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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

OR

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

For the transition period from _____ to _____

Commission File Number 001-33982

LIBERTY MEDIA CORPORATION

(Exact name of Registrant as specified in its charter)

State of Delaware
(State or other jurisdiction of
incorporation or organization)

84-1288730
(I.R.S. Employer
Identification No.)

12300 Liberty Boulevard
Englewood, Colorado
(Address of principal executive offices)

80112
(Zip Code)

Registrant's telephone number, including area code: (720) 875-5400

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

Title of each class	Name of exchange on which registered
Series A Liberty Capital Common Stock, par value \$.01 per share	The Nasdaq Stock Market LLC
Series B Liberty Capital Common Stock, par value \$.01 per share	The Nasdaq Stock Market LLC
Series A Liberty Interactive Common Stock, par value \$.01 per share	The Nasdaq Stock Market LLC
Series B Liberty Interactive Common Stock, par value \$.01 per share	The Nasdaq Stock Market LLC
Series A Liberty Starz Common Stock, par value \$.01 per share	The Nasdaq Stock Market LLC
Series B Liberty Starz Common Stock, par value \$.01 per share	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting stock held by nonaffiliates of Liberty Media Corporation computed by reference to the last sales price of such stock, as of the closing of trading on June 30, 2009, was approximately \$17.1 billion.

The number of shares outstanding of Liberty Media Corporation's common stock as of January 29, 2010 was:

Series A Liberty Capital Common Stock—89,888,078;
Series B Liberty Capital Common Stock—7,405,151;
Series A Liberty Interactive Common Stock—567,475,938;
Series B Liberty Interactive Common Stock—29,276,689;
Series A Liberty Starz Common Stock—49,418,326; and
Series B Liberty Starz Common Stock—2,365,545 shares.

Documents Incorporated by Reference

The Registrant's definitive proxy statement for its 2010 Annual Meeting of Shareholders is hereby incorporated by reference into Part III of this Annual Report on Form 10-K



LIBERTY MEDIA CORPORATION
2009 ANNUAL REPORT ON FORM 10-K

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PART I.

Item 1. Business.

(a) *General Development of Business*

Liberty Media Corporation owns interests in subsidiaries and other companies which are engaged in the video and on-line commerce, media, communications and entertainment industries. Through our subsidiaries and affiliates, we operate in North America, Europe and Asia. Our principal businesses and assets include our consolidated subsidiaries QVC, Inc. and Starz, LLC and our equity affiliates Sirius XM Radio Inc. and Expedia, Inc.

In May 2006, we completed a restructuring pursuant to which we were organized as a new holding company, and we became the new publicly traded parent company of Liberty Media LLC, which was formerly known as Liberty Media Corporation, and which we refer to as "Old Liberty." As a result of the restructuring, all of the Old Liberty outstanding common stock was exchanged for our two tracking stocks, Liberty Interactive common stock and Liberty Capital common stock. Each tracking stock issued in the restructuring was intended to track and reflect the economic performance of one of two groups, the Interactive Group and the Capital Group, respectively.

On March 3, 2008, we completed a reclassification of our Liberty Capital common stock (herein referred to as "Old Liberty Capital common stock") whereby each share of Old Series A Liberty Capital common stock was reclassified into four shares of Series A Liberty Entertainment common stock and one share of new Series A Liberty Capital common stock, and each share of Old Series B Liberty Capital common stock was reclassified into four shares of Series B Liberty Entertainment common stock and one share of new Series B Liberty Capital common stock. The Liberty Entertainment common stock was intended to track and reflect the economic performance of our Entertainment Group, which was comprised of businesses and assets previously attributed to the Capital Group. The reclassification did not change the businesses, assets and liabilities attributed to the Interactive Group.

On November 19, 2009, we completed our previously announced split-off (the "Split-Off") of our wholly owned subsidiary, Liberty Entertainment, Inc. ("LEI"), and the business combination transaction among our company, LEI and The DIRECTV Group, Inc. ("DIRECTV") (the "DTV Business Combination"). The Split-Off was accomplished by a partial redemption of 90% of the outstanding shares of Liberty Entertainment common stock in exchange for all of the outstanding shares of common stock of LEI, pursuant to which, 0.9 of each outstanding share of Liberty Entertainment common stock was redeemed for 0.9 of a share of the corresponding series of common stock of LEI, with payment of cash in lieu of any fractional shares. LEI held our 57% interest in DIRECTV, a 100% interest in Liberty Sports Holdings, LLC, a 65% interest in Game Show Network, LLC and approximately \$120 million in cash and cash equivalents, and approximately \$2 billion of indebtedness. All of the businesses, assets and liabilities that were attributed to the Entertainment Group and were not held by LEI have remained with our company and continue to be attributed to the Entertainment Group, which we have redesignated as the Starz Group. The businesses that were held by LEI are accounted for as discontinued operations in the periods presented.

Immediately following the Split-Off, we, LEI and DIRECTV completed the DTV Business Combination, and each of LEI and DIRECTV became wholly owned subsidiaries of a new public holding company named DIRECTV ("Holdings"). Pursuant to the DTV Business Combination, (i) John C. Malone, Chairman of the boards of Liberty Media, 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

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for 1.11130 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.

A 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. While the Interactive Group, the Starz Group and the Capital Group have separate collections of businesses, assets and liabilities attributed to them, no group is a separate legal entity and therefore cannot own assets, issue securities or enter into legally binding agreements. Holders of tracking stocks have no direct claim to the group's stock or assets and are not represented by separate boards of directors. Instead, holders of tracking stock are stockholders of the parent corporation, with a single board of directors and subject to all of the risks and liabilities of the parent corporation.

The term "Interactive Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which we have attributed to that group. The assets and businesses we have attributed to the Interactive Group are those engaged in video and on-line commerce, and include our subsidiaries QVC, Inc., Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC and BuySeasons, Inc., and our interests in Expedia, Inc., IAC/InterActiveCorp, HSN, Inc., Interval Leisure Group, Inc., Live Nation Entertainment, Inc. and Tree.com, Inc. The Interactive Group will also include such other businesses, assets and liabilities that our board of directors may in the future determine to attribute to the Interactive Group, including such other businesses and assets as we may acquire for the Interactive Group. In addition, we have attributed \$2,135 million principal amount (as of December 31, 2009) of our senior notes and debentures to the Interactive Group.

Similarly, the term "Starz Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which we have attributed to that group. The Starz Group focuses primarily on video programming and includes our subsidiaries, Starz Entertainment, LLC and Liberty Sports Interactive, Inc. In addition, we have attributed approximately \$542 million of corporate cash and cash equivalents (as of December 31, 2009) to the Starz Group. The Starz Group will also include such other businesses, assets and liabilities that our board of directors may in the future determine to attribute to the Starz Group, including such other businesses as we may acquire for the Starz Group.

The term "Capital Group" also does not represent a separate legal entity, rather it represents all of our businesses, assets and liabilities other than those which have been attributed to the Interactive Group or the Starz Group. The assets and businesses attributed to the Capital Group include our subsidiaries: Starz Media, LLC, Atlanta National League Baseball Club, Inc. and TruePosition, Inc.; and our interests in Sirius XM Radio, Inc., Time Warner Inc. and Sprint Nextel Corporation. The Capital Group will also include such other businesses, assets and liabilities that our board of directors may in the future determine to attribute to the Capital Group, including such other businesses and assets as we may acquire for the Capital Group. In addition, we have attributed \$3,157 million of cash, including subsidiary cash, and \$4,149 million principal amount (as of December 31, 2009) of our senior exchangeable debentures and other parent debt to the Capital Group.

See Exhibit 99.1 to this Annual Report on Form 10-K for unaudited attributed financial information for our tracking stock groups.

Recent Developments

During 2009 we made several purchases and sales of the debt and equity of Sirius XM Radio Inc. ("SIRIUS XM"). Our net cash investment in SIRIUS XM in 2009 was approximately \$186 million. As of December 31, 2009, these purchases and sales resulted in us owning (i) \$279 million principal amount of the public debentures of SIRIUS XM and (ii) preferred stock of SIRIUS XM which is convertible into common equity of SIRIUS XM equal to 40% of fully diluted equity. The fair value of

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such preferred stock at December 31, 2009 was \$1,552 million based on the value of the common stock into which it was convertible.

During 2009, we retired certain of our public debt and restructured other debt in order to improve our capital structure and our liquidity position. In the second quarter of 2009, we used \$187.5 million of cash on hand for the voluntary early retirement of \$750 million of certain of our Exchangeable Senior Debentures. We also terminated swap arrangements that referenced such Exchangeable Senior Debentures for no additional payment. The total cash used to retire the \$750 million face amount of Exchangeable Senior Debentures and related swap arrangements was \$503 million, of which \$315 million was paid to settle swap arrangements in November 2008.

In June 2009, QVC amended its bank credit agreements to retire \$750 million of loans, cancel \$19 million of unfunded commitments and extend the maturities of the remaining loans/commitments. In exchange for these amendments, QVC increased the interest rate margins, reduced the maximum leverage ratio and agreed to certain other additional covenants contained in the bank credit agreements. In the third quarter of 2009, QVC issued \$1.0 billion principal amount of 7.5% Senior Secured Notes due 2019 at an issue price of 98.278%. QVC used the net proceeds from such offering to fund the purchase and cancellation of outstanding term loans under its bank credit agreements that were to mature in 2014.

* * * * *

Certain statements in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, product and marketing strategies; new service offerings; our tax sharing arrangement with AT&T Corp. and estimated amounts payable under that arrangement; revenue growth and subscriber trends at QVC, Inc. and Starz Entertainment, LLC; the expected timing of QVC's programming launch in Italy and losses to be incurred by QVC-Italy; anticipated programming and marketing costs at Starz Entertainment; the recoverability of our goodwill and other long-lived assets; counterparty performance under our derivative arrangements; our expectations regarding Starz Media's results of operations; our projected sources and uses of cash; the estimated value of our derivative instruments; and the anticipated non-material impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. In particular, statements under Item 1. "Business," Item 1A. "Risk-Factors," Item 2. "Properties," Item 3. "Legal Proceedings," Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" contain forward-looking 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 there can be no assurance that the expectation or belief will result or be achieved or accomplished. 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 our products and services and our ability to adapt to changes in demand;
- competitor responses to our products and services, and the products and services of the entities in which we have interests;
- 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 programming for new television and telecommunications technologies;
- our future financial performance, including availability, terms and deployment of capital;

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- 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 Federal Communications Commission, 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;
- disruption in the production of theatrical films or television programs due to strikes by unions representing writers, directors or actors;
- continued consolidation of the broadband distribution and movie studio industries;
- changes in distribution and viewing of television programming, including the expanded deployment of personal video recorders, video on demand and IP television and their impact on home shopping networks;
- increased digital TV penetration and the impact on channel positioning of our networks;
- rapid technological changes;
- capital spending for the acquisition and/or development of telecommunications networks and services;
- the regulatory and competitive environment of the industries in which we, and the entities in which we have interests, operate;
- threatened terrorist attacks and ongoing military action in the Middle East and other parts of the world; and
- fluctuations in foreign currency exchange rates 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 Annual Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, 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 Item 1A, "Risk Factors" and other cautionary statements contained in this Annual Report. Such risk factors and statements describe circumstances which could cause actual results to differ materially from those contained in any forward-looking statement.

This Annual Report includes information concerning public companies in which we have non-controlling interests that file reports and other information with the SEC in accordance with the Securities Exchange Act of 1934. Information contained in this Annual Report concerning those companies has been derived from the reports and other information filed by them with the SEC. If you would like further information about these companies, the reports and other information they file with the SEC can be accessed on the Internet website maintained by the SEC at www.sec.gov. Those reports and other information are not incorporated by reference in this Annual Report.

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(b) *Financial Information About Operating Segments*

Through our ownership of interests in subsidiaries and other companies, we are primarily engaged in the video and on-line commerce, media, communications and entertainment industries. Each of these businesses is separately managed.

We identify our reportable segments as (A) those consolidated subsidiaries that represent 10% or more of our consolidated revenue, pre-tax earnings or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of our pre-tax earnings. Financial information related to our operating segments can be found in note 20 to our consolidated financial statements found in Part II of this report.

(c) *Narrative Description of Business*

The following table identifies our more significant subsidiaries and minority investments within each of the Interactive Group, the Starz Group and the Capital Group.

Interactive Group

Consolidated Subsidiaries

QVC, Inc.
Provide Commerce, Inc.
Backcountry.com, Inc.
Bodybuilding.com, LLC
BuySeasons, Inc.
Lockerz, LLC
LMC Right Start, Inc.

Equity and Cost Method Investments

Expedia, Inc. (Nasdaq:EXPE)
IAC/InterActiveCorp (Nasdaq:IACI)
HSN, Inc. (Nasdaq:HSNI)
Interval Leisure Group, Inc. (Nasdaq:IILG)
Live Nation Entertainment, Inc. (NYSE:LYV)
Tree.com, Inc. (Nasdaq:TREE)

Starz Group

Consolidated Subsidiaries

Starz Entertainment, LLC
Liberty Sports Interactive, Inc.

Capital Group

Consolidated Subsidiaries

Starz Media, LLC
Atlanta National League Baseball Club, Inc.
TruePosition, Inc.

Equity and Cost Method Investments

Sirius XM Radio Inc. (Nasdaq:SIRI)
Time Warner Inc. (NYSE:TWX)(1)

(1) Represents an available-for-sale security in which we have less than a 5% ownership interest and that we consider a non-strategic financial asset in our portfolio.

Interactive Group

The Interactive Group is focused on video and on-line commerce through its interests in QVC and the e-commerce businesses. Our strategy is to continue QVC's organic growth in its existing markets while exploring opportunities for expansion in additional international markets. In this regard, QVC has announced plans to launch programming in Italy in the fall of 2010. We will also seek to acquire e-commerce businesses and leverage their strengths as on-line retailers. In this regard, we acquired Provide Commerce and BuySeasons in 2006 and Backcountry.com and Bodybuilding.com in 2007.

QVC, Inc.

