactions, including spin-off or split-off transactions which exceed a specified threshold of our company's consolidated assets, Mr. Maffei's unvested restricted shares and unvested options and similar rights would vest in full unless Mr. Maffei is named the Chief Executive Officer of the spin-off or split-off entity and his equity awards are adjusted in the transaction in such a manner as to preserve the intrinsic value thereof.

The Agreement Regarding LINTA Equity Awards further provides that it is intended to meet the requirements of Section 409A of the Internal Revenue Code (the **Code**) and provides for certain reimbursements to Mr. Maffei in the event the agreement does not so comply. The agreement also contains customary provisions pertaining to confidentiality and limitations on outside activities.

*Aircraft Usage.* In 2008, we entered into a letter agreement with Mr. Maffei, which was assumed by Liberty Media in connection with the LMC Split-Off, pursuant to which he is entitled to personal use of corporate aircraft not to exceed 120 hours of flight time per year through the first to occur of the termination of his employment agreement with Liberty Media or the cessation of aircraft ownership by Liberty Media. Mr. Maffei will continue to incur taxable income, calculated in accordance with SIFL, for all personal use of Liberty Media's corporate aircraft. Pursuant to our services agreement and aircraft sharing arrangement with Liberty Media, we reimburse Liberty Media for any costs, calculated in accordance with SIFL, associated with Mr. Maffei using its corporate aircraft that are allocable to our company.

On May 3, 2011, QVC entered into an employment agreement with Mr. George. The agreement provides for, among other things, a five year employment term beginning January 1, 2011 and ending December 15, 2015, with an annual base salary of \$1 million, increasing annually by 3% of the prior year's base salary, and an annual target cash bonus equal to 100% of the applicable year's annual base salary which will be determined by the chief executive officer of our company pursuant to criteria established in QVC's annual bonus program (which program is approved each year by our company's chief executive officer) or, in the event Mr. George is considered a "covered employee" for any given year for purposes of Section 162(m) of the Code, his bonus will be determined by our company's compensation committee based on such criteria as approved in advance by such committee and that are designed in a manner such that the bonus will be treated as "qualified performance-based compensation" within the meaning of Section 162(m). Also pursuant to the agreement, Mr. George is entitled to certain welfare, retirement and fringe benefits available to senior-level executives of QVC.

On March 2, 2011, Mr. George was granted 3.8 million options to acquire shares of LINTA (the **2011 LINTA Options**) at an exercise price of \$16.01 per share, which was the closing price of LINTA on such date. One-half of the 2011 LINTA Options will vest on December 15, 2014 with the remaining options vesting on December 15, 2015. The options have a term of 7 years. It is anticipated that Mr. George will not receive any additional equity award grants during the term of his employment agreement.

The agreement provides that, in the event Mr. George is terminated for cause (as defined in the agreement), he will be entitled to his accrued base salary through the date of termination, unpaid expenses, his vested benefits and any amounts due under applicable law. In addition, all equity awards granted to Mr. George prior to January 1, 2011 that are outstanding and unvested at the time of his termination for cause (the **Pre-2011 Unvested Awards**) and all 2011 LINTA Options then held by Mr. George that have not become exercisable as of the date of such termination will be forfeited, and all equity awards granted to Mr. George prior to January 1, 2011 that are outstanding and vested but unexercised at the time of such termination (the **Pre-2011 Vested Awards**) and all 2011 LINTA Options that are outstanding and vested but unexercised as of the date of such termination will remain exercisable for a period of up to 90 days after the date of such termination or until the original expiration date of the options if sooner. If Mr. George terminates his employment without good reason (as defined in the agreement), he will be entitled to his accrued base salary through the date of termination, any declared but unpaid bonus for the calendar year prior to the year of termination, unpaid expenses, his vested benefits and any amounts due under applicable law. He will forfeit all rights to any Pre-2011 Unvested Awards and to any 2011 LINTA Options then held that have not become exercisable as of the date of his termination, any Pre-2011 Vested Awards that are options or similar rights will be treated as specified in the applicable agreement governing such equity award, and any 2011 LINTA Options that are outstanding and vested but unexercised as of the date of termination will be exercisable for a period of 90 days after the date of termination or until the original expiration date of the options if sooner. If, however, Mr. George terminates his employment for good reason or if his employment is terminated by QVC without cause, then he is entitled to receive his base salary for a period of one year and a lump sum payment of \$1.5 million, in addition to accrued base salary through the date of termination, unpaid expenses, his vested benefits and any other amounts due under applicable law. In addition, any Pre-2011 Unvested Awards held on the date of termination that would have vested during the 365-day period following the date of such termination had Mr. George continued to be employed by QVC during such period will vest as of the date of termination. Further, a pro rata portion of each tranche of the 2011 LINTA Options that is not vested on the date of termination will vest as of such date, with such pro rata portion based on the portion of time Mr. George was employed by QVC and its affiliates during the vesting period of such tranche plus 365 days. The exercisability of any Pre-2011 Vested Awards, any vested 2011 LINTA Options and any

Pre-2011 Unvested Awards that vest pursuant to the foregoing sentence will be extended to the earlier of the original expiration date of the option or two years from the date of the termination. In the case of Mr. George's death or disability (as defined in the agreement), the agreement provides for the right to receive his base salary for a period of one year, his accrued base salary through the date of termination, unpaid expenses, any declared but unpaid bonus for the calendar year prior to the year in which the termination occurs, his vested benefits and any amounts due under applicable law. In addition, the Pre-2011 Vested Awards, the Pre-2011 Unvested Awards and the 2011 LINTA Options will immediately vest and become exercisable (to the extent not already vested) and will be exercisable throughout the remainder of the full original term of such equity award.