QVC, Inc., a wholly-owned subsidiary, markets and sells a wide variety of consumer products in the U.S. and several foreign countries primarily through live televised shopping programs and via the Internet through its domestic and international websites. QVC programming is divided into segments that are televised live with a host who presents the merchandise, sometimes with the assistance of a guest who is knowledgeable about the merchandise, and conveys information relating to the product to QVC's viewers. QVC's websites offer a complement to televised shopping by allowing consumers to purchase a wide assortment of goods that were previously offered on the QVC television programs, as well as other items that are available from QVC only via its websites. For the year ended December 31, 2009, approximately 28.9% of QVC's domestic revenue and approximately 25.1% of QVC's total revenue was generated from sales of merchandise ordered through its various websites.

QVC offers a variety of merchandise at competitive prices. QVC purchases, or obtains on consignment, products from domestic and foreign manufacturers and wholesalers, often on favorable terms based upon the volume of the transactions. QVC classifies its merchandise into four groups: home (including electronics), apparel, accessories (including beauty products) and jewelry. For the year ended December 31, 2009, home, apparel, accessories and jewelry accounted for approximately 47%, 13%, 24% and 16%, respectively, of QVC's net revenue generated by its United States operations. In 2008, such percentages for home, apparel, accessories and jewelry were 44%, 15%, 22% and 19%, respectively. QVC offers products in each of these merchandise groups that are exclusive to QVC, as well as popular brand names and other products also available from other retailers. QVC's products are often endorsed by celebrities, designers and other well known personalities who often join QVC's hosts to personally promote their products. QVC does not depend on any single supplier or designer for a significant portion of its inventory.

QVC distributes its television programs, via satellite or optical fiber, to multichannel television distributors for retransmission to subscribers in the United States, the United Kingdom, Germany, Japan and neighboring countries that receive QVC's programming signals. In the U.S., QVC uplinks its analog programming from its uplink facility in Pennsylvania and uplinks its digital transmission using a third-party service. Both transmissions are uplinked to a protected, non-preemptible transponder on a domestic satellite. "Protected" status means that, in the event of a transponder failure, QVC's signal will be transferred to a spare transponder or, if none is available, to a preemptible transponder located on the same satellite or, in certain cases, to a transponder on another satellite owned by the same service provider if one is available at the time of the failure. "Non-preemptible" status means that, in the event of a transponder failure, QVC's transponders cannot be preempted in favor of a user of a failed transponder, even another user with "protected status". QVC's international business units each obtain uplinking services from third parties and transmit their programming to non-preemptible transponders on five international satellites. QVC's transponder service agreement for its domestic transponder expires at the end of the life of the satellite, which is currently estimated to be in 2019. QVC's transponder service agreements for its international transponders expire in 2010 through 2020.

QVC enters into long-term affiliation agreements with certain of its multichannel television distributors who downlink QVC's programming and distribute the programming to their customers.

QVC's affiliation agreements with these distributors have termination dates ranging from 2010 to 2019. QVC's ability to continue to sell products to its customers is dependent on its ability to maintain and renew these affiliation agreements in the future. In this regard, QVC's affiliation agreement with Comcast Corporation, which accounts for approximately 25% of QVC's U.S. distribution, expired in June 2009. QVC and Comcast have signed an amendment to the agreement allowing for quarterly extensions of the existing agreement through December 31, 2011.

In return for carrying the QVC signals, each programming distributor in the United States receives an allocated portion, based upon market share, of up to 5% of the net sales of merchandise sold via the television programs to customers located in the programming distributor's service areas. In the United Kingdom, Germany and Japan, programming distributors receive an agreed-upon annual fee, a monthly fee per subscriber regardless of the net sales or a variable percentage of net sales. In addition to sales-based commissions or per-subscriber fees, QVC also makes payments to distributors in the United States for carriage and to secure favorable positioning on channel 35 or below or in the general entertainment area on the distributor's channel line-up. QVC believes that a portion of its sales are attributable to purchases resulting from channel "surfing" and that a channel position near broadcast networks and more popular cable networks increases the likelihood of such purchases. As technology evolves, QVC continues to monitor optimal channel placement and attempts to negotiate agreements with their distributors to maximize the viewership of their television programming.

QVC's shopping program is telecast live 24 hours a day to approximately 98 million homes in the United States. QVC Shopping Channel reaches approximately 23 million households in the United Kingdom and the Republic of Ireland and is broadcast 24 hours a day with 17 hours of live programming. QVC's shopping network in Germany, reaches approximately 38 million households throughout Germany and Austria and is broadcast live 24 hours a day. QVC Japan, QVC's joint venture with Mitsui & Co., LTD, reaches approximately 23 million households and is broadcast live 24 hours a day. QVC strives to maintain promptness and efficiency in order taking and fulfillment. QVC has three domestic phone centers, one phone center in each of the United Kingdom and Japan and two call centers in Germany. QVC's domestic phone centers can direct calls from one call center to another as volume mandates, which reduces a caller's hold time, helping to ensure that orders will not be lost as a result of abandoned or unanswered calls. Each market also utilizes home agents allowing staffing flexibility for peak hours. QVC additionally utilizes computerized voice response units, which handle approximately 34% of all orders taken. QVC is in the process of implementing a Call Center Management and CRM Analytics System to continuously monitor its customers' buying patterns to facilitate up-sell and cross-sell of its product offerings.

In addition to taking orders from its customers through phone centers and online, QVC continues to explore new ordering technologies. For example, QVC's United Kingdom customers can order products directly through a television remote control "buy button." Customers in Japan placed approximately 9% of all orders directly through their mobile phones. QVC is also expanding mobile phone ordering capabilities in the U.S. and has launched several mobile applications, including text to order, a WAP (wireless application protocol) website and marketing alerts. QVC has eight distribution centers worldwide and is able to ship approximately 92% of its orders within 48 hours.

QVC's business is seasonal due to a higher volume of sales in the fourth calendar quarter related to year-end holiday shopping. In recent years, QVC has earned 22%-24% of its revenue in each of the first three quarters of the year and 29%-33% of its revenue in the fourth quarter of the year.

Provide Commerce, Inc.

Provide Commerce, Inc., a wholly-owned subsidiary that we acquired in February 2006, operates an e-commerce marketplace of websites that offers high-quality perishable products direct from suppliers to consumers. In addition to its perishable products, Provide Commerce sells a wide range of unique

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and personalized gifts through its RedEnvelope brand, which it acquired in 2008. Provide Commerce combines an online storefront, proprietary supply chain management technology, established supplier relationships and integrated logistical relationships with FedEx Corporation and United Parcel Service, Inc. to create a market platform that bypasses traditional supply chains of wholesalers, distributors and retailers. Provide Commerce derives its revenue from the sale of flowers and plants on its proflowers.com website and from the sale of gourmet foods from its branded websites: Cherry Moon Farms, for fresh premium fruits; Shari's Berries, for chocolate-dipped berries and related gifting products; and from the sale of gifts on RedEnvelope. Provide Commerce also enters into arrangements with businesses desiring to offer high-quality, time-sensitive or perishable products to customers on a co-branded or private label basis, designing and hosting dedicated websites on behalf of such clients.

Provide Commerce initially launched its marketplace to sell and deliver flowers which continues to be its most significant product. Provide Commerce later expanded its offerings to include fresh premium fruits and confections and unique personalized gifts. Provide Commerce's business is highly seasonal due largely to purchases of flowers and other gifts for Valentine's Day and Mother's Day. In 2009, Provide Commerce earned approximately 67% of its revenue in the first half of the year. Provide Commerce depends on three suppliers for approximately 48% of its floral products. The loss of any of these suppliers could adversely impact Provide Commerce.

Provide Commerce believes that one of the keys to its success is its ability to deliver products on time and fresher than its competitors thereby providing a better value for its customers. Provide Commerce maintains a customer service center located at its corporate headquarters to respond to customer phone calls and emails 24 hours a day, seven days a week.

Backcountry.com, Inc.

We acquired 81% of the equity of Backcountry.com, Inc. in June 2007. Backcountry is an e-commerce marketplace for outdoor adventure, cycling and action sports gear and clothing. Its 12 separate websites cater to a variety of outdoor enthusiasts. Four of the sites offer name-brand products at retail prices, and eight offer substantial discounts to online shoppers.

Backcountry's primary site, Backcountry.com, offers over 450 brands and over 50,000 items of high-end gear and clothing for backpacking, camping, trail running, skiing, cycling, rock climbing, kayaking and other outdoor sports. Backcountry's snowboarding-specific site, DogFunk.com, sells technical and lifestyle apparel and gear from established brands and niche manufacturers. HucknRoll.com and RealCyclist.com sell mountain bikes and road bikes, respectively, at retail prices. Backcountry's online outlet store, BackcountryOutlet.com, and its invitation-only backcountry discount site, DepartmentOfGoods.com, sell discounted clothing and gear from past seasons. Backcountry's one-deal-at-a-time sites, SteepandCheap.com, WhiskeyMilitia.com, Tramdock.com, Chainlove.com, BonkTown.com and Brociety.com, feature a limited quantity of one highly discounted item at a time until such item sells out or times out, at which time it is immediately replaced with a new item. SteepandCheap.com serves backcountry adventurers and outdoor enthusiasts. WhiskeyMilitia.com appeals to skateboarders, surfers, snowboarders and wakeboarders. Tramdock.com is for resort, park, pipe and big mountain freeride skiers. Chainlove.com is geared toward mountain bikers. BonkTown.com sells road bike gear. Brociety.com offers gear and clothing to snowboarders and other action sports enthusiasts.

Backcountry's business is seasonal, with approximately 50% of its revenue earned in the fourth quarter. Backcountry stores and ships all inventory from its distribution centers, located in Salt Lake City, Utah. Staffing for the customer service center and warehouse is scalable, and Backcountry employs seasonal labor to react to higher volume during peak periods of the year.

Bodybuilding.com, LLC

On December 31, 2007, we acquired 83% of Bodybuilding.com, LLC. Bodybuilding.com is an Internet retailer of sports, fitness and nutritional supplements. It also hosts an informational SuperSite which contains content about fitness, work-out programs, overall health, nutritional and product information. The online e-retail model combines information and advice with an array of nutritional supplements and a mission to help every customer reach their personal fitness goals.

Bodybuilding.com's customers include gym goers, sport specific focused athletes such as football players, tri-athletes, weightlifters and bodybuilders, and any man or woman wanting to improve his or her overall mental or physical wellbeing. Bodybuilding.com launched its primary web-site in 1999 and now has over 25,000 pages of free, editorial content with health and fitness advice, 12,500 plus pages of store content, 450,000 BodySpace pages, 2.6 million forum threads and 44.6 million forum posts. The site attracts over one million annual customers and hosts the industry's largest forum with over 1.9 million members. Bodybuilding.com introduced the social network, BodySpace, two years ago and now has more than 450,000 members. Bodybuilding.com is one of the world's largest online suppliers with over 11,800 different items of nutritional supplements including muscle-builders, protein and fat-loss supplements that are commonly used in fitness training.

Bodybuilding.com earns revenue primarily from the sale of nutritional supplements, gym clothing and accessories, and training and nutritional books and videos on its website. Bodybuilding.com's business is slightly seasonal with the first quarter of the year being its busiest as people start to implement their New Year's resolutions regarding improved health and fitness.

BuySeasons, Inc.

BuySeasons, Inc., a wholly-owned subsidiary that we acquired in August 2006, operates BuyCostumes.com and CelebrateExpress.com, on-line retailers of costumes, accessories and party supplies for a wide variety of celebration and costuming events. Celebrate Express was acquired by BuySeasons in 2008. BuySeasons earns revenue from the sale of its products to retail customers who order from its websites and, to a lesser degree, through its fulfillment sales to other retailers. BuySeasons has exclusive arrangements to purchase costumes and accessories that are only available from BuySeasons and works with manufacturers to design costumes and accessories for which BuySeasons has exclusive rights for a predetermined period of time. Additionally, BuySeasons has several exclusive license agreements for party supplies which are developed and manufactured by BuySeasons. These items are primarily distributed through the Celebrate Express brand. While over 75% of BuySeason's products are also available from other on-line and traditional brick-and-mortar retailers, BuySeasons believes that no other single retailer offers the range of costume and party accessories that BuySeasons offers to its customers. BuySeasons purchases its products from various suppliers, both domestic and international. BuySeasons depends on three suppliers for approximately 33% of its costumes, accessories, and party supplies. The loss of any of these suppliers could adversely impact BuySeasons.

BuySeasons believes that it has a competitive advantage due to the combination of a large assortment of on-line products, value pricing and a high level of customer service. BuySeason's business is highly seasonal with over 55% of its revenue earned from the sale of costumes in September and October leading up to Halloween. With the acquisition of Celebrate Express, BuySeasons expects the seasonality to decrease due to significantly higher sales of birthday party supplies which is a less seasonal business. BuySeasons maintains a customer service center at its corporate headquarters, and customer service representatives are available 18 hours a day, seven days a week during its busy season to respond to customer questions. The customer service center and warehouse staffing is scalable, and BuySeasons employs seasonal labor to react to higher volume during the peak Halloween season.

Other

Other subsidiaries of our company that we have attributed to the Interactive Group are (i) Lockerz, LLC, which operates a community web site geared to teens and young adults that allows its members to buy trendy merchandise, watch videos, discover new music and connect with their friends and (ii) LMC Right Start, Inc., which operates a website and brick-and-mortar stores that sell juvenile products for infants and young children.

Expedia, Inc.

Expedia, Inc. is among the world's leading travel services companies, making travel products and services available to leisure and corporate travelers in the United States and abroad through a diversified portfolio of brands, including Expedia.com, Hotels.com, Venere.com, Hotwire.com, Egencia, Classic Vacations and TripAdvisor and a range of other domestic and international brands and businesses. Expedia's various brands and businesses target the needs of different consumers, including those who are focused exclusively on price and those who are focused on the breadth of product selection and quality of services. Expedia has created an easily accessible global travel marketplace, allowing customers to research, plan and book travel products and services from travel suppliers and allowing these travel suppliers to efficiently reach and provide their products and services to Expedia customers. Through its diversified portfolio of domestic and international brands and businesses, Expedia makes available, on a stand-alone and package basis, travel products and services provided by numerous airlines, lodging properties, car rental companies, cruise lines and destination service providers, such as attractions and tours. Using a portfolio approach for Expedia's brands and businesses allows it to target a broad range of customers looking for different value propositions. Expedia reaches many customers in several countries and multiple continents through its various brands and businesses, typically customizing international points of sale to reflect local language, currency, customs, traveler behavior and preferences and local hotel markets, all of which may vary from country to country.

Expedia generates revenue by reserving travel services as the merchant of record and reselling these services to customers at a profit. Expedia also generates revenue by passing reservations booked by its customers to the relevant services for a fee or commission and from advertising on its websites.

We indirectly own an approximate 24% equity interest and 58% voting interest in Expedia. We have entered into governance arrangements pursuant to which Mr. Barry Diller, Chairman of the Board and Senior Executive Officer of Expedia, has voted our shares of Expedia, subject to certain limitations. Also through our governance arrangements with Mr. Diller, we have the right to appoint and have appointed 20% of the members of Expedia's board of directors, which is currently comprised of 10 members.

IAC/InterActiveCorp

IAC is a leading Internet company with more than 50 diversified internet businesses serving loyal consumer audiences. IAC has transformed itself from a hybrid media/electronic retailing company into an interactive commerce company. The core of IAC relates to the way its offerings, through the power of interactivity, can make daily life easier and more productive for people all over the world. IAC's Internet sites include ask.com, citysearch, dictionary.com, evite, Life123, match.com, Urbanspoon and servicemagic.

We indirectly own an approximate 11% equity interest and 55% voting interest in IAC. Pursuant to certain governance arrangements between Mr. Barry Diller, Chairman of the Board and CEO of IAC, and our company, Mr. Diller votes our shares of IAC, subject to certain limitations, and we have the right to appoint and have appointed two of the 12 members of IAC's board of directors.

HSN, Inc.

HSN became a public company in August 2008 in connection with the separation of IAC into five separate companies. HSN is an interactive multi-channel retailer with strong direct-to-consumer expertise among its two operating segments, HSN and Cornerstone Brands. HSN offers innovative, differentiated retail experiences on TV, online, in catalogs, and in brick and mortar stores. HSN ships 50 million items and handles 50 million inbound customer calls annually. HSN now reaches over 90 million homes (broadcast live 24 hours a day, seven days a week). HSN.com ranks in the top 30 of Internet retailers, is one of the top 10 trafficked e-commerce sites, and has more than a quarter million unique users every day. Cornerstone Brands comprises leading home and apparel lifestyle brands including Ballard Design, Frontgate, Garnet Hill, Grandin Road, Improvements, Smith+Nobel, The Territory Ahead and Travelsmith. Cornerstone Brands distributes 324 million catalogs annually, operates eight separate e-commerce sites, and runs 25 retail stores.

We own approximately 33% of the outstanding common stock of HSN. We have entered into an agreement with HSN pursuant to which, among other things, we have the right to appoint 20% of the members of HSN's board of directors. We have appointed 2 of the current 9 board members.

Interval Leisure Group, Inc.

Interval Leisure Group is another of the companies spun off by IAC in August 2008. Interval Leisure Group is a leading global provider of membership and leisure services to the vacation industry. Its principal business, Interval, has offered its resort developer clients and consumer members high-quality programs and services for more than 30 years. Its approximately two million member families have access to a comprehensive package of year-round benefits, including the opportunity to exchange the use of their shared ownership vacation time for alternate accommodations. Interval has a network of more than 2,500 resorts in over 75 countries. Interval Leisure Group's other business segment is Aston (formerly ResortQuest Hawaii), which provides vacation rental and property management services for more than 5,000 units throughout the Hawaiian islands. Interval Leisure Group is headquartered in Miami, Florida, and operates through 26 offices in 16 countries.

We own approximately 30% of the outstanding common stock of Interval Leisure Group. We have entered into an agreement with Interval Leisure Group pursuant to which, among other things, we have the right to appoint 20% of the members of Interval Leisure Group's board of directors. We have appointed 2 of the current 9 board members.

Live Nation Entertainment, Inc.

We own approximately 14.6% of Live Nation Entertainment, Inc. outstanding common stock as a result of a merger between Live Nation, Inc. ("Live Nation") and Ticketmaster Entertainment, Inc. ("Ticketmaster"). We previously held approximately 29% of the outstanding common stock in Ticketmaster which was one of the companies spun off by IAC in August 2008. Live Nation is considered the largest producer of live music concerts in the world, based on total attendance at Live Nation events, annually producing over 22,000 concerts for 1,600 artists in 33 countries. Ticketmaster is one of the world's leading live entertainment ticketing and marketing companies, connecting the world to live entertainment. Ticketmaster operates in 20 global markets providing ticket sales, ticket resale services, marketing and distribution through approximately 7,100 retail outlets and 17 worldwide call centers.

We have commenced a partial tender offer to purchase up to 34,200,000 shares of the common stock of Live Nation Entertainment, Inc., at a cash purchase price of \$12 per share. If the tender offer is fully subscribed and completed, we would own approximately 34.9% of the outstanding common stock of Live Nation Entertainment, Inc.

Tree.com, Inc.

Tree.com was also spun off by IAC in August 2008. Tree.com, Inc. is the parent of several brands and businesses in the financial services and real estate industries including LendingTree, LendingTree Loans(sm), GetSmart.com, HomeLoanCenter.com, RealEstate.com, iNest.com, RealEstate.com, REALTORS(r) and Domania.com. Together, they serve as an ally for consumers who are looking to comparison shop loans, real estate and other financial products from multiple businesses and professionals who compete for their business. Tree.com, Inc. is headquartered in Charlotte, North Carolina.

We own approximately 26% of the outstanding common stock of Tree.com. We have entered into an agreement with Tree.com pursuant to which, among other things, we have the right to appoint 20% of the members of Tree.com's board of directors. We have not yet exercised this right.

Starz Group

The Starz Group focuses primarily on video programming businesses.

Starz Entertainment, LLC

Starz Entertainment, LLC, a wholly-owned subsidiary, provides premium movie networks and programming distributed by cable operators, direct-to-home satellite providers, telephone companies, other distributors and the Internet in the United States. Starz Entertainment's principal service offerings are (1) Starz, which is primarily a first-run movie service that generally includes Starz plus five multiplex channels branded with the Starz name, each of which exhibits movies targeted to a specific audience and (2) Encore, which airs first-run movies and classic contemporary movies and generally includes six additional thematic multiplex channels branded with the Encore name, each of which exhibits movies based upon individual themes. Starz can be purchased by subscribers as an à-la-carte premium service for which subscribers pay a separate monthly charge. Distributors may also package Starz with other premium services. Encore can be purchased by subscribers as part of a digital package, which includes other movie services or a variety of general entertainment digital networks. Distributors may also sell Encore on an à-la-carte basis or packaged with Starz. Starz Entertainment's services also include MoviePlex, a "theme by day" channel featuring a different thematic multiplex channel each day, on a weekly rotation; IndiePlex, featuring art house and independent films; RetroPlex, featuring "classic" movies; Starz On Demand; Encore on Demand; MoviePlex On Demand; high definition feeds of several Starz and Encore channels and high definition versions of each of Starz On Demand, Encore On Demand and MoviePlex On Demand. Starz Entertainment also offers Starz Online, Encore Online and Starz Play which are Internet complements to Starz and Encore, to cable and telephone companies who offer high speed services and other distributors. As of December 31, 2009, Starz Entertainment had 16.9 million subscribers to its linear Starz channels and 30.6 million subscribers to its linear Encore channels. The Starz subscriber numbers do not include subscribers who receive Starz programming over the Internet.

Programming networks, such as Starz, distribute their services through a number of distribution technologies, including cable television, direct-to-home satellite, broadcast television, telephone networks and the Internet. Programming services may be delivered to subscribers as part of a video distributor's analog or digital package of programming services for a fixed monthly fee, or may be delivered individually as a "premium" programming service for a separate monthly charge. Premium services may be scheduled or "on-demand." Additionally, single programs or movies may be delivered on a pay-per-view basis for a per program fee. Whether a programming service is basic, premium or pay-per-view, the programmer generally enters into separate multi-year affiliation agreements with those distributors that agree to carry the service. Programmers may also provide their pay-per-view and subscription on-demand services directly to consumers via the Internet. Basic programming services

derive their revenue principally from the sale of advertising time on their networks and from per subscriber license fees received from distributors. Their continued ability to generate both advertising revenue and subscriber license fees is dependent on these services' ability to maintain and renew their affiliation agreements. Premium and pay-per-view services do not sell advertising and primarily generate their revenue from subscriber fees.

The majority of Starz Entertainment's revenue is derived from the delivery of premium programming services comprised of movies and original programming to subscribers under affiliation agreements with cable operators, direct broadcast satellite operators and telephone companies, including Comcast Cable, DIRECTV, DISH Network, Time Warner Cable, Charter Communications, Cox Communications, Cablevision Systems, Insight Communications, Mediacom Communications, Verizon Communications, AT&T and the National Cable Television Cooperative. Some of Starz Entertainment's affiliation agreements provide for payments based on the number of subscribers that receive Starz Entertainment's services. Starz Entertainment also has affiliation agreements with certain of its customers pursuant to which those customers pay an agreed-upon rate regardless of the number of subscribers. These affiliation agreements generally provide for contractual rate increases or rate increases tied to the annual increase in the Consumer Price Index. Starz Entertainment's agreement with Comcast requires Comcast to carry the Encore and Thematic Multiplex channels through February 2010 and Starz through December 2012. Starz Entertainment's other affiliation agreements expire between now and November 2016. For the year ended December 31, 2009, 57% of Starz Entertainment's total revenue was generated by its three largest customers, Comcast, DIRECTV, and DISH Network, each of which individually generated more than 10% of Starz Entertainment's revenue for such period.

The cost of acquiring rights to programming, including Internet rights, represents Starz Entertainment's largest expense. In order to exhibit theatrical motion pictures, Starz Entertainment enters into agreements to acquire rights from major motion picture producers including Hollywood Pictures, Touchstone Pictures, Miramax Films, Walt Disney Studios, Sony's Columbia Pictures, Screen Gems and Sony Pictures Classics. Starz Entertainment also has exclusive rights to air first-run output from Overture Films, a wholly owned subsidiary of Starz Media. These output agreements expire between 2012 and 2016.

Starz Entertainment uplinks its programming to five non-preemptible, protected transponders on three domestic satellites. Starz Entertainment leases its transponders under long-term lease agreements. At December 31, 2009, Starz Entertainment's transponder leases had termination dates ranging from 2018 to 2021. Starz Entertainment transmits to these transponders from its uplink center in Englewood, Colorado.

Liberty Sports Interactive, Inc.

Liberty Sports Interactive, Inc., a wholly-owned subsidiary, develops, operates and licenses fantasy sports games, fantasy sports league-hosting software and fantasy sports content delivered via broadband, as well as providing free online games, information and entertainment for sports fans.

Capital Group

The Capital Group includes all of our businesses and assets that are not attributed to either the Interactive Group or the Starz Group. We expect to grow the businesses attributed to the Capital Group by creating new opportunities for our existing businesses and by acquiring companies that leverage and complement those businesses. Over time, we expect to convert many of our non-strategic assets into operating assets or into cash that we would use to pursue such opportunities. We may also explore other financial transactions and investments with attractive risk and return characteristics.

Starz Media, LLC

Starz Media's operations include live-action theatrical film production and distribution, home video distribution, live-action television production and distribution, and theatrical and non-theatrical animation and are divided into the following business units: Overture Films, Anchor Bay Entertainment, Proprietary Productions, Film Roman, and Toronto Animation Studio.

Overture Films, a wholly-owned subsidiary of Starz Media, produces and acquires live action theatrical motion pictures for release domestically and throughout the world. Overture distributes its movies theatrically in the United States, and Anchor Bay Entertainment and Proprietary Productions perform home video and television distribution in the United States. Overture has entered into distribution agreements with Paramount Vantage and Alliance Atlantis to distribute its product internationally to the extent Overture controls such rights. Overture's 2009 theatrical releases included *Sunshine Cleaning*, *Paper Heart*, *Capitalism: A Love Story*, *Law Abiding Citizen* and *The Men Who Stare at Goats*. All of Overture's films will appear on Starz Entertainment's channels during their pay television windows.

Overture records revenue from the theatrical release of its films. The domestic box office receipts are divided between the theatrical exhibitors and Overture based upon contractual arrangements on a film-by-film basis. Paramount Vantage and Alliance Atlantis contract with foreign distributors and receive a distribution fee for their services. Overture records revenue related to Anchor Bay's distribution of its films net of a reserve for estimated future returns. Overture receives license fees from Starz Entertainment related to the pay television agreement that covers the appearance of Overture's films on Starz Entertainment's channels during their pay television windows. Fees are also earned from both domestic and foreign networks/basic cable channels related to the exploitation of the titles on free television. Other revenue sources include video on demand/pay-per-view, syndication and exploitation of the titles in a non-theatrical manner such as the Internet and airlines. Significant expenses related to Overture's films include the amortization of film acquisition and production costs and the theatrical print and advertising expenses related to the release of each film, as well as the home video manufacturing and related distribution and advertising expenses.

Starz Media's home video distribution business is operated through its Anchor Bay Entertainment subsidiary, utilizing the Anchor Bay and Manga brands, in the United States, Canada, United Kingdom and Australia. Anchor Bay distributes Overture titles, as well as Proprietary Production titles. Anchor Bay also acquires and licenses various titles for home video distribution from third parties. These titles are distributed through regional and national retailers, including Wal-Mart, Target and Best Buy. Generally, these retailers have the right to return unsold products.

Anchor Bay records its revenue net of an allowance for estimated future returns. Anchor Bay pays its licensors, generally on a quarterly basis, (i) a royalty based on a percentage of net sales of the licensed title, (ii) a profit participation based on the net profits (if any) of the licensed title or (iii) retains a distribution fee and remits the net sales less contractually agreed to costs (e.g. manufacturing costs, pick, pack and ship costs, etc.) of the licensed title to the licensor. Anchor Bay markets and advertises each title prior to and during release generally through the use of a combination of television and other media related advertising and discounts, rebates and cooperative advertising with retailers depending on the specific genre or demographic appeal of the title.

Proprietary Productions develops and produces proprietary live-action and animated content for television and direct-to-video/DVD distribution. Proprietary Productions has produced live-action productions for the Sci Fi Network, Independent Film Channel, Lifetime and other cable and broadcast networks. As noted above, Anchor Bay acts as the home video distributor for Proprietary Productions.

Proprietary Productions receives license fees from networks and basic/pay cable television channels, including Starz Entertainment, related to exploitation of its productions on free or pay television. The

productions are also exploited via the Internet. Amortization of production costs represents Proprietary Productions single largest operating expense.