### *Equity Incentive Plans*

The 2007 Incentive Plan and the 2010 Incentive Plan are administered by the compensation committee of our board of directors. The compensation committee has full power and authority to grant eligible persons the awards described below and to determine the terms and conditions under which any awards are made. The existing incentive plans are designed to provide additional remuneration to certain employees and independent contractors for exceptional service and to encourage their investment in our company. Our compensation committee may grant non-qualified stock options, SARs, restricted shares, restricted stock units, cash awards, performance awards or any combination of the foregoing under the existing incentive plans (collectively, **awards**).

The maximum number of shares of our common stock with respect to which awards may be issued under the 2007 Incentive Plan is 38,185,000 and under the 2010 Incentive Plan is 40,915,000, subject, in each case, to anti-dilution and other adjustment provisions of the respective plans. With limited exceptions, no person may be granted in any calendar year awards covering more than 6,439,698 shares of our common stock under the 2007 Incentive Plan and 6,546,903 shares of our common stock under the 2010 Incentive Plan (subject, in each case, to anti-dilution and other adjustment provisions of the plans) nor may any person receive under each of the existing incentive plans payment for cash awards during any calendar year in excess of \$10 million. Shares of our common stock issuable pursuant to awards made under the existing incentive plans are made available from either authorized but unissued shares or shares that have been issued but reacquired by our company. Each of the 2007 Incentive Plan and the 2010 Incentive Plan has a 5 year term.

### *2006 Deferred Compensation Plan*

Effective for the year beginning January 1, 2007 and until the time of the LMC Split-Off, officers of our company at the level of Senior Vice President and above were eligible to participate in the Liberty Media Corporation 2006 Deferred Compensation Plan (as amended and restated, the **2006 deferred compensation plan**). In connection with the LMC Split-Off (pursuant to which employees of our company became employees of Liberty Media), Liberty Media assumed this plan and all obligations outstanding thereunder. Prior to the assumption of this plan by Liberty Media, each eligible officer of our company, including our Chief Executive Officer, principal financial officer and principal accounting officer, could elect to defer up to 50% of his annual base salary and the cash portion of his performance bonus under the 2006 deferred compensation plan. Elections were required to be made in advance of certain deadlines and could include (1) the selection of a payment date, which generally could not be later than 30 years from the end of the year in which the applicable compensation is initially deferred, and (2) the form of distribution, such as a lump-sum payment or substantially equal annual installments over two to five years. Compensation deferred under the 2006 deferred compensation plan earned interest at the rate of 9% per year, compounded quarterly at the end of each calendar quarter.

As a result of the assumption by Liberty Media of this plan, an officer of our company is only permitted to defer up to 50% of the portion of such officer's annual base salary and the portion of

such officer's performance bonus, in each case, allocable to Liberty Media pursuant to the services agreement. Our officers are no longer permitted to elect the deferral of a portion of their base salary and performance bonus allocable to our company, with the exception of the application of the previously made deferral elections to the 2011 performance-based bonuses which were paid by Liberty. Mr. Shean had a deferral election in place for such bonus, and we will be responsible for the payment of such deferred amount and all interest thereon going forward.

The Liberty Media board of directors reserves the right to terminate the 2006 deferred compensation plan at any time. An optional termination by the Liberty Media board of directors will not result in any distribution acceleration.

#### Grants of Plan-Based Awards

The following table contains information regarding plan-based incentive awards granted during the year ended December 31, 2011 to the named executive officers.

Name	Grant Date(1)	Estimated Future Payouts under Non-equity Incentive Plan Awards			All other stock awards: Number of shares of stock or units (#)	All other option awards: Number of securities underlying options (#)	Exercise or base price of option awards (\$/Sh)	Grant date fair value of stock and option awards (\$)
		Threshold \$(2)	Target \$(2)	Maximum \$(3)				
<b>Gregory B. Maffei</b>	3/10/11	—	—	6,300,000	—	—	—	
<b>Charles Y. Tanabe</b>	3/10/11	—	—	1,803,530	—	—	—	
<b>David J.A. Flowers</b>	3/10/11	—	—	1,004,250	—	—	—	
<b>Michael A. George</b>	3/1/11	—	—	4,800,000	—	—	—	
LINTA	—	—	—	—	—	3,800,000(4)	16.01	27,867,300
<b>Albert E. Rosenthaler</b>	3/10/11	—	—	1,004,250	—	—	—	
<b>Christopher W. Shean</b>	3/10/11	—	—	1,004,250	—	—	—	

- (1) With respect to Messrs. Maffei, Tanabe, Flowers, Rosenthaler and Shean, reflects the date on which our company's compensation committee established the terms of the 2011 performance-based bonus program, as described under "Compensation Discussion and Analysis—Elements of 2011 Executive Compensation—2011 Performance-based Bonuses—Liberty Awards." With respect to Mr. George, reflects the date on which our company's compensation committee approved his performance-based bonus, as described under "Compensation Discussion and Analysis—Elements of 2011 Executive Compensation—2011 Performance-based Bonuses—QVC Award."
- (2) Our 2011 performance-based bonus programs do not provide for a threshold bonus amount nor do they provide for a target payout amount for any named executive officer. For the actual bonuses paid by our company and QVC, as applicable, see the amounts included for 2011 in the column entitled Non-Equity Incentive Plan Compensation in the "Summary Compensation Table" above.
- (3) With respect to Messrs. Maffei, Tanabe, Flowers, Rosenthaler and Shean, represents the maximum amount that would have been payable to each named executive officer assuming (x) the 2011 Market Capitalization Threshold was exceeded by a sufficient amount to permit the maximum bonus amounts to have been payable, (y) the highest corporate performance rating of 10 was ascribed for 2011 and (z) the highest individual performance rating of 10 was ascribed for 2011 to each named executive officer, and does not give effect to the allocation of any portion of such maximum bonus amount to Liberty Media under the services agreement. For more information on this performance bonus program, see "—Compensation Discussion and Analysis—Elements of 2011 Executive Compensation—2011 Performance-based Bonuses—Liberty Interactive Awards." With respect to Mr. George, represents the maximum amount that would have been payable to Mr. George assuming (x) the highest QVC EBITDA growth target of 15% was achieved and (y) Mr. George's individual performance warranted the maximum additional increase of his bonus determined based on QVC EBITDA growth. For more information on this performance bonus program, see "—Compensation Discussion and Analysis—Elements of 2011 Executive Compensation—2011 Performance-based Bonuses—QVC Award."
- (4) Vests one-half on December 15, 2014 and one-half on December 15, 2015.