Film Roman develops and produces 2D animated content on a for-hire basis for distribution theatrically and on television. Significant for-hire animation projects at Film Roman include *The Simpsons* TV series and two series for Marvel Entertainment. At its animation studio located in Toronto, Starz Media develops and produces 3D animated content on a for-hire and proprietary basis.

For-hire revenue is recognized for each project based on the percentage of costs incurred-to-date relative to the estimated total costs of the project. Revenue recognized is proportional to the work performed-to-date under the contracts.

As mentioned above, in the U.S., Overture incurs significant marketing, advertising and print costs before and during the theatrical release of a film in an effort to generate awareness of the film, to increase the consumer's intent to view the film, and to generate significant consumer interest in subsequent home video and other ancillary markets. These costs are expensed as incurred. Therefore, Starz Media incurs losses prior to theatrical release of a film. The foreign distributors are normally responsible for the marketing and advertising of films in each of their respective territories.

Atlanta National League Baseball Club, Inc.

Atlanta National League Baseball Club, Inc., or ANLBC, is a wholly-owned subsidiary that we acquired in May 2007. It owns and operates the Atlanta Braves Major League Baseball franchise. 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 cartoon characters to social gathering places such as the Braves Chop House.

ANLBC derives revenue from the sale of tickets for games played at Turner Field, as well as from 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 Turner Broadcast System, Turner Regional Entertainment Network, Inc. and Sportsouth Network, Ltd., and through Major League Baseball ("MLB"), has entered into national broadcasting agreements with ESPN, Turner Broadcasting System, Inc. and Fox Sports.

As the owner of a MLB franchise, ANLBC must abide by rules promulgated by the MLB Commissioner and comply with MLB's constitution and bylaws. 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 agreements) to the clubs. In addition, each franchise is required to share locally derived revenue with the other MLB franchises and their owners through MLB's revenue sharing plan. 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.

In addition to the Atlanta Braves, ANLBC owns and operates a baseball academy in the Dominican Republic and certain minor league baseball clubs.

TruePosition, Inc.

TruePosition, Inc. 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 a Federal Communications Commission mandate requiring wireless carriers to implement wireless location capability. AT&T

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(formerly Cingular Wireless) began deploying TruePosition's technology in late 2002, and T-Mobile USA began deploying such technology in 2003. Both wireless carriers are deploying TruePosition's technology and using the technology for E-911. In addition, as of December 31, 2009, seven 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. Substantially all of TruePosition's reported revenue through November 2006 was derived from AT&T. At that time, TruePosition amended its contract with AT&T to include, among other things, delivery of specified elements in the future. In accordance with the software revenue recognition rules under generally accepted accounting principles, TruePosition ceased recognition of certain revenue from AT&T pending delivery of the specified elements. Recognition of revenue earned from T-Mobile is similarly deferred pending delivery of specified elements, which to date have not been delivered.

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) and Global System Mobile (GSM).

TruePosition is investing in the development of new location-based services and technologies through its subsidiaries Zoombak, Useful Networks and EmFinders. Zoombak has developed and sells Advanced GPS personal locator devices and services for tracking and locating cars, family, pets and other assets. Useful Networks develops and markets mobile location technology products to end users via the Internet and mobile carriers and provides cross-carrier location aggregation for both wireless carriers and content providers. EmFinders has developed and markets devices to be worn by persons with medical impairments, such as Alzheimer's disease, Down syndrome or autism, that can be used to locate and recover individuals if they wander off or become lost.

Sirius XM Radio Inc.

SIRIUS XM Radio is a domestic satellite radio company. SIRIUS XM broadcasts to subscribers over approximately 130 digital-quality channels, including more than 60 channels of 100% commercial-free music, plus exclusive channels of sports, news, talk, entertainment, traffic, weather and data through its two proprietary satellite radio systems—the Sirius system and the XM system. This unique listening experience is available to subscribers from coast-to-coast in the United States. The services can be used in cars, trucks, RVs, homes, offices, stores, and even outdoors. Boaters around the country, and up to 200 miles offshore, can also hear the SIRIUS XM programming. SIRIUS XM provides premium quality programming delivered by seven satellites orbiting directly over the United States (3 satellites provide service to the Sirius system and 4 satellites provide service to the XM system). In addition to the commercial-free music channels, SIRIUS XM's programming lineups also include 65 channels of sports, news, talk, entertainment, traffic, weather and data from such top names as Howard Stern, CNBC, CNN, Martha Stewart, Barbara Walters, Oprah Winfrey, BBC World Service, NPR and Radio Disney. Around-the-clock traffic and weather reports are provided for the top 20 US traffic markets.

Receivers are manufactured to meet the needs of all subscribers, and come in versions for cars, trucks, recreational vehicles, boats, aircraft, the home, offices, retail stores and for portable use. The receiver product line starts with portable and transportable Plug & Play radios and continues to high-end receivers complete with motorized touch-control display screens, as well as radios that are found in new cars and trucks.

Available in more than 20,000 retail locations, SIRIUS XM radios can be purchased at major national and regional retailers including Best Buy, Crutchfield, Costco, Target, Wal-Mart, Sam's Club and RadioShack. SIRIUS XM service is also available at heavy truck dealers and truck stops nationwide and SIRIUS XM has agreements with every major automaker.

As of December 31, 2009, we owned \$279 million principal amount of SIRIUS XM's public debt, as well as preferred stock of SIRIUS XM which is convertible into common stock representing approximately 40% of SIRIUS XM's fully diluted equity.

Regulatory Matters

Programming and Interactive Television Services

In the United States, the FCC regulates broadcasters, the providers of satellite communications services and facilities for the transmission of programming services, the cable television systems and other multichannel video programming distributors ("MVPDs") that distribute such services, and, to some extent, the availability of the programming services themselves through its regulation of program licensing. Cable television systems in the United States are also regulated by municipalities or other state and local government authorities. Cable television systems are currently subject to federal rate regulation on the provision of basic service, except where subject to effective competition under FCC rules, which has become increasingly widespread. Continued rate regulation or other franchise conditions could place downward pressure on the fees cable television companies are willing or able to pay for programming services in which we have interests. Regulatory carriage requirements also could adversely affect the number of channels available to carry the programming services in which we have an interest.

Regulation of Program Licensing. The Cable Television Consumer Protection and Competition Act of 1992 (the 1992 Cable Act) directed the FCC to promulgate regulations regarding the sale and acquisition of cable programming between MVPDs (including cable operators) and satellite-delivered programming services in which a cable operator has an attributable interest. The legislation and the implementing regulations adopted by the FCC preclude virtually all exclusive programming contracts between cable operators and satellite programmers affiliated with any cable operator (unless the FCC first determines that the contract serves the public interest) and generally prohibit a cable operator that has an attributable interest in a satellite programmer from improperly influencing the terms and conditions of sale to unaffiliated MVPDs. Further, the 1992 Cable Act requires that such affiliated programmers make their programming services available to cable operators and competing MVPDs such as multi-channel multi-point distribution systems, which we refer to as MMDS, and direct broadcast satellite ("DBS") distributors on terms and conditions that do not unfairly discriminate among distributors. The Telecommunications Act of 1996 extended these rules to programming services in which telephone companies and other common carriers have attributable ownership interests. The FCC revised its program licensing rules by implementing a damages remedy in situations where the defendant knowingly violates the regulations and by establishing a timeline for the resolution of complaints, among other things. In 2007, the FCC extended the prohibition on exclusive programming contracts until 2012 and amended the program access complaint rules. The FCC also has initiated a rulemaking proceeding to consider additional revisions to its program access rules, including, among others, further changes in the complaint procedures, restrictions on the bundling of programming services to distributors and the extension of the rules to terrestrially-delivered programming. On

January 20, 2010, the FCC revised the program access rules to permit complainants to pursue program access claims involving terrestrially-delivered, cable-affiliated programming similar to the claims that they may pursue regarding satellite-delivered, cable-affiliated programming, where the purpose or the effect of a challenged act is to hinder significantly or prevent a complainant from providing satellite cable programming or satellite broadcast programming. Although we no longer own Liberty Cablevision of Puerto Rico Ltd. ("LCPR"), FCC rules continue to attribute an ownership interest in LCPR to us, thereby subjecting us and satellite-delivered programming services in which we have an interest to the program access rules. As explained below in "Other Regulation," we are also subject to the program access rules as a condition of FCC approval of our transaction with News Corporation in 2008.

Regulation of Carriage of Programming. Under the 1992 Cable Act, the FCC has adopted regulations prohibiting cable operators from requiring a financial interest in a programming service as a condition to carriage of such service, coercing exclusive rights in a programming service or favoring affiliated programmers so as to restrain unreasonably the ability of unaffiliated programmers to compete.

Regulation of Ownership. The 1992 Cable Act required the FCC, among other things, (1) to prescribe rules and regulations establishing reasonable limits on the number of channels on a cable system that will be allowed to carry programming in which the owner of such cable system has an attributable interest and (2) to consider the necessity and appropriateness of imposing limitations on the degree to which MVPDs (including cable operators) may engage in the creation or production of video programming. In 1993, the FCC adopted regulations limiting carriage by a cable operator of national programming services in which that operator holds an attributable interest. However, in 2001, the United States Court of Appeals for the District of Columbia Circuit found that the FCC had failed to justify adequately the channel occupancy limit, vacated the FCC's decision and remanded the rule to the FCC for further consideration. In response to the Court's decision, the FCC issued further notices of proposed rulemaking in 2001 and in 2005 to consider channel occupancy limitations. Even if these rules were readopted by the FCC, they would have little impact on programming companies in which we have interests based upon our current attributable ownership interests in cable systems. In its 2001 decision, the Court of Appeals also vacated the FCC's rule imposing a thirty percent limit on the number of subscribers served by systems nationwide in which a multiple system operator can have an attributable ownership interest. After conducting a further rulemaking regarding this ownership limitation, in 2007, the FCC again adopted a thirty percent limit on the number of subscribers served by a cable operator nationwide. However, on August 28, 2009, the Court of Appeals again vacated the thirty percent limit.

Regulation of Carriage of Broadcast Stations. The 1992 Cable Act granted broadcasters a choice of must carry rights or retransmission consent rights. The rules adopted by the FCC generally provided for mandatory carriage by cable systems of all local full-power commercial television broadcast signals selecting must carry rights and, depending on a cable system's channel capacity, non-commercial television broadcast signals. Such statutorily mandated carriage of broadcast stations coupled with the provisions of the Cable Communications Policy Act of 1984, which require cable television systems with 36 or more "activated" channels to reserve a percentage of such channels for commercial use by unaffiliated third parties and permit franchise authorities to require the cable operator to provide channel capacity, equipment and facilities for public, educational and government access channels, could adversely affect some or substantially all of the programming services in which we have interests by limiting the carriage of such services in cable systems with limited channel capacity. In 2007, the FCC adopted an order addressing cable operators' obligations to ensure that local broadcasters' primary video and program-related material are viewable by all subscribers following completion of the digital transition. The FCC's order allows cable operators to comply with the viewability requirements by carrying a broadcaster's digital signal in either analog format or digital format, provided that all subscribers have the necessary equipment to view the broadcast content. The viewability requirements

extend to June 2012, and during 2011, the FCC will review the requirements based upon the state of technology and the marketplace.

Closed Captioning and Video Description Regulation. The Telecommunications Act of 1996 also required the FCC to establish rules and an implementation schedule to ensure that video programming is fully accessible to the hearing impaired through closed captioning. The rules adopted by the FCC require substantial closed captioning, with only limited exemptions. As a result, the programming companies in which we have interests may incur additional costs for closed captioning.

A-La-Carte Proceeding. In 2004, the FCC's Media Bureau conducted a notice of inquiry proceeding regarding the feasibility of selling video programming services "à-la-carte," i.e. on an individual or small tier basis. The Media Bureau released a report in 2004, which concluded that à-la-carte sales of video programming services would not result in lower video programming costs for most consumers and that they would adversely affect video programming networks. In 2006, the Media Bureau released a new report which stated that the 2004 report was flawed and which concluded that à-la-carte sales could be in the best interests of consumers. Although the FCC's authority to mandate à-la-carte sales has been questioned, its endorsement of the concept could encourage Congress to consider proposals to mandate à-la-carte sales or otherwise seek to impose greater regulatory controls on how programming is sold by MVPDs. The programming companies whose services are distributed in tiers or packages of programming services would experience decreased distribution if à-la-carte carriage were mandated.

Broadcast Regulation. The Communications Act permits the operation of television broadcast stations pursuant to a license issued by the FCC upon a finding that the grant of the license would serve the public interest, convenience and necessity. The FCC grants television broadcast station licenses for a maximum permitted term of eight years and, upon application, may renew the license for additional terms. Generally, the FCC renews broadcast licenses upon finding that: (1) the television station has served the public interest, convenience and necessity; (2) there have been no serious violations by the licensee of the Communications Act or FCC rules; and (3) there have been no other violations by the licensee of the Communications Act or FCC rules which, taken together, indicate a pattern of abuse. After considering these factors, the FCC may grant the license renewal application with or without conditions, including renewal for a lesser term than the maximum otherwise permitted, or hold an evidentiary hearing.

In 2007, the FCC released a new table of allotments which provides television stations in the United States with final digital television ("DTV") channel assignments following completion of the DTV transition on June 12, 2009. With the completion of the digital transition, full service broadcast television stations must transmit only digital signals and may not transmit analog signals.

The FCC regulates many aspects of broadcast station operations. For example, legislation enacted in 1990 limits the amount of commercial matter that may be broadcast during programming designed for children age 12 and younger. In addition, under FCC license renewal processing guidelines, television stations are generally required, among other things, to broadcast a minimum of three hours per week of programming, which must serve, as a "significant purpose," the educational and informational needs of children age 16 and younger. The FCC continues to enforce its regulations regarding political advertising, environmental matters, equal employment opportunity, indecency, technical operating matters and antenna tower maintenance. FCC rules require the closed captioning of almost all broadcast programming. FCC regulations also govern network affiliation agreements. Violation of FCC regulations can result in substantial monetary forfeitures, periodic reporting conditions, short-term license renewals and, in egregious cases, denial of license renewal or license revocation.