## Outstanding Equity Awards at Fiscal Year-End

The following table contains information regarding unexercised options and unvested shares of our common stock which were outstanding as of December 31, 2011 and held by the named executive officers, including those awards granted during 2011 and reflected in the "Grants of Plan-Based Awards" table above.

Name	Option awards				Stock awards	
	Number of securities underlying unexercised options (#) Exercisable	Number of securities underlying unexercised options (#) Unexercisable	Option exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)
<b>Gregory B. Maffei</b>						
<i>Option Awards</i>						
LINTA	1,375,000	—	16.91	11/8/12	—	—
LINTA	78,125	—	17.65	3/2/13	—	—
LINTA	453,900	—	24.06	3/29/14	—	—
LINTA	462,779	—	19.96	12/24/14	—	—
LINTA	1,029,840	343,292(1)	2.91	12/16/15	—	—
LINTA	—	8,743,000(2)	10.27	12/17/19	—	—
<i>Stock Awards</i>						
LINTA	—	—	—	—	31,220(3)	506,388
<b>Charles Y. Tanabe</b>						
<i>Option Awards</i>						
LINTA	62,500	—	16.97	7/31/13	—	—
LINTA	56,250	—	15.46	8/6/14	—	—
LINTA	70,000	—	18.54	8/2/12	—	—
LINTA	51,042	—	17.52	2/28/13	—	—
LINTA	128,600	—	24.06	3/29/14	—	—
LINTA	130,598	—	19.96	12/24/14	—	—
LINTA	72,996	97,329(1)	2.91	12/16/15	—	—
LINTA	144,164	144,164(4)	10.27	12/17/16	—	—
LINTA	—	1,247,637(5)	14.62	3/19/20	—	—
<i>Stock Awards</i>						
LINTA	—	—	—	—	6,480(3)	105,106
<b>David J.A. Flowers</b>						
<i>Option Awards</i>						
LINTA	50,000	—	16.97	7/31/13	—	—
LINTA	62,500	—	15.46	8/6/14	—	—
LINTA	75,000	—	18.54	8/2/12	—	—
LINTA	45,208	—	17.52	2/28/13	—	—
LINTA	68,100	—	24.06	3/29/14	—	—
LINTA	69,214	—	19.96	12/24/14	—	—
LINTA	155,724	51,909(1)	2.91	12/16/15	—	—
LINTA	76,887	76,888(4)	10.27	12/17/16	—	—
LINTA	—	665,405(5)	14.62	3/19/20	—	—
<i>Stock Awards</i>						
LINTA	—	—	—	—	3,806(3)	61,733

Name	Option awards				Stock awards	
	Number of securities underlying unexercised options (#) Exercisable	Number of securities underlying unexercised options (#) Unexercisable	Option exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)
<b>Michael A. George</b>						
<i>Option Awards</i>						
LINTA	9,375	65,625(6)	3.24	2/27/16	—	—
LINTA	9,375	65,625(6)	6.00	2/27/16	—	—
LINTA	275,000	225,000(7)	6.00	4/6/16	—	—
LINTA	275,000	225,000(7)	3.41	4/6/16	—	—
LINTA	18,750	56,250(7)	6.00	4/6/16	—	—
LINTA	43,750	56,250(7)	3.41	4/6/16	—	—
LINTA	246,710	411,185(8)	12.97	3/1/17	—	—
LINTA	—	3,800,000(9)	16.01	3/2/18	—	—
<i>Stock Awards</i>						
LINTA	—	—	—	—	200,000(10)	3,244,000
LINTA	—	—	—	—	80,358(11)	1,303,407
<b>Albert E. Rosenthaler</b>						
<i>Option Awards</i>						
LINTA	128,200	—	19.25	3/1/12	—	—
LINTA	62,500	—	16.97	7/31/13	—	—
LINTA	62,500	—	15.46	8/6/14	—	—
LINTA	75,000	—	18.54	8/2/12	—	—
LINTA	42,208	—	17.52	2/28/13	—	—
LINTA	68,100	—	24.06	3/29/14	—	—
LINTA	69,214	—	19.96	12/24/14	—	—
LINTA	64,885	51,909(1)	2.91	12/16/15	—	—
LINTA	76,887	76,888(4)	10.27	12/17/16	—	—
LINTA	—	665,405(5)	14.62	3/19/20	—	—
<i>Stock Awards</i>						
LINTA	—	—	—	—	3,806(3)	61,733
<b>Christopher W. Shean</b>						
<i>Option Awards</i>						
LINTA	62,500	—	16.97	7/31/13	—	—
LINTA	62,500	—	15.46	8/6/14	—	—
LINTA	65,000	—	18.54	8/2/12	—	—
LINTA	51,042	—	17.52	2/28/13	—	—
LINTA	68,100	—	24.06	3/29/14	—	—
LINTA	69,214	—	19.96	12/24/14	—	—
LINTA	129,770	51,909(1)	2.91	12/16/15	—	—
LINTA	76,887	76,888(4)	10.27	12/17/16	—	—
LINTA	—	665,405(5)	14.62	3/19/20	—	—
<i>Stock Awards</i>						
LINTA	—	—	—	—	3,214(3)	52,131

- (1) Vests quarterly (based on original amount of grant) over 4 years from December 16, 2008 grant date.
- (2) Vests 50% on December 17, 2013 and 50% on December 17, 2014.
- (3) Vests quarterly (based on original amount of grant) over 3 years from December 17, 2009 grant date.
- (4) Vests quarterly (based on original amount of grant) over 4 years from December 17, 2009 grant date.
- (5) Vests one-third on June 30, 2013, one-third on June 30, 2014 and one-third on December 31, 2015.
- (6) Vests semi-annually (based on original amount of grant) over 4 years from February 27, 2009 grant date.
- (7) Vests semi-annually (based on original amount of grant) over 4 years from April 6, 2009 grant date.
- (8) Vests semi-annually (based on original amount of grant) over 4 years from March 1, 2010 grant date.

- (9) Vests 50% on December 15, 2014 and 50% on December 15, 2015.
- (10) Vests annually (based on original amount of grant) over 4 years from February 27, 2009 grant date.
- (11) Vests annually (based on original amount of grant) over 4 years from March 1, 2010 grant date.

### Option Exercises and Stock Vested

The following table sets forth information regarding the exercise of vested options and the vesting of restricted stock held by our named executive officers, in each case, during the year ended December 31, 2011.

Name	Option Awards		Stock Awards	
	Number of shares acquired on exercise #(1)	Value realized on exercise (\$)	Number of shares acquired on vesting #(1)	Value realized on vesting (\$)
<b>Gregory B. Maffei</b>				
LCAPA(2)	—	—	48,855	3,635,626
LINTA	—	—	163,479	2,593,592
LSTZA(3)	—	—	10,109	749,652
<b>Charles Y. Tanabe</b>				
LCAPA(2)	25,739	1,802,397	11,667	868,219
LINTA	121,660	1,793,679	38,397	609,166
LSTZA(3)	5,692	245,001	2,612	193,695
<b>David J.A. Flowers</b>				
LCAPA(2)	—	—	5,389	401,029
LINTA	—	—	18,277	289,961
LSTZA(3)	—	—	1,369	101,522
<b>Michael A. George</b>				
LINTA	275,000	3,309,168	126,785	2,063,971
<b>Albert E. Rosenthaler</b>				
LCAPA(2)	12,637	777,885	6,517	484,971
LINTA	—	—	21,580	342,364
LSTZA(3)	8,239	355,493	1,428	105,896
<b>Christopher W. Shean</b>				
LCAPA(2)	57,036	4,308,836	5,884	437,865
LINTA	—	—	19,337	306,778
LSTZA(3)	—	—	1,361	100,930

- (1) Includes shares withheld in payment of withholding taxes at election of holder.
- (2) Reflects exercises and vesting events with respect to shares of Series A Liberty Capital common stock (LCAPA) occurring prior to the LMC Split-Off on September 23, 2011.
- (3) Reflects exercises and vesting events with respect to shares of Series A Liberty Starz common stock (LSTZA) occurring prior to the LMC Split-Off on September 23, 2011.

## Nonqualified Deferred Compensation Plans

The following table sets forth information regarding the 2006 deferred compensation plan in which Mr. Shean participated during the year ended December 31, 2011. No other named executive officers participated in this plan during such time. In connection with the LMC Split-Off, this plan and the outstanding obligations thereunder were assumed by Liberty Media effective September 23, 2011. See "—Executive Compensation Arrangements—2006 Deferred Compensation" for more information.

Name	Executive contributions in 2011 (\$)	Registrant contributions in 2011 (\$)	Aggregate earnings in 2011 \$(1)	Aggregate withdrawals/distributions (\$)	Responsibility under Plan transferred to Liberty Media	Aggregate balance at 12/31/11 \$(2)
Christopher W. Shean	82,549	—	36,772	(57,808)	(587,354)	(3)

- (1) Of these amounts, \$8,905 was reported in the "Summary Compensation Table" as above-market earnings that were credited to Mr. Shean's deferred compensation account during 2011.
- (2) In our prior year proxy statements, we reported the following above-market earnings that were credited as interest to the applicable officer's deferred compensation accounts during the years reported:

Name	Amount (\$)		
	2010	2009	2008
Gregory B. Maffei	—	4,096	41,937
Charles Y. Tanabe	—	1,361	13,860
David J.A. Flowers	—	763	8,331
Albert E. Rosenthaler	—	371	3,337
Christopher W. Shean(a)	8,588	5,282	2,681

- (a) Prior year amounts for Mr. Shean have been restated to correct a clerical error.
- (3) As described above in "—Executive Compensation Arrangements—2006 Deferred Compensation," Mr. Shean had a deferral election in place under the 2006 deferred compensation plan following the LMC Split-Off with respect to \$32,336, which represents 10% of the portion of his 2011 performance-based bonus that was allocable to and paid by our company. While such amount is reflected in the amounts under the plan that were transferred to Liberty Media upon its assumption of the plan and obligations thereunder, Liberty will be responsible for the payment of the \$32,336 of deferred principal amount and for the payment of interest income at the rate of 9% per annum, compounded quarterly, thereon.

## Potential Payments Upon Termination or Change-in-Control

The following table sets forth the potential payments to our named executive officers if their employment had terminated or a change in control had occurred, in each case, as of December 31, 2011. In the event of such a termination or change in control, the actual amounts may be different due to various factors. In addition, we may enter into new arrangements or modify these arrangements from time to time.

The amounts provided in the tables are based on the closing market prices on December 30, 2011, the last trading day of such year, for each series of our common stock then-outstanding: LINTA—\$16.22 and LINTB—\$16.25. The value of the options and SARs shown in the table is based on the spread between the exercise or base price of the award and the applicable closing market price. The value of the restricted stock shown in the table is based on the applicable closing market price and the number of shares vested.

Each of our named executive officers has received awards and payments under the existing incentive plans. Additionally, each of Messrs. Maffei and George is entitled to certain payments upon termination under his respective employment agreement. See "—Executive Compensation Arrangements" above.