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Copyright Regulation. The programming companies in which we have interests must obtain any necessary music performance rights from the rights holders. These rights generally are controlled by the music performance rights organizations of the American Society of Composers, Authors and Publishers (ASCAP), Broadcast Music, Inc. (BMI) and the Society of European Stage Authors and Composers (SESAC), each with rights to the music of various artists.

Satellites and Uplink. In general, authorization from the FCC must be obtained for the construction and operation of a communications satellite. The FCC authorizes utilization of satellite orbital slots assigned to the United States by the World Administrative Radio Conference. Such slots are finite in number, thus limiting the number of carriers that can provide satellite transponders and the number of transponders available for transmission of programming services. At present, however, there are numerous competing satellite service providers that make transponders available for video services to MVPDs. The FCC also regulates the earth stations uplinking to and/or downlinking from such satellites.

Internet Services

The Internet businesses in which we have interests are subject, both directly and indirectly, to various laws and governmental regulations. Certain of our subsidiaries engaged in the provision of goods and services over the Internet 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. Goods sold over the Internet also must comply with traditional regulatory requirements, such as the Federal Trade Commission requirements regarding truthful and accurate claims. 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

Although we completed the Split-Off of LEI and the DTV Business Combination, the FCC's ownership attribution rules continue to attribute an ownership interest in DIRECTV to us. Consequently, we remain subject to the conditions adopted by the FCC in approving our 2008 transaction with News Corporation. Those conditions include program access and non-discrimination, program carriage, RSN arbitration and retransmission consent arbitration conditions.

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SIRIUS XM operates satellite systems and must comply with the FCC's regulations regarding satellite licensing, the prevention of interference and other matters. For example, SIRIUS XM must apply for renewal of its satellite licenses prior to the expiration of the current license terms. SIRIUS XM 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 XM must implement voluntary commitments regarding matters such as a la carte programming, rates and channels set asides for public interest and minority owned entities. Other aspects of SIRIUS XM's operations, such as the export of satellite radio system components and technical data, are subject to U.S. export licensing requirements.

We also have significant ownership interests on a cost basis in other entities, such as Sprint Nextel Corporation, which are extensively regulated. For example, Sprint Nextel is 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 programming services, cable television systems, DBS providers, broadcast television licensees and Internet 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

Our businesses that engage in video and on-line commerce compete with traditional offline and online retailers ranging from large department stores to specialty shops, other electronic retailers, direct marketing retailers, such as mail order and catalog companies, and discount retailers. In addition, QVC and HSN compete for access to customers and audience share with other conventional forms of entertainment and content. Provide Commerce competes with online floral providers such as 1-800-FLOWERS and floral wire services such as FTD and Teleflora. We believe that the principal competitive factors in the markets in which our electronic commerce businesses compete are high-quality products, freshness, brand recognition, selection, value, convenience, price, website performance, customer service and accuracy of order shipment.

Starz Entertainment competes with other programmers for distribution on a limited number of channels. Increasing concentration in the multichannel video distribution industry could adversely affect Starz Entertainment by reducing the number of distributors to whom it sells its programming, subjecting more of its programming sales to volume discounts and increasing the distributors' bargaining power in negotiating new affiliation agreements. Once distribution is obtained, Starz Entertainment competes for viewers with other cable and off-air broadcast television programming services as well as with other entertainment media, including home video, pay-per-view services, online activities, movies and other forms of news, information and entertainment. Starz Entertainment also competes for creative talent and programming content. We believe that the principal competitive factors for Starz Entertainment are prices charged for programming, the quantity, quality, exclusivity and variety of the programming offered and the effectiveness of marketing efforts.

Starz Media faces competition from companies within the entertainment business and from alternative forms of leisure entertainment. The primary competition for Starz Media's theatrical films and its other filmed products comes from both animated and live-action films that are targeted at similar audiences and released into the domestic theatrical market at approximately the same time as Starz Media's films. In addition to competing for revenue, Starz Media's film studios compete with other film studios over optimal release dates and the number of motion picture screens on which

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movies are exhibited. Anchor Bay competes with the home video/DVD distribution divisions of major theatrical production studios, as well as with several other independent home video/DVD distribution companies.

Our businesses that offer services through the Internet compete with businesses that offer their own services directly through the Internet as well as with online and offline providers of similar services including providers of ticketing services, lending services, travel agencies, operators of destination search sites and search-centric portals, search technology providers, online advertising networks, site aggregation companies, media, telecommunications and cable companies, Internet service providers and niche competitors that focus on a specific category or geography. Expedia also competes with hoteliers and airlines as well as travel planning service providers, including aggregator sites that offer inventory from multiple suppliers, such as airline sites, Orbitz, Travelocity and Priceline, and with American Express and Navigant International, providers of corporate travel services. We believe that the principal competitive factors in the markets in which our businesses that offer services through the Internet engage are selection, price, availability of inventory, convenience, brand recognition, accessibility, customer service, reliability, website performance, and ease of use.

SIRIUS XM 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 XM 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 XM are the quantity, quality, exclusivity and variety of the programming offered and the effectiveness of marketing efforts.

Employees

As of December 31, 2009, we had 73 corporate employees, and our consolidated subsidiaries had an aggregate of approximately 23,000 full and part-time employees. We believe that our employee relations are good.

(d) Financial Information About Geographic Areas

For financial information related to the geographic areas in which we do business, see note 20 to our consolidated financial statements found in Part II of this report.

(e) Available Information

All of our filings with the Securities and Exchange Commission (the "SEC"), including our Form 10-Ks, Form 10-Qs and Form 8-Ks, as well as amendments to such filings are available on our Internet website free of charge generally within 24 hours after we file such material with the SEC. Our website address is www.libertymedia.com.

Our corporate governance guidelines, code of business conduct and ethics, compensation committee charter, nominating and corporate governance committee charter, and audit committee charter are available on our website. In addition, we will provide a copy of any of these documents, free of charge, to any shareholder who calls or submits a request in writing to Investor Relations, Liberty Media Corporation, 12300 Liberty Boulevard, Englewood, Colorado 80112, Tel. No. (877) 772-1518.

The information contained on our website is not incorporated by reference herein.

Item 1A. Risk Factors

The risks described below and elsewhere in this annual report are not the only ones that relate to our businesses or our capitalization. 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.

Risks Relating to the Ownership of Our Common Stock due to our Tracking Stock Capitalization

The risks described below apply to the ownership of our Liberty Interactive common stock, our Liberty Starz common stock and our Liberty Capital common stock due to our tracking stock capitalization.

Holders of Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock are common stockholders of our company and are, therefore, subject to risks associated with an investment in our company as a whole, even if a holder does not own shares of common stock of all three of our groups. Even though we have attributed, for financial reporting purposes, all of our consolidated assets, liabilities, revenue, expenses and cash flows to each of the Interactive Group, the Starz Group and the Capital Group in order to prepare the separate financial statement schedules for each of those groups, we retain legal title to all of our assets; and our capitalization does not limit our legal responsibility, or that of our subsidiaries, for the liabilities included in any set of financial statement schedules. Holders of Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock do not have any legal rights related to specific assets attributed to the Interactive Group, the Capital Group or the Starz Group and, in any liquidation, holders of Liberty Interactive common stock, holders of Liberty Capital common stock and holders of Liberty Starz common stock are entitled to receive a pro rata share of our available net assets based on their respective numbers of liquidation units.

We could be required to use assets attributed to one group to pay liabilities attributed to another group or groups. The assets attributed to one group are potentially subject to the liabilities attributed to the other groups, even if those liabilities arise from lawsuits, contracts or indebtedness that are attributed to such other group(s). While our current management and allocation policies provide that transfers of assets between groups will result in the creation of an inter-group loan or an inter-group interest or an offsetting transfer of cash or other assets, no provision of our amended charter prevents us from satisfying liabilities of one group with assets of another group, and our creditors will not in any way be limited by our tracking stock capitalization from proceeding against any assets they could have proceeded against if we did not have a tracking stock capitalization.

The market price of Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock may not reflect the performance of the Interactive Group, the Starz Group and the Capital Group, respectively, as we intend. We cannot assure you that the market price of the common stock of a group will, in fact, reflect the performance of the group of businesses, assets and liabilities attributed to that group. Holders of Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock are common stockholders of our company as a whole and, as such, are subject to all risks associated with an investment in our company and all of our businesses, assets and liabilities. As a result, the market price of each series of stock of a group may simply reflect the performance of our company as a whole or may more independently reflect the performance of some or all of the group of assets attributed to such group. In addition, investors may discount the value of the stock of a group because it is part of a common enterprise rather than a stand-alone entity.

The market price of Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock may be volatile, could fluctuate substantially and could be affected by factors that do not affect traditional common stock. The market prices of Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock may be materially affected by, among other things:

- actual or anticipated fluctuations in a group's operating results or in the operating results of particular companies attributable to such group;
- potential acquisition activity by our company or the companies in which we invest;
- issuances of debt or equity securities to raise capital by our company or the companies in which we invest and the manner in which that debt or the proceeds of an equity issuance are attributed to each of the groups;
- changes in financial estimates by securities analysts regarding Liberty Interactive common stock, Liberty Capital common stock or Liberty Starz common stock or the companies attributable to any of our tracking stock groups;
- the complex nature and the potential difficulties investors may have in understanding the terms of each of our tracking stocks, as well as concerns regarding the possible effect of certain of those terms on an investment in our stock; and
- general market conditions.

The market value of Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock could be adversely affected by events involving the assets and businesses attributed to any of the groups. Because we are the issuer of Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock, an adverse market reaction to events relating to the assets and businesses attributed to one of our groups, such as earnings announcements or announcements of new products or services, acquisitions or dispositions that the market does not view favorably, may cause an adverse reaction to the common stock of our other groups. This could occur even if the triggering event is not material to us as a whole. In addition, the incurrence of significant indebtedness by us or any of our subsidiaries on behalf of one group, including indebtedness incurred or assumed in connection with acquisitions of or investments in businesses, could affect our credit rating and that of our subsidiaries and, therefore, could increase the borrowing costs of businesses attributable to our other groups or the borrowing costs of our company as a whole.

We may not pay dividends equally or at all on Liberty Interactive common stock, Liberty Capital common stock or Liberty Starz common stock. We do not presently intend to pay cash dividends on Liberty Interactive common stock, Liberty Capital common stock or Liberty Starz common stock for the foreseeable future. However, we will have the right to pay dividends on the shares of common stock of each group in equal or unequal amounts, and we may pay dividends on the shares of common stock of one group and not pay dividends on shares of common stock of one or both of the other groups. In addition, any dividends or distributions on, or repurchases of, shares relating to any group will reduce our assets legally available to be paid as dividends on the shares relating to the other groups.

Our tracking stock capital structure could create conflicts of interest, and our board of directors may make decisions that could adversely affect only some holders of our common stock. Our tracking stock capital structure could give rise to occasions when the interests of holders of stock of one group might diverge or appear to diverge from the interests of holders of stock of one or both of the other groups. In addition, given the nature of their businesses, there may be inherent conflicts of interests between the Interactive Group, the Starz Group and the Capital Group. Our officers and directors owe fiduciary duties to all of our stockholders. The fiduciary duties owed by such officers and directors are to our

company as a whole, and decisions deemed to be in the best interest of our company may not be in the best interest of a particular group when considered independently. Examples include:

- decisions as to the terms of any business relationships that may be created between and among the Interactive Group, the Capital Group and/or the Starz Group or the terms of any transfers of assets between or among the groups;
- decisions as to the allocation of consideration among the holders of Liberty Interactive common stock, Liberty Capital common stock and/or Liberty Starz common stock, or among the series of stocks relating to any of our groups, to be received in connection with a merger involving our company;
- decisions as to the allocation of corporate opportunities between the groups, especially where the opportunities might meet the strategic business objectives of more than one group;
- decisions as to operational and financial matters that could be considered detrimental to some groups but beneficial to others;
- decisions as to the conversion of shares of common stock of one group into shares of common stock of another;
- decisions regarding the creation of, and, if created, the subsequent increase or decrease of any inter-group interest that one group may own in another group;
- decisions as to the internal or external financing attributable to business or assets attributed to any of our groups;
- decisions as to the dispositions of assets of any of our groups; and
- decisions as to the payment of dividends on the stock relating to any of our groups.

In addition, if directors own disproportionate interests (in percentage or value terms) in Liberty Interactive common stock, Liberty Capital common stock or Liberty Starz common stock, that disparity could create or appear to create conflicts of interest when they are faced with decisions that could have different implications for the holders of Liberty Interactive common stock, Liberty Capital common stock or Liberty Starz common stock.

Other than pursuant to our stated management and allocation policies, we have not adopted any specific procedures for consideration of matters involving a divergence of interests among holders of shares of stock relating to our different groups, or among holders of different series of stock relating to a specific group. Rather than develop additional specific procedures in advance, our board of directors intends to exercise its judgment from time to time, depending on the circumstances, as to how best to:

- obtain information regarding the divergence (or potential divergence) of interests;
- determine under what circumstances to seek the assistance of outside advisers;
- determine whether a committee of our board of directors should be appointed to address a specific matter and the appropriate members of that committee; and
- assess what is in our best interests and the best interests of all of our stockholders.

Our board of directors believes the advantage of retaining flexibility in determining how to fulfill its responsibilities in any such circumstances as they may arise outweighs any perceived advantages of adopting additional specific procedures in advance.

Our board of directors may change the management and allocation policies to the detriment of any group without stockholder approval. Our board of directors has adopted certain management and allocation policies to serve as guidelines in making decisions regarding the relationships between and among the

Interactive Group, the Starz Group and the Capital Group with respect to matters such as tax liabilities and benefits, inter-group loans, inter-group interests, attribution of assets acquired after the restructuring of a group, financing alternatives, corporate opportunities and similar items. These policies are not included in the amended charter. Our board of directors may at any time change or make exceptions to these policies. Because these policies relate to matters concerning the day to day management of our company as opposed to significant corporate actions, such as a merger involving our company or a sale of substantially all of our assets, no stockholder approval is required with respect to their adoption or amendment. A decision to change, or make exceptions to, these policies or adopt additional policies could disadvantage one or more groups while advantaging the other(s).