Set forth below is a description of the circumstances giving rise to these potential payments and a brief summary of the provisions governing their payout:

*Voluntary Termination.* Under the existing incentive plans, each named executive officer would only have a right to the equity grants that vested prior to his termination date.

*Termination for Cause.* All equity grants (whether vested or unvested) under the existing incentive plans would be forfeited by any named executive officer (other than Mr. Maffei and Mr. George) who is terminated for "cause." The existing incentive plans define "cause" as insubordination, dishonesty, incompetence, moral turpitude, other misconduct of any kind and the refusal to perform his duties and responsibilities for any reason other than illness or incapacity; provided that, if such termination is within 12 months after a change in control (as described below), "cause" means a felony conviction for fraud, misappropriation or embezzlement. Pursuant to Mr. Maffei's Agreement Regarding LINTA Equity Awards, in the event of his termination for cause (as defined in his agreement), Mr. Maffei's vested stock options and similar rights would remain exercisable for a short period following his termination. Pursuant to Mr. George's employment agreement, his Pre-2011 Vested Awards and vested 2011 LINTA Options would also remain exercisable for a short period following his termination.

*Termination Without Cause or for Good Reason.* Pursuant to the existing incentive plans and the related award agreements (and except as described below), if a named executive officer were terminated by our company without cause or by such named executive officer for good reason (as defined in the applicable award agreements), in addition to his vested equity awards, he would be entitled to vesting in full with respect to any outstanding options or SARs that would have vested during the calendar year in which the termination occurs. Mr. Maffei's Agreement Regarding LINTA Equity Awards instead provides for an additional 18 months of vesting following a termination without cause or for good reason with respect to his equity incentive awards, including his Multi-Year Award. Similarly, the award agreements relating to Messrs. Tanabe's, Shean's, Flower's and Rosenthaler's multi-year awards and Mr. George's employment agreement with respect to his Pre-2011 Unvested Awards provide for an additional 12 months of vesting. Mr. George's employment agreement also provides that his 2011 LINTA Options would vest as to the portion of the unvested awards that could have vested during his employment with QVC (without regard to the cliff vesting feature of the 2011 LINTA Options) and an additional 12 months thereafter.

*Death.* In the event of death, the existing incentive plans provide for vesting in full of any outstanding options or SARs and the lapse of restrictions on any restricted share awards.

No amounts are shown for payments pursuant to life insurance policies, which we make available to all our employees.

*Disability.* In the event of a disability, which is generally the inability to perform gainful activity for at least 12 months, the existing incentive plans provide for vesting in full of any outstanding options or SARs and the lapse of restrictions on any restricted share awards.

No amounts are shown for payments pursuant to short-term and long-term disability policies, which we make available to all our employees.

*Change in Control.* In case of a change in control, the incentive plans provide for vesting in full of any outstanding options or SARs and the lapse of restrictions on any restricted share awards. A change in control is generally defined as:

- The acquisition of beneficial ownership of at least 20% of the combined voting power of the then outstanding shares of our company ordinarily having the right to vote in the election of directors.
- Any non-exempt person purchases our common stock pursuant to a tender offer or exchange offer, without the prior consent of our board of directors.
- The individuals constituting our board of directors over any two consecutive years cease to constitute at least a majority of the board, subject to certain exceptions that permit the board to approve new members by approval of at least two-thirds of the remaining directors.
- Any merger, consolidation or binding share exchange that causes the persons who were common stockholders of our company immediately prior thereto to lose their proportionate interest in the common stock or voting power of the successor or to have less than a majority of the combined voting power of the then outstanding shares ordinarily having the right to vote in the election of directors, the sale of substantially all of the assets of the company or the dissolution of the company.

In the case of a change in control described in the last bullet point, our compensation committee may determine not to accelerate the existing equity awards (other than those held by Mr. Maffei, whose awards are more specifically covered by the terms of his Agreement Regarding LINTA Equity Awards, or by Mr. George, whose awards are more specifically covered by the terms of his employment agreement) if equivalent awards will be substituted for the existing awards. For purposes of the tabular presentation below, we have assumed no such determination was made.