Holders of shares of stock relating to a particular group may not have any remedies if any action by our directors or officers has an adverse effect on only that stock, or on a particular series of that stock. Principles of Delaware law and the provisions of our amended charter may protect decisions of our board of directors that have a disparate impact upon holders of shares of stock relating to a particular group, or upon holders of any series of stock relating to a particular group. 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, regardless of the stock, or series, they hold. 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 and does not have separate or additional duties to any subset of stockholders. Judicial opinions in Delaware involving tracking stocks have established that decisions by directors or officers involving differing treatment of holders of tracking stocks may be judged under the business judgment rule. The business judgment rule generally provides that a director or officer of our company may be deemed to have satisfied his or her fiduciary duties to our company if that person acts in a manner he or she believes in good faith to be in the best interests of our company as a whole, and not of any single group of our stockholders. As a result, in some circumstances, our directors or officers may be required to make a decision that is viewed as adverse to the holders of shares relating to a particular group or to the holders of a particular series of that stock. Therefore, under the principles of Delaware law referred to above and the business judgment rule, you may not be able to successfully challenge decisions that you believe have a disparate impact upon the stockholders of one of our groups if a majority of our board of directors is disinterested, independent and adequately informed with respect to decisions of the board and acts in good faith and in the honest belief that the board is acting in the best interest of all of our stockholders.

Stockholders will not vote on how to attribute consideration received in connection with a merger involving our company among holders of Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock. Our amended charter does not contain any provisions governing how consideration received in connection with a merger or consolidation involving our company is to be attributed to the holders of Liberty Interactive common stock, holders of Liberty Capital common stock and holders of Liberty Starz common stock or to the holders of different series of stock, and none of the holders of Liberty Interactive common stock, Liberty Capital common stock or Liberty Starz common stock will have a separate class vote in the event of such a merger or consolidation. Consistent with applicable principles of Delaware law, our board of directors will seek to divide the type and amount of consideration received in a merger or consolidation involving our company among holders of Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock in a fair manner. As the different ways the board of directors may divide the consideration between holders of stock relating to the different groups, and among holders of different series of a particular stock, might have materially different results, the consideration to be received by holders of Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock in any such merger or consolidation may be materially less valuable than the consideration they would have received if they had a separate class vote on such merger or consolidation.

We may dispose of assets of the Interactive Group, the Capital Group or the Starz Group without your approval. Delaware law requires stockholder approval only for a sale or other disposition of all or substantially all of the assets of our company taken as a whole, and our amended charter does not require a separate class vote in the case of a sale of a significant amount of assets of any of our groups. As long as the assets attributed to the Interactive Group, the Capital Group or the Starz Group proposed to be disposed of represent less than substantially all of our assets, we may approve sales and other dispositions of any amount of the assets of such group without any stockholder approval. Based on the composition of the groups, we believe that a sale of all or substantially all of the assets of any group, on a stand alone basis, would not be considered a sale of substantially all of the assets of our company requiring stockholder approval.

If we dispose of all or substantially all of the assets of any group (which means, for this purpose, assets representing 80% of the fair market value of the total assets of the disposing group, as determined by our board of directors), we would be required, if the disposition is not an exempt disposition under the terms of our amended charter, to choose one or more of the following three alternatives:

- declare and pay a dividend on the disposing group's common stock;
- redeem shares of the disposing group's common stock in exchange for cash, securities or other property; and/or
- convert all of the disposing group's outstanding common stock into common stock of one of the other groups.

In this type of a transaction, holders of the disposing group's common stock may receive less value than the value that a third-party buyer might pay for all or substantially all of the assets of the disposing group.

Our board of directors will decide, in its sole discretion, how to proceed and is not required to select the option that would result in the highest value to holders of any group of our common stock.

Holders of Liberty Interactive common stock, Liberty Capital common stock or Liberty Starz common stock may receive less consideration upon a sale of the assets attributed to that group than if that group were a separate company. If the Interactive Group, the Capital Group or the Starz Group were a separate, independent company and its shares were acquired by another person, certain costs of that sale, including corporate level taxes, might not be payable in connection with that acquisition. As a result, stockholders of a separate, independent company with the same assets might receive a greater amount of proceeds than the holders of Liberty Interactive common stock, Liberty Capital common stock or Liberty Starz common stock would receive upon a sale of all or substantially all of the assets of the group to which their shares relate. In addition, we cannot assure you that in the event of such a sale the per share consideration to be paid to holders of Liberty Interactive common stock, Liberty Capital common stock or Liberty Starz common stock, as the case may be, will be equal to or more than the per share value of that share of stock prior to or after the announcement of a sale of all or substantially all of the assets of the applicable group. Further, there is no requirement that the consideration paid be tax-free to the holders of the shares of common stock of that group. Accordingly, if we sell all or substantially all of the assets attributed to the Interactive Group, the Capital Group or the Starz Group, our stockholders could suffer a loss in the value of their investment in our company.

Our board of directors may in its sole discretion elect to convert the common stock relating to one group into common stock relating to one of our other groups, thereby changing the nature of your investment and possibly diluting your economic interest in our company, which could result in a loss in value to you. Our amended charter permits our board of directors, in its sole discretion, to convert all of the outstanding shares of common stock relating to any of our groups into shares of common stock of any of our other groups. A conversion would preclude the holders of stock in both groups involved in such conversion

from retaining their investment in a security that is intended to reflect separately the performance of the relevant group. We cannot predict the impact on the market value of our stock of (1) our board of directors' ability to effect any such conversion or (2) the exercise of this conversion right by our company. In addition, our board of directors may effect such a conversion at a time when the market value of our stock could cause the stockholders of one group to be disadvantaged.

Holders of Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock vote together and have limited separate voting rights.

Holders of Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock vote together as a single class, except in certain limited circumstances prescribed by our amended charter and under Delaware law. Each share of Series B common stock of each group has ten votes per share, and each share of Series A common stock of each group has one vote per share. Holders of Series C common stock of any group have no voting rights, other than those required under Delaware law. When holders of Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock vote together as a single class, holders having a majority of the votes will be in a position to control the outcome of the vote even if the matter involves a conflict of interest among our stockholders or has a greater impact on one group than the other.

Our capital structure as well as the fact that the Interactive Group, the Capital Group and the Starz Group are not independent companies may inhibit or prevent acquisition bids for the Interactive Group, the Capital Group or the Starz Group. If the Interactive Group, the Starz Group and the Capital Group were separate independent companies, any person interested in acquiring the Interactive Group, the Capital Group or the Starz Group without negotiating with management could seek control of that group by obtaining control of its outstanding voting stock, by means of a tender offer, or by means of a proxy contest. Although we intend Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock to reflect the separate economic performance of the Interactive Group, the Starz Group and the Capital Group, respectively, those groups are not separate entities and a person interested in acquiring only one group without negotiation with our management could obtain control of that group only by obtaining control of a majority in voting power of all of the outstanding shares of common stock of our company. The existence of shares of common stock, and different series of shares, relating to different groups could present complexities and in certain circumstances pose obstacles, financial and otherwise, to an acquiring person that are not present in companies which do not have capital structures similar to ours.

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 amended 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 of each group that entitles the holders to ten votes per share, a Series A common stock of each group that entitles the holder to one vote per share, and a Series C common stock of each group that except as otherwise required by applicable law, entitles the holder to no voting rights;
- authorizing the issuance of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;
- 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; and

- 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.

Our chairman, John C. Malone, beneficially owns shares representing the power to direct approximately 33.0% of the aggregate voting power in our company, due to his beneficial ownership of approximately 82.8% of the outstanding shares of Series B Liberty Capital common stock, 83.2% of the outstanding shares of Series B Liberty Interactive common stock and approximately 82.5% of the Series B Liberty Starz common stock.

Factors Relating to our Company, the Interactive Group, the Starz Group and the Capital Group

The risks described below apply to our company and to the businesses and assets attributable to the Interactive Group, the Starz Group and the Capital Group.

The historical financial information of the Interactive Group, the Starz Group and the Capital Group may not necessarily reflect their results as separate companies. One of the reasons for the creation of a tracking stock is to permit equity investors to apply more specific criteria in valuing the shares of a particular group, such as comparisons of earnings multiples with those of other companies in the same business sector. In valuing shares of Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock, investors should recognize that the historical financial information of the Interactive Group, the Starz Group and the Capital Group has been extracted from our consolidated financial statements and may not necessarily reflect what the Interactive Group's, the Capital Group's and the Starz Group's results of operations, financial condition and cash flows would have been had the Interactive Group, the Starz Group and the Capital Group been separate, stand-alone entities pursuing independent strategies during the periods presented.

Certain of our subsidiaries and business affiliates depend on a limited number of potential customers for carriage of their programming. The cable television industry has been undergoing a period of consolidation, and there are only a limited number of direct-to-home satellite distribution companies. As a result, the number of potential buyers of the programming services offered by our subsidiaries and business affiliates is limited and possibly decreasing. In this more concentrated market, there can be no assurance that our owned and affiliated program suppliers will be able to obtain or maintain carriage of their programming services by distributors on commercially reasonable terms or at all.

Rapid technological advances could render the products and services offered by our groups' subsidiaries and business affiliates obsolete or non-competitive. The subsidiaries and business affiliates attributed to each group must stay abreast of rapidly evolving technological developments and offerings to remain competitive and increase the utility of their services. These subsidiaries and business affiliates must be able to incorporate new technologies into their products in order to address the needs of their customers. There can be no assurances that they will be able to compete with advancing technology, and any failure to do so may adversely affect the group to which they are attributed.

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 and those attributed to any of our groups. An important component of the success of our subsidiaries and business affiliates is their ability to maintain their existing, as well as build new, relationships with third party distribution channels, suppliers 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 and those attributed to our groups.

The subsidiaries and business affiliates attributable to each group are subject to risks of adverse government regulation. Programming services, cable television systems, the Internet, telephony services

and satellite service providers are subject to varying degrees of regulation in the United States by the Federal Communications Commission 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. The application of various sales and use tax provisions under state, local and foreign law to certain of our subsidiaries' and business affiliates' products and services sold via the Internet, television and telephone is subject to interpretation by the applicable taxing authorities, and no assurance can be given that such authorities will not take a contrary position to that taken by those subsidiaries and business affiliates, which could have a material adverse effect on their business. In addition, there have been numerous attempts at the federal, state and local levels to impose additional taxes on online commerce transactions. Moreover, substantially every foreign country in which our subsidiaries or business affiliates have, or may in the future make, an investment regulates, in varying degrees, the distribution, content and ownership of programming services and foreign investment in programming companies and wireline and wireless cable communications, satellite and telephony services and the Internet. Further material changes in the law and regulatory requirements must be anticipated, and there can be no assurance that the businesses and assets attributed to each group will not be adversely affected by future legislation, new regulation or deregulation.

The success of certain of the groups' subsidiaries and business affiliates whose businesses involve the Internet depends on maintaining the integrity of their systems and infrastructure. A fundamental requirement for online commerce and communications is the secure transmission of confidential information, such as credit card numbers or other personal information, over public networks. If the security measures of any of our subsidiaries or business affiliates engaged in online commerce were to be compromised, it could have a detrimental effect on their reputation and adversely affect their ability to attract customers.

Computer viruses transmitted over the Internet have significantly increased in recent years, thereby increasing the possibility of disabling attacks on and damage to websites of our subsidiaries and business affiliates whose businesses are dependent on the Internet. In addition, certain of the subsidiaries and business affiliates attributed to each group rely on third-party computer systems and service providers to facilitate and process a portion of their transactions. Any interruptions, outages or delays in these services, or a deterioration in their performance, could impair the ability of these subsidiaries and business affiliates to process transactions for their customers and the quality of service they can offer to them.

The success of certain of the subsidiaries and business affiliates attributed to each group depends on audience acceptance of its programs and services which is difficult to predict. Entertainment content production, premium subscription television program services, and satellite radio services 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 cable program, premium subscription television service or satellite radio program depends upon the quality and acceptance of competing programs and other entertainment content available in the marketplace at the same time, 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. Audience sizes for cable programming and premium subscription television programs are important factors when cable television and direct-to-home (DTH) satellite providers negotiate affiliation agreements and, in the case of ad-supported programming and satellite radio service, when advertising rates are negotiated. Consequently, low public acceptance of the programs and services offered by our subsidiaries and business affiliates will have an adverse effect on our results of operations.

Increased programming and content costs may adversely affect profits. Subsidiaries and business affiliates attributable to our groups produce programming and other content and incur costs for all types of creative talent including writers, producers, actors and other on-air talent. Some of these

subsidiaries and business affiliates also acquire programming, such as movies and television series, from television production companies and movie studios. 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 downturn in the United States and in other regions of the world in which our subsidiaries and affiliates operate 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 across our tracking stock groups including lagging retail sales, potential downgrades by satellite and cable television subscribers and a drastic slowdown in auto sales (which is an important source of satellite radio subscribers). 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.

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 (generally those companies in which we have less than a majority voting stake) attributed to the Interactive Group, the Capital Group, including Sirius, Live Nation, Expedia and HSN. Rather, our rights may take the form of representation on the board of directors or a partners' or similar committee that supervises management or possession of veto rights over significant or extraordinary actions. The scope of our veto rights vary from agreement to agreement. 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 in which we own less than a majority voting interest or prevent us from paying dividends or making distributions to our stockholders or partners, they will not enable us to cause these actions to be taken.

The liquidity and value of our available for sale securities may be affected by market conditions beyond our control that could cause us to record losses for declines in their market value. Included among the assets attributable to the Capital group and the Interactive Group are equity interests in one or more publicly-traded companies which are accounted for as available for sale securities. The value of these interests may be affected by economic and market conditions that are beyond our control. We record the majority of our available for sale securities at fair value and any changes in fair value are reflected in our consolidated financial statements as realized gains or losses. In addition, our ability to liquidate these interests without adversely affecting their value may be limited.

A substantial portion of the consolidated debt attributed to each group is held above the operating subsidiary level, and we could be unable in the future to obtain cash in amounts sufficient to service that debt and our other financial obligations. As of December 31, 2009, our wholly-owned subsidiary Liberty Media LLC had \$4,696 billion principal amount of publicly-traded debt outstanding. Liberty Media LLC is a holding company for all of our subsidiaries and investments. In addition, we have \$1,707 million of bank and other debt that is held above the operating subsidiary level. Our ability to meet the financial obligations of Liberty Media LLC and our other financial obligations will depend on our ability to access cash. Our sources of cash include our available cash balances, net cash from operating activities, dividends and interest from our investments, availability under credit facilities at the operating subsidiary level, monetization of our public investment portfolio and proceeds from asset sales. There are no assurances that we will maintain the amounts of cash, cash equivalents or marketable securities that we maintained over the past few years. The ability of our operating subsidiaries to pay dividends or to make other payments or advances to us or Liberty Media LLC depends on their individual operating results and any statutory, regulatory or contractual restrictions to which they may be or may become subject. Some of our subsidiaries are subject to loan agreements that restrict sales of assets and prohibit or limit the payment of dividends or the making of

distributions, loans or advances to stockholders and partners. Neither we nor Liberty Media LLC will generally receive cash, in the form of dividends, loans, advances or otherwise, from our business affiliates. In this regard, we will not have sufficient voting control over most of our business affiliates to cause those companies to pay dividends or make other payments or advances to their partners or stockholders, including our company or Liberty Media LLC.

Disruptions in the worldwide credit and equity markets have increased the risk of default by the counterparties to our financial instruments. Disruptions in the credit and equity markets have impacted the creditworthiness of certain financial institutions. Although we seek to manage the credit risks associated with our financial instruments and cash investments, we are exposed to an increased risk that our counterparties may default on their obligations to us. At December 31, 2009, our total assets included derivatives with a fair value of \$752 million. Were one or more of our counterparties to fail or otherwise be unable to meet its obligations to us, our financial condition could be adversely affected.

Sales of our common stock by our insiders could depress the market price of our common stock. Sales of 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 can result notwithstanding any personal financial motivation for these insider sales. As a result, insider sales could depress the market price for shares of one or more series of our tracking stocks.

Factors Relating to the Interactive Group's Attributed Subsidiary QVC

The risks described below are unique to QVC, which currently constitutes the primary business attributed to the Interactive Group.

QVC conducts its merchandising businesses under highly competitive conditions. Although QVC is the nation's largest home shopping network, it has numerous and varied competitors at the national and local levels, including conventional and specialty department stores, other specialty stores, mass merchants, value retailers, discounters, and Internet and mail-order retailers. Competition is characterized by many factors, including assortment, advertising, price, quality, service, location, reputation and credit availability. If QVC does not compete effectively with regard to these factors, its results of operations could be materially and adversely affected.

QVC's sales and operating results depend on its ability to predict or respond to consumer preferences. QVC's sales and operating results depend in part on its ability to predict or respond to changes in consumer preferences and fashion trends in a timely manner. QVC develops new retail concepts and continuously adjusts its product mix in an effort to satisfy customer demands. Any sustained failure to identify and respond to emerging trends in lifestyle and consumer preferences could have a material adverse affect on QVC's business. Consumer spending may be affected by many factors outside of QVC's control, including competition from store-based retailers, mail-order and Internet companies, consumer confidence and preferences, and general economic conditions.

QVC depends on the cable and satellite distributors that carry its network, and no assurance can be given that QVC will be able to renew its affiliation agreements on favorable terms or at all. QVC currently distributes its programming through affiliation agreements with many local and national cable and satellite providers, including Comcast, Time Warner, DIRECTV and DISH Network. Affiliation agreements expire from time to time and, in some cases, renewals are not agreed upon prior to the expiration of a given agreement while the television network continues to be carried by the relevant distributor without an effective agreement in place. Renewal and negotiation processes with distributors are typically lengthy, and QVC is currently seeking to negotiate a renewal with a large distributor regarding an agreement that expired in June 2009. QVC may be unable to obtain this renewal or renewals or new affiliation agreements with this or any other distributor to carry the QVC television network on acceptable terms, if at all.

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Consumer retail spending can decline significantly during periods of general economic uncertainty or during recessionary periods when disposable incomes decline. The substantial downturn in the U.S. and global economies in 2008 caused a severe fall-off in retail sales. Retailers such as QVC experienced not only reduced sales, but also an increase in returned merchandise, which materially adversely affected their earnings in 2008. Although QVC's sales began to improve in the third and fourth quarters of 2009, no assurance can be given as to whether such improvements are sustainable.

QVC's success depends in large part on its ability to recruit and retain key employees capable of executing its unique business model. QVC has a business model that requires it to recruit and retain key employees with the skills necessary for a unique business that demands knowledge of the general retail industry, television production, direct to consumer marketing and fulfillment and the Internet. We can not assure you that if QVC experiences turnover of its key employees, it will be able to recruit and retain acceptable replacements because the market for such employees is very competitive and limited.

QVC has operations outside of the United States that are subject to numerous operational and financial risks. QVC has operations in countries other than the United States and are subject to the following risks inherent in international operations:

- fluctuations in currency exchange rates;
- longer payment cycles for sales in foreign countries that may increase the uncertainty associated with recoverable accounts;
- recessionary conditions and economic instability affecting overseas markets;
- potentially adverse tax consequences;
- export and import restrictions, tariffs and other trade barriers;
- increases in taxes and governmental royalties and fees;
- involuntary renegotiation of contracts with foreign governments;
- changes in foreign and domestic laws and policies that govern operations of foreign-based companies;
- difficulties in staffing and managing international operations; and
- political unrest that may result in disruptions of services that are critical to their international businesses.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties.

We own our corporate headquarters in Englewood, Colorado. All of our other real or personal property is owned or leased by our subsidiaries and business affiliates.

QVC owns its corporate headquarters and operations center in West Chester, Pennsylvania. It also owns call centers in San Antonio, Texas, Port St. Lucie, Florida, Chesapeake, Virginia, Bochum and Kassel, Germany, as well as a call center and warehouse in Knowsley, United Kingdom. QVC owns a distribution center in Hücklehoven, Germany and distribution centers in Lancaster, Pennsylvania, Suffolk, Virginia, Rocky Mount, North Carolina, Florence, South Carolina and Sakura-shi, Chiba, Japan. To supplement the facilities it owns, QVC also leases various facilities in the United States, the United Kingdom, Germany and Japan for retail outlet stores, office space, warehouse space and call center locations.

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Starz Entertainment owns its corporate headquarters in Englewood, Colorado. In addition, Starz Entertainment leases office space for its business affairs and sales staff at three locations around the United States.

Starz Media leases space for its executive offices, distribution and sales operations, and production studio facilities in Burbank, California, Troy, Michigan, Beverly Hills, California and New York, New York. Starz Media also leases space for its international production and distribution operations in Toronto, Ontario, London, England and Melbourne and Sydney, Australia.

Our other subsidiaries and business affiliates own or lease the fixed assets necessary for the operation of their respective businesses, including office space, transponder space, headends, cable television and telecommunications distribution equipment, telecommunications switches and customer equipment (including converter boxes). Our management believes that our current facilities are suitable and adequate for our business operations for the foreseeable future.

Item 3. Legal Proceedings.

None.

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

At the Company's special meeting of stockholders held on November 19, 2009, the following matters were voted on and approved by the stockholders of the Company:

	<u>Votes for</u>	<u>Votes against</u>	<u>Abstentions</u>
1. Approval of the Redemption Proposal to allow Liberty Media to redeem a portion of the outstanding shares of Liberty Entertainment common stock for all of the outstanding shares of Liberty Entertainment, Inc. ("LEI").	609,992,711	10,163,831	464,076
2A. Approval of the minority redemption proposal to approve (i) the Split-Off and (ii) the transactions contemplated thereby (including the transactions contemplated by a reorganization agreement to be entered into between Liberty Media and LEI).	385,335,890	10,216,976	466,343
2B. Approval of the merger proposal to approve (i) the Agreement and Plan of Merger, dated as of May 3, 2009, and as amended on July 29, 2009 and October 2, 2009 (the Merger Agreement), by and among Liberty Media, LEI, DIRECTV and the other parties named therein and (ii) the transactions contemplated thereby (including the merger of a wholly owned subsidiary of Holdings with and into LEI).	385,322,375	10,242,659	454,175
2C. Approval of the contribution proposal to approve (i) the Voting and Right of First Refusal Agreement, dated as of May 3, 2009, and as amended on July 29, 2009 and October 2, 2009 (the "Malone Agreement"), and (ii) the transactions contemplated thereby.	384,783,084	10,420,623	815,502
3. Approval of the adjournment proposal to authorize the adjournment of the special meeting by Liberty Media to permit further solicitation of proxies, if necessary or appropriate, if sufficient votes are not represented at the special meeting to approve the transaction proposals in accordance with the Merger Agreement.	592,384,160	28,093,472	142,986

PART II.**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.****Market Information**

We have three tracking stocks outstanding as of December 31, 2009. Our Series A and Series B Liberty Interactive tracking stock (LINTA and LINTB) have been outstanding since May 2006. Our Series A and Series B Liberty Capital tracking stock (LCAPA and LCAPB) and our Series A and Series B Liberty Starz tracking stock (formerly Liberty Entertainment tracking stock) (LSTZA and LSTZB, formerly LMDIA and LMDIB) have been outstanding since March 4, 2008 when each share of our previous Liberty Capital tracking stock was reclassified into one share of the same series of new Liberty Capital and four shares of the same series of Liberty Entertainment. On November 19, 2009, we completed the split off (the "Split-Off") of our subsidiary Liberty Entertainment, Inc. ("LEI"). The Split-Off was accomplished by a redemption of 90% of the outstanding shares of Liberty Entertainment common stock in exchange for all of the outstanding shares of common stock of LEI. LEI had been attributed to the Entertainment Group. Subsequent to the Split-Off, the Entertainment Group was renamed the Starz Group. Each series of our common stock trades on the Nasdaq Global Select Market. The following table sets forth the range of high and low sales prices of shares of our common stock for the years ended December 31, 2009 and 2008.

	Liberty Capital			
	Series A (LCAPA)		Series B (LCAPB)	
	High	Low	High	Low
2008				
First quarter (thru March 3)	\$ 119.75	100.00	121.21	101.25
First quarter (beginning March 4)	\$ 19.25	14.60	17.73	14.64
Second quarter	\$ 16.99	14.03	18.00	14.07
Third quarter	\$ 16.46	13.10	16.23	12.97
Fourth quarter	\$ 13.74	2.33	13.75	2.61
2009				
First quarter	\$ 7.46	4.35	10.60	4.46
Second quarter	\$ 15.42	6.61	15.98	6.30
Third quarter	\$ 23.52	11.04	23.68	12.46
Fourth quarter	\$ 25.05	20.35	25.01	20.46

	Liberty Interactive			
	Series A (LINTA)		Series B (LINTB)	
	High	Low	High	Low
2008				
First quarter	\$ 19.17	13.42	18.69	13.53
Second quarter	\$ 17.58	14.55	17.44	14.73
Third quarter	\$ 15.17	11.52	15.91	11.95
Fourth quarter	\$ 13.10	1.97	12.79	2.10
2009				
First quarter	\$ 3.99	2.42	3.81	1.75
Second quarter	\$ 7.34	2.83	7.27	2.89
Third quarter	\$ 11.48	4.53	11.40	4.31
Fourth quarter	\$ 12.81	9.82	12.79	10.23

	Liberty Starz			
	Series A (LSTZA)		Series B (LSTZB)	
	High	Low	High	Low
2008				
First quarter (beginning March 4)	\$ 27.07	19.65	26.51	20.46
Second quarter	\$ 27.48	22.12	27.41	22.46
Third quarter	\$ 28.64	22.33	28.95	22.48
Fourth quarter	\$ 25.26	9.47	24.95	9.69
2009				
First quarter	\$ 20.94	16.03	20.10	15.25
Second quarter	\$ 27.07	19.54	27.23	19.58
Third quarter	\$ 31.38	24.68	31.11	24.43
Fourth quarter (thru November 19)	\$ 36.26	29.86	36.10	30.01
Fourth quarter (beginning November 20)	\$ 51.50	46.10	50.34	46.86

Holders

As of January 31, 2009, there were approximately 2,150 and 100 record holders of our Series A and Series B Liberty Capital common stock, respectively, approximately 2,900 and 100 record holders of our Series A and Series B Liberty Interactive common stock, respectively, and approximately 1,800 and 100 record holders of our Series A and Series B Liberty Starz common stock, respectively. The foregoing numbers of record holders do not include the number of stockholders whose shares are held of record by banks, brokerage houses or other institutions, but include each such institution as one shareholder.

Dividends

We have not paid any cash dividends on our common stock, and we have no present intention of so doing. Payment of cash dividends, if any, in the future will be determined by our board of directors in light of our earnings, financial condition and other relevant considerations.

Securities Authorized for Issuance Under Equity Compensation Plans

Information required by this item is incorporated by reference to our definitive proxy statement for our 2010 Annual Meeting of stockholders.

Purchases of Equity Securities by the Issuer

Period	Series A Liberty Capital Common Stock			(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs
	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	
October 1-31, 2009	—	N/A	—	\$ 118.8 million
November 1-30, 2009	—	N/A	—	\$ 118.8 million
December 1-31, 2009	82,233	\$22.94	82,233	\$ 116.9 million
Total	82,233		82,233	

In connection with the reclassification of old Liberty Capital Group stock into Entertainment Group stock and Capital Group stock, our board of directors approved a program to repurchase up to

\$300 million of Liberty Capital common stock. In August 2008, our board of directors approved an additional \$300 million of Liberty Capital common stock repurchases. We may alter or terminate the program at any time.

Period	Series A Liberty Starz Common Stock			
	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs
October 1-31, 2009	—	N/A	—	\$ 500.0 million
November 1-30, 2009	—	N/A	—	\$ 500.0 million
December 1-31, 2009	272,420	\$48.61	272,420	\$ 486.7 million
Total	272,420		272,420	

In connection with the Split-Off and the re-naming of the Starz Group, our board of directors approved a program to repurchase up to \$500 million of Liberty Starz common stock. We may alter or terminate the program at any time.

In addition to the shares listed in the table above, 7,036 shares of Series A Liberty Capital common stock, 17,085 shares of Series A Liberty Interactive common stock and 3,072 shares of Series A Liberty Starz common stock were surrendered in the fourth quarter of 2009 by certain of our officers to pay withholding taxes in connection with the vesting of their restricted stock.

Item 6. Selected Financial Data.

The following tables present selected historical information relating to our financial condition and results of operations for the past five years. The following data should be read in conjunction with our consolidated financial statements.