**Benefits Payable Upon Termination or Change in Control**

<b>Name</b>	<b>Voluntary Termination (\$)</b>	<b>Termination for Cause (\$)</b>	<b>Termination Without Cause or for Good Reason (\$)</b>	<b>Death (\$)</b>	<b>Disability (\$)</b>	<b>After a Change in Control (\$)</b>
<b>Gregory B. Maffei</b>						
Severance(1)	—	—	2,340,000	2,340,000	2,340,000	2,340,000
Options/SARs	13,707,170(2)	13,707,170(2)	18,276,387(3)	70,297,237(4)	70,297,237(4)	70,297,237(4)
Restricted Stock	—	—	506,388(3)	506,388(4)	506,388(4)	506,388(4)
<b>Total</b>	<b>13,707,170</b>	<b>13,707,170</b>	<b>21,122,775</b>	<b>73,143,625</b>	<b>73,143,625</b>	<b>73,143,625</b>
<b>Charles Y. Tanabe</b>						
Options/SARs	1,872,103(2)	—	1,872,103(2)(5)	6,021,547(4)	6,021,547(4)	6,021,547(4)
Restricted Stock	—	—	—	105,106(4)	105,106(4)	105,106(4)
<b>Total</b>	<b>1,872,103</b>	<b>—</b>	<b>1,872,103</b>	<b>6,126,653</b>	<b>6,126,653</b>	<b>6,126,653</b>
<b>David J.A. Flowers</b>						
Options/SARs	2,577,664(2)	—	2,577,664(2)(5)	4,790,704(4)	4,790,704(4)	4,790,704(4)
Restricted Stock	—	—	—	61,733(4)	61,733(4)	61,733(4)
<b>Total</b>	<b>2,577,664</b>	<b>—</b>	<b>2,577,664</b>	<b>4,852,437</b>	<b>4,852,437</b>	<b>4,852,437</b>
<b>Michael A. George</b>						
Severance(6)	—	—	1,500,000	—	—	1,500,000
Base Compensation Continuing Payment(7)	—	—	1,000,000	1,000,000	1,000,000	1,000,000
Options/SARs	8,104,620(2)	8,104,620	12,100,920(8)	18,238,659(4)	18,238,659(4)	18,238,659(4)
Restricted Stock	—	—	—	4,547,407	4,547,407	4,547,407
<b>Total</b>	<b>8,104,620</b>	<b>8,104,620</b>	<b>14,600,920</b>	<b>23,786,066</b>	<b>23,786,066</b>	<b>25,286,066</b>
<b>Albert E. Rosenthaler</b>						
Options/SARs	1,368,597(2)	—	1,368,597(2)(5)	3,581,637(4)	3,581,637(4)	3,581,637(4)
Restricted Stock	—	—	—	61,733(4)	61,733(4)	61,733(4)
<b>Total</b>	<b>1,368,597</b>	<b>—</b>	<b>1,368,597</b>	<b>3,643,370</b>	<b>3,643,370</b>	<b>3,643,370</b>
<b>Christopher W. Shean</b>						
Deferred Compensation(9)	32,433(10)	32,433(11)	32,433(11)	32,433(12)	32,433(12)	32,433(13)
Options/SARs	2,232,216(2)	—	2,232,216(2)(5)	4,445,257(4)	4,445,257(4)	4,445,257(4)
Restricted Stock	—	—	—	52,131(4)	52,131(4)	52,131(4)
<b>Total</b>	<b>2,264,649</b>	<b>32,433</b>	<b>2,264,649</b>	<b>4,529,821</b>	<b>4,529,821</b>	<b>4,529,821</b>

- (1) If Mr. Maffei's employment had been terminated at Liberty Media's election for any reason (other than cause) or by Mr. Maffei for good reason (as defined in his employment agreement) (whether before or within a specified period following a change in control), as of December 31, 2011, he would have been entitled to receive a lump sum payment of \$7,800,000. See "—Executive Compensation Arrangements—Gregory B. Maffei" above. Although Mr. Maffei's employment agreement (as amended) was assumed by Liberty Media in the LMC Split-Off, the 30% of such lump sum severance payment that would have been allocable to our company pursuant to the services agreement is reflected in the table.
- (2) Based on the number of vested options and SARs held by each named executive officer at year-end. For more information, see the "Outstanding Equity Awards at Fiscal Year-End" table above.
- (3) Based on (i) the number of vested options and SARs held by Mr. Maffei at year-end and (ii) the number of unvested options and SARs and the number of shares of restricted stock held by Mr. Maffei at year-end that would vest during his 18-month severance period (January 1, 2012 through June 30, 2013), pursuant to his employment arrangements. See "—Executive Compensation Arrangements—Gregory B. Maffei" above and the "Outstanding Equity Awards at Fiscal Year-End" table above.
- (4) Based on (i) the number of vested options and SARs and (ii) the number of unvested options and SARs and the number of shares of restricted stock, in each case, held by each named executive officer at year-end. For more information, see the "Outstanding Equity Awards at Fiscal Year-End" table above.

- (5) Does not include any portion of the multi-year awards granted to such named executive officer because, even giving effect to the additional 12 months of vesting, no portion of such multi-year awards would have become vested.
- (6) If Mr. George's employment had been terminated at QVC's election without cause or by Mr. George for good reason (as defined in his employment agreement) (whether before or within a specified period following a change in control), as of December 31, 2011, he would have been entitled to receive a lump sum payment of \$1,500,000. See "—Executive Compensation Arrangements—Michael A. George" above.
- (7) If Mr. George's employment had been terminated at QVC's election without cause or by Mr. George for good reason (whether before or within a specified period following a change in control) or in the event of his death or disability, he would have been entitled to receive a base compensation continuing payment for one year equal to his base salary upon termination.
- (8) Based on (i) the number of vested options held by Mr. George at year-end, (ii) the number of Pre-2011 Unvested Awards that would vest within 365 days of his termination and (iii) a portion of the 2011 LINTA Options that could have vested during his employment with QVC (without regard to the cliff vesting feature of the 2011 LINTA Options) and an additional 12 months thereafter. See "—Executive Compensation Arrangements—Michael A. George" above and the "Outstanding Equity Awards at Fiscal Year-End" table above.
- (9) Represents deferred compensation payable to Mr. Shean based on a one-time deferral election of a portion of his annual cash bonus that was allocable to and paid by Liberty pursuant to the services agreement. See "—Executive Compensation Arrangements—2006 Deferred Compensation" and "—Nonqualified Deferred Compensation Plans" above for more information.
- (10) Under the 2006 deferred compensation plan, we do not, and Liberty Media does not, have an acceleration right to pay out account balances to Mr. Shean upon this type of termination. For purposes of the tabular presentation above, we have assumed that we were permitted to make payments to Mr. Shean in accordance with his standing election under the plan described above in footnote (9), subject to compliance with Section 409A of the Code.
- (11) No immediate distributions under the 2006 deferred compensation plan are permitted as a result of this type of termination (other than pursuant to Liberty Media's compensation committee's right to distribute certain de minimus amounts from Mr. Shean's deferred compensation account).
- (12) Assuming Mr. Shean filed an election to accelerate distributions upon his separation from service due to death or disability, he or his beneficiary, as applicable, has the option to accelerate distributions under the 2006 deferred compensation plan (which option is assumed to have been exercised for purposes of the tabular presentation above).
- (13) The 2006 deferred compensation plan provides Liberty Media's compensation committee with the option of terminating the plan 30 days preceding or within 12 months after a change of control of Liberty Media and distributing the account balances (which option is assumed to have been exercised for purposes of the tabular presentation above).

## Director Compensation

### *Nonemployee Directors*

*Director Fees.* Each of our directors who is not an employee of our company is paid an annual fee of \$163,000 (which we refer to as the **director fee**), of which \$80,000 is payable in cash and the balance is payable in restricted shares of or options to purchase shares of LINTA. Prior to the LMC Split-Off, the annual fee payable to each of our directors who was not an employee of our company was \$185,000, of which \$92,500 was payable in cash. See "—Director Restricted Share Grants" and "—Director Option Grants" below for information on the incentive awards granted in 2011 to the nonemployee directors. Each of our directors who resides outside of Colorado receives \$2,000 per meeting for attending meetings at our offices in Englewood, Colorado. The chairman of the audit committee of our board of directors and each other member of that committee is paid an additional annual fee of \$30,000. With respect to our executive committee, each nonemployee member thereof receives an additional annual fee of \$10,000 for his participation on the committee. With respect to our compensation committee and nominating and corporate governance committee, each member thereof receives an additional annual fee of \$10,000 for his or her participation on each such committee, except that any committee member who is also the chairman of that committee instead receives an additional annual fee of \$20,000 for his or her participation on that committee. The cash portion of the director fees, the meeting fees and the fees for participation on committees are payable quarterly in arrears.

*Charitable Contributions.* If a director makes a donation to our political action committee, we will make a matching donation to a charity of his or her choice in an amount not to exceed \$10,000.

*Equity Incentive Plan.* The Liberty Interactive Corporation 2002 Nonemployee Director Incentive Plan (As Amended and Restated Effective November 7, 2011) (the **2002 director plan**) and the Liberty Interactive Corporation 2011 Nonemployee Director Incentive Plan (As Amended and Restated Effective November 7, 2011) (the **2011 director plan**) are administered by our entire board of directors. Our board of directors has full power and authority to grant eligible persons the awards described below and to determine the terms and conditions under which any awards are made. The 2002 director plan and the 2011 director plan are designed to provide our nonemployee directors with additional remuneration for services rendered, to encourage their investment in our common stock and to aid in attracting persons of exceptional ability to become nonemployee directors of our company. Our board of directors may grant non-qualified stock options, SARs, restricted shares, and cash awards or any combination of the foregoing under the 2002 director plan or the 2011 director plan. As of December 31, 2011, no grants had been made under the 2011 director plan.

The maximum number of shares of our common stock with respect to which awards may be issued under the 2002 director plan is 1,785,000 and under the 2011 director plan is 815,000, in each case subject to anti-dilution and other adjustment provisions of the plan. Shares of our common stock issuable pursuant to awards made under the 2002 director plan and the 2011 director plan are made available from either authorized but unissued shares or shares that have been issued but reacquired by our company.

*Director Restricted Share Grants.* Pursuant to our director compensation policy described above and the 2002 director plan, on December 15, 2011, our board of directors granted each of Mr. Gilchrist, Mr. Rapley, Mr. Robison and Ms. Wong 5,370 restricted shares of LINTA. These restricted shares will vest on the second anniversary of the grant date, or on such earlier date that the grantee ceases to be a director because of death or disability, and will be forfeited if the grantee resigns or is removed from the board before the vesting date.

*Director Option Grants.* Pursuant to our director compensation policy described above and the 2002 director plan, on December 15, 2011, our board of directors granted to each of Dr. Evan Malone and Mr. Romrell options to purchase 12,170 shares of LINTA at an exercise price equal to \$15.31, which was the closing price of such stock on the grant date. The per share grant date fair value of these options for each director was \$6.8998. The options will become exercisable on the second anniversary of the grant date, or on such earlier date that the grantee ceases to be a director because of death or disability, and will be terminated without becoming exercisable if the grantee resigns or is removed from the board before the vesting date. Once vested, the options will remain exercisable until the seventh anniversary of the grant date, or, if earlier, until the first business day following the first anniversary of the date the grantee ceases to be a director.

In connection with the merger of TCI and AT&T in 1999, an employment agreement between John C. Malone and TCI was assigned to our company. In connection with the LMC Split-Off, Mr. Malone's employment agreement (as amended) and his deferred compensation arrangements, as described below, were assumed by Liberty Media. The term of Mr. Malone's employment agreement is extended daily so that the remainder of the employment term is five years. The employment agreement was amended in June 1999 to provide for, among other things, an annual salary of \$2,600, subject to increase with board approval. The employment agreement was amended in 2003 to provide for payment or reimbursement of personal expenses, including professional fees and other expenses incurred by Mr. Malone for estate, tax planning and other services, and for personal use of corporate aircraft and flight crew. The aggregate amount of such payments or reimbursements and the value of his personal use of corporate aircraft was originally limited to \$500,000 per year but increased to \$1 million effective January 1, 2007 by our compensation committee. Although the "Director Compensation Table" table below reflects the portion of the aggregate incremental cost of Mr. Malone's personal use of our corporate aircraft attributable to our company, the value of his aircraft use for purposes of his employment agreement is determined in accordance with SIFL, which aggregated \$80,381 for use of the aircraft by our company and Liberty Media during the year ended December 31, 2011. The costs, calculated in accordance with SIFL, incurred with respect to Mr. Malone prior to the LMC Split-Off were paid by our company, and following the LMC Split-Off a portion of the costs, calculated in accordance with SIFL, incurred with respect to Mr. Malone were allocated to our company and reimbursed to Liberty Media under the services agreement. For the period between September 24, 2011 (the day after the LMC Split-Off) through December 31, 2011, the percentage of Mr. Malone's time that was allocated to our company under the services agreement was 30%. Similarly, we are now allocated, and reimburse Liberty Media for, portions of the other components of the payments/reimbursements to Mr. Malone described above.

In December 2008, the compensation committee determined to modify Mr. Malone's employment arrangements to permit Mr. Malone to begin receiving fixed monthly payments in 2009, while he remains employed by our company, in satisfaction of our obligations to him under a 1993 deferred compensation arrangement, a 1982 deferred compensation arrangement and an installment severance plan, in each case, entered into with him by our predecessors (and which had been assumed by our company). At the time of the amendment, the amounts owed to Mr. Malone under these arrangements aggregated approximately \$2.4 million, \$20 million and \$39 million, respectively. As a result of these modifications, Mr. Malone receives 240 equal monthly installments, which commenced February 2009, of: (1) approximately \$20,000 under the 1993 deferred compensation arrangement, (2) approximately \$237,000 under the 1982 deferred compensation arrangement and (3) approximately \$164,000 under the installment severance plan. Interest ceased to accrue under the installment severance plan once these payments began; however, interest continues to accrue on the 1993 deferred compensation arrangement at a rate of 8% per annum and on the 1982 deferred compensation arrangement at a rate of 13% per annum. In connection with the LMC Split-Off, Liberty Media assumed all outstanding obligations under these deferred compensation arrangements and the installment severance plan.

Under the terms of Mr. Malone's employment agreement, he is entitled to receive upon the termination of his employment for any reason (other than for death or "cause"), a lump sum equal to his salary for a period of 5 full years following termination (calculated on the basis of \$2,600 per annum, the **lump sum severance payment**). As described above, in connection with the LMC Split-Off, Liberty Media assumed Mr. Malone's employment agreement and all outstanding obligations thereunder, and we will reimburse Liberty Media for our allocated portion of any such lump sum severance payments made thereunder.

For a description of the effect of any termination event or a change in control of our company on his employment agreement, see "—Potential Payments Upon Termination or Change in Control" above.

## Director Compensation Table

Name(1)	Fees Earned or Paid in Cash (\$)	Stock Awards \$(5)(6)	Option Awards \$(5)(6)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (\$)	All other compensation \$(9)	Total (\$)
John C. Malone	—	—	—	196,468(7)	716,732(8)	913,200
Robert R. Bennett(2)	97,125	—	—	—	9,681	106,806
Donne F. Fisher(3)	99,375	—	—	—	9,681	109,056
M. Ian G. Gilchrist	139,597	82,215	—	—	5,474	227,286
Evan D. Malone	94,931	—	83,971	—	—	178,902
David E. Rapley	129,597	82,215	—	—	9,681	221,493
M. LaVoy Robison	119,132	82,215	—	—	—	201,347
Larry E. Romrell(4)	104,708	—	83,971	—	9,861	198,360
Andrea L. Wong	119,319	82,215	—	—	5,474	207,008

- (1) Gregory B. Maffei, who is a director of our company and a named executive officer, and John C. Malone, who is a director of our company, received no compensation for serving as directors of our company during 2011.
- (2) On December 14, 2011, Mr. Bennett resigned from the board of directors of our company.
- (3) On September 23, 2011 and in connection with the LMC Split-Off, Mr. Fisher resigned from the board of directors of our company.
- (4) On September 23, 2011 and in connection with the LMC Split-Off, Mr. Romrell resigned from the board of directors of our company and was later re-appointed on December 15, 2011.
- (5) As of December 31, 2011, our directors (other than Mr. Maffei, whose stock incentive awards are listed in "Outstanding Equity Awards at Fiscal Year-End" above) held the following stock incentive awards:

	John C. Malone	M. Ian G. Gilchrist	Evan D. Malone	David E. Rapley	M. LaVoy Robison	Larry E. Romrell	Andrea L. Wong
<b>Options/SARs</b>							
LINTA	1,076,965	—	31,850	27,860	43,860	56,030	—
LINTB	450,000	—	—	—	—	—	—
<b>Restricted Stock</b>							
LINTA	—	8,540	3,170	8,540	8,540	3,170	11,775

- (6) The aggregate grant date fair value of the stock options and restricted stock awards has been computed in accordance with FASB ASC Topic 718, but (pursuant to SEC regulations) without reduction for estimated forfeitures. For a description of the assumptions applied in these calculations, see Note 13 to our consolidated financial statements for the year ended December 31, 2011 (which are included in our Annual Report on Form 10-K as filed with the SEC on February 23, 2012).
- (7) Reflects the above-market earnings credited during 2011 prior to the LMC Split-Off to Mr. Malone's deferred compensation account. See "—John C. Malone" above.

- (8) Includes the amount of Mr. Malone's base salary of \$2,145 and the following amounts, in each case, which were paid by our company prior to the LMC Split-Off or allocated to our company under the services agreement following the LMC Split-Off:

	<u>Amounts (\$)</u>
Reimbursement for personal legal, accounting and tax services	279,029
Compensation related to personal use of corporate aircraft(a)	196,770
Tax payments made on behalf of Mr. Malone	199,582

- (a) Calculated based on aggregate incremental cost of such usage to our company.

Also includes miscellaneous personal expenses, such as courier charges.

Prior to the LMC Split-Off, we owned an apartment in New York City which was primarily used for business purposes. The apartment was assigned to Liberty Media in the LMC Split-Off. Mr. Malone makes use of this apartment and a company car and driver for personal reasons. From time to time, we also pay the cost of miscellaneous shipping and catering expenses for Mr. Malone.

We make available to our personnel, including our named executive officers, tickets to various sporting events with no aggregate incremental cost attributable to any single person.

- (9) Represents the following amounts of health insurance premiums paid by our company for the benefit of the following directors:

<u>Name</u>	<u>Amounts (\$)</u>
John C. Malone	7,478
Robert R. Bennett	9,681
Donne F. Fisher	9,681
M. Ian G. Gilchrist	5,474
David E. Rapley	9,681
Larry E. Romrell	9,681
Andrea L. Wong	5,474

## QuickLinks

[Exhibit 99.2](#)

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