	December 31,				
	2009	2008	2007	2006	2005
amounts in millions					
<i>Summary Balance Sheet Data:</i>					
Cash	\$ 4,835	3,060	3,128	3,098	1,896
Investments in available-for-sale securities and other cost investments	\$ 4,120	2,857	6,920	10,462	10,318
Investment in affiliates	\$ 1,030	1,136	1,568	1,589	1,653
Assets of discontinued operations	\$ —	14,211	11,050	12,012	8,961
Total assets	\$ 28,631	41,903	45,649	47,638	41,965
Long-term debt(1)	\$ 7,842	9,630	11,524	8,909	6,370
Deferred income tax liabilities, noncurrent	\$ 2,675	3,143	5,033	6,071	6,252
Equity	\$ 10,238	19,757	20,452	21,923	19,410

	Years ended December 31,				
	2009	2008	2007	2006	2005
amounts in millions, except per share amounts					
<i>Summary Statement of Operations Data:</i>					
Revenue	\$ 10,158	9,817	9,378	8,592	7,646
Operating income (loss)(2)	\$ 1,050	(758)	758	1,158	945
Realized and unrealized gains (losses) on financial instruments, net	\$ (155)	(260)	1,269	(279)	257
Gains (losses) on dispositions, net	\$ 284	15	646	607	(361)
Other than temporary declines in fair value of investments	\$ (9)	(441)	(33)	(4)	(97)
Earnings (loss) from continuing operations(2)(3):					
Liberty Capital common stock	\$ 127	(526)	—	—	—
Liberty Starz common stock	213	(967)	—	—	—
Liberty Interactive common stock	297	(737)	470	521	—
Old Liberty Capital common stock	—	(59)	1,489	125	—
Liberty common stock	—	—	—	178	126
	<u>\$ 637</u>	<u>(2,289)</u>	<u>1,959</u>	<u>824</u>	<u>126</u>
Basic earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share(4):					
Series A and Series B Liberty Capital common stock	\$ 1.32	(4.65)	—	—	—
Series A and Series B Liberty Starz common stock	\$.46	(1.87)	—	—	—
Series A and Series B Liberty Interactive common stock	\$.43	(1.31)	.70	.73	—
Old Series A and Series B Liberty Capital common stock	\$ —	(.46)	11.19	.91	—
Liberty common stock	\$ —	—	—	.06	.03
Diluted earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share(4):					
Series A and Series B Liberty Capital common stock	\$ 1.31	(4.65)	—	—	—
Series A and Series B Liberty Starz common stock	\$.46	(1.87)	—	—	—
Series A and Series B Liberty Interactive common stock	\$.43	(1.31)	.69	.73	—
Old Series A and Series B Liberty Capital common stock	\$ —	(.46)	11.11	.91	—
Liberty common stock	\$ —	—	—	.06	.03

- (1) Excludes the call option portion of our exchangeable debentures for periods prior to January 1, 2007.
- (2) Includes \$1,569 million of long-lived asset impairment charges in 2008.
- (3) Includes earnings from continuing operations attributable to the noncontrolling interests of \$39 million, \$44 million, \$41 million, \$33 million and \$51 million for the years ended December 31, 2009, 2008, 2007, 2006 and 2005, respectively.
- (4) Basic and diluted earnings per share have been calculated for Liberty Capital and Liberty Starz common stock for the period subsequent to March 3, 2008. Basic and diluted EPS have been calculated for Liberty Interactive common stock for the periods subsequent to May 9, 2006. Basic and diluted EPS have been calculated for old Liberty Capital for the period from May 9, 2006 to March 3, 2008. EPS has been calculated for Liberty common stock for all periods prior to May 10, 2006.

Item 7. 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.

Overview

We own controlling and non-controlling interests in a broad range of video and on-line commerce, media, communications and entertainment companies. Our more significant operating subsidiaries, which are also our principal reportable segments, are QVC, Inc. and Starz Entertainment, LLC. QVC markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of televised shopping programs on the QVC networks and via the Internet through its domestic and international websites. Starz Entertainment provides premium programming distributed by cable operators, direct-to-home satellite providers, telephone companies, other distributors and the Internet throughout the United States.

Our "Corporate and Other" category includes our other consolidated subsidiaries and corporate expenses. Our other consolidated subsidiaries include Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC, Starz Media, LLC, Atlanta National League Baseball Club, Inc. ("ANLBC"), TruePosition, Inc. and BuySeasons, Inc. Provide operates an e-commerce marketplace of websites for perishable goods, including flowers and fruits and desserts, as well as upscale personalized gifts. Backcountry operates websites offering outdoor and backcountry sports gear and clothing. Bodybuilding manages websites related to sports nutrition, bodybuilding and fitness. Starz Media develops, acquires, produces and distributes live-action and animated films and television productions for the theatrical, home video, television and other ancillary markets in the United States and internationally. 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. BuySeasons operates websites that offer costumes, accessories, décor and party supplies.

In addition to the foregoing businesses, we hold ownership interests in Sirius XM Radio Inc. ("SIRIUS XM") and Expedia, Inc., which we account for as equity method investments, and we continue to maintain investments and related financial instruments in public companies such as Time Warner, Time Warner Cable, IAC/InterActiveCorp ("IAC") and Sprint Nextel Corporation, which are accounted for at their respective fair market values and are included in corporate and other.

Tracking Stocks

Prior to March 3, 2008, we had two tracking stocks outstanding, Liberty Interactive common stock and Liberty Capital common stock. On March 3, 2008, we completed a reclassification (the "Reclassification") pursuant to which our Liberty Capital common stock was reclassified into two new tracking stocks, one retaining the designation Liberty Capital common stock and the other designated Liberty Entertainment common stock. The Liberty Entertainment common stock was intended to track and reflect the separate economic performance of a newly designated Entertainment Group, which had attributed to it a portion of the businesses, assets and liabilities that were previously attributed to the Capital Group.

On November 19, 2009, we completed our previously announced split-off (the "Split-Off") of our wholly owned subsidiary, Liberty Entertainment, Inc. ("LEI"), and the business combination transaction among our company, LEI and The DIRECTV Group, Inc. ("DIRECTV") (the "DTV Business Combination"). The Split-Off was accomplished by a partial redemption of 90% of the outstanding shares of Liberty Entertainment common stock in exchange for all of the outstanding shares of common stock of LEI, pursuant to which, 0.9 of each outstanding share of Liberty Entertainment common stock was redeemed for 0.9 of a share of the corresponding series of common stock of LEI, with payment of cash in lieu of any fractional shares. LEI held our 57% interest in DIRECTV, 100%

interest in Liberty Sports Holdings, LLC, 65% interest in Game Show Network, LLC and approximately \$120 million in cash and cash equivalents, and approximately \$2 billion of indebtedness. All of the businesses, assets and liabilities that were attributed to the Entertainment Group and were not held by LEI have remained with our company and continue to be attributed to the Entertainment Group, which we have redesignated as the Starz Group.

Immediately following the Split-Off, we, LEI and DIRECTV completed the DTV Business Combination, and each of LEI and DIRECTV became wholly owned subsidiaries of a new public holding company named DIRECTV ("Holdings"). Pursuant to the DTV Business Combination, (i) John C. Malone, Chairman of the boards of Liberty Media, 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 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 Split-Off was conditioned on, among other matters, satisfaction and waiver of all conditions to the DTV Business Combination, the Split-Off and the DTV Business Combination have been recorded at fair value, and we recognized an approximate \$5.9 billion gain on the transaction. Such gain is included in earnings from discontinued operations in our accompanying consolidated statement of operations.

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. While the Interactive Group, the Starz Group and the Capital Group have separate collections of businesses, assets and liabilities attributed to them, no group is a separate legal entity and therefore cannot own assets, issue securities or enter into legally binding agreements. Holders of tracking stocks have no direct claim to the group's stock or assets and are not represented by separate boards of directors. Instead, holders of tracking stock are stockholders of the parent corporation, with a single board of directors and subject to all of the risks and liabilities of the parent corporation.

The term "Interactive Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which we have attributed to it. As of December 31, 2009, the assets and businesses we have attributed to the Interactive Group are those engaged in video and on-line commerce, and include our subsidiaries QVC, Provide, Backcountry, Bodybuilding and BuySeasons and our interests in Expedia, HSN, Inc., Interval Leisure Group, Inc., Ticketmaster Entertainment, Inc., Tree.com, Inc. and IAC. In addition, we have attributed \$2,135 million principal amount (as of December 31, 2009) of our public debt to the Interactive Group. The Interactive Group will also include such other businesses that our board of directors may in the future determine to attribute to the Interactive Group, including such other businesses as we may acquire for the Interactive Group.

Similarly, the term "Starz Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which we have attributed to it. The Starz Group is comprised primarily of our subsidiary Starz Entertainment and approximately \$542 million of corporate cash (as of December 31, 2009).

The term "Capital Group" also does not represent a separate legal entity, rather it represents all of our businesses, assets and liabilities which we have attributed to it. The Capital Group has attributed to it all of our businesses, assets and liabilities not attributed to the Interactive Group or the Starz Group, including our subsidiaries Starz Media, ANLBC and TruePosition, and our investments in SIRIUS XM, Time Warner Inc., Time Warner Cable and Sprint Nextel Corporation. In addition, we have attributed \$3,157 million of cash, including subsidiary cash and \$4,149 million principal amount (as

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of December 31, 2009) of our exchangeable senior debentures and other parent debt to the Capital Group. The Capital Group will also include such other businesses that our board of directors may in the future determine to attribute to the Capital Group, including such other businesses as we may acquire for the Capital Group.

On February 25, 2010, we announced that our board of directors had resolved to effect the following changes in attribution between the Capital Group and the Interactive Group, effective immediately (the "Reattribution"):

- the change in attribution from the Interactive Group to the Capital Group of our 14.6% ownership interest in Live Nation Entertainment, Inc.;
- the change in attribution from the Capital Group to the 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 the Capital Group to the 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 face amount of 2029 Exchangeables and \$350 million in face amount of 2030 Exchangeables; and
- the change in attribution from the Capital Group to the Interactive Group of \$807 million in cash.

We will account for the Reattribution prospectively. This change in attribution, which is intended to be value neutral, has no effect on the assets and liabilities attributed to the Starz Group.

See Exhibit 99.1 to this Annual Report on Form 10-K for unaudited attributed financial information for our tracking stock groups.

2007 Transactions

In addition to the sales of OPTV and AEG discussed under "Discontinued Operations" below, we completed several other transactions in 2007. Among these are:

On April 16, 2007, we completed an exchange transaction (the "CBS Exchange") with CBS Corporation pursuant to which we exchanged our 7.6 million shares of CBS Class B common stock valued at \$239 million for a subsidiary of CBS that held a television station in Wisconsin and approximately \$170 million in cash.

On May 17, 2007, we completed an exchange transaction (the "Time Warner Exchange") with Time Warner Inc. in which we exchanged approximately 68.5 million shares of Time Warner common stock valued at \$1,479 million for a subsidiary of Time Warner which held ANLBC, a craft business and \$984 million in cash.

On June 22, 2007, we acquired 81.3% of the outstanding capital stock of Backcountry.com, Inc. for cash consideration of \$120 million.

On December 31, 2007, we acquired 82.9% of the outstanding equity of Bodybuilding.com, LLC for cash consideration of \$116 million.

Discontinued Operations

In the first and second quarters of 2007, we completed two separate transactions pursuant to which we sold our interests in OpenTV Corp and Ascent Entertainment Group ("AEG") to unrelated third parties.

Our consolidated financial statements and accompanying notes have been prepared to reflect LEI, OpenTV and AEG as discontinued operations. Accordingly, the assets and liabilities, revenue, costs and expenses, and cash flows of these subsidiaries have been excluded from the respective captions in the accompanying consolidated balance sheets, statements of operations, statements of comprehensive earnings (loss) and statements of cash flows and have been reported under the heading of discontinued operations in such consolidated financial statements.

Strategies and Challenges of Business Units

QVC. QVC continued to face challenging economic conditions in the first half of 2009 that adversely impacted its revenue and Adjusted OIBDA. In the second half of 2009, QVC saw improved economic conditions and operating results. Domestically, in 2009 QVC also realized improved efficiencies and positive results of restructuring and cost cutting measures that were implemented in the fall of 2008. In addition, QVC continued to adjust its product mix, improve its programming, enhance and optimize its website and invest in multi-media opportunities.

In 2009, each of QVC's international businesses showed improved operating results in local currency, but QVC-UK and QVC-Germany were hurt by a stronger U.S. dollar, while QVC-Japan was helped by a stronger Japanese yen. Efforts by QVC-Germany to diversify its programming and product mix and increase its focus on underperforming product categories by reducing airtime allocations for apparel and jewelry and increasing the mix of beauty and accessories helped to increase revenue and margins. In 2009, QVC-UK increased the sales mix, selling times and frequency of the more successful product lines and implemented various cost saving initiatives. QVC-Japan successfully promoted and grew its product categories other than health and beauty in response to the Japanese government's heightened regulatory focus on health and beauty products and continues to adjust to its product lines, value perception and category mix to improve its performance.

QVC's goal is to become the preeminent global multimedia shopping community for people who love to shop, and to offer a shopping experience that is as much about entertainment and enrichment as it is about buying. QVC's objective is to provide an integrated shopping experience that utilizes all forms of media including television, the Internet and mobile Internet. In 2010, QVC intends to employ several strategies to achieve these goals and objectives. Among these strategies are to (1) extend the breadth, relevance and exposure of the QVC brand, (2) source products that represent unique quality and value, (3) create engaging presentation content both in televised programming and online, (4) leverage customer loyalty and continue multi-platform expansion and (5) create a compelling and differentiated customer experience. In addition, QVC expects to leverage its existing systems, infrastructure and skills and begin operations in Italy in October 2010.

QVC-US has identified certain product growth opportunities and will continue to pursue compelling brands, unique items and dynamic and relevant personalities to fuel a constant flow of fresh concepts and large scale programming events. The QVC-US store front, or sets, have been updated to provide a fresh, inviting look and feel to create customer interest as well as improved product demonstration capability. The enhanced website will provide improved product search and guided navigation, a second live counter programming show stream and the ability to create micro-sites.

The key challenges facing both the U.S. and international markets are (1) general economic conditions, (2) maintaining favorable channel positioning as digital TV penetration increases, (3) increased competition from other home shopping and Internet retailers, (4) changes in television

viewing habits because of advancements in technology, such as video on demand and personal video recorders and (5) successful management transition.

Starz Entertainment. Starz Entertainment's focus in 2010 will be directed to several initiatives. First, Starz Entertainment will continue to differentiate itself from other pay television programmers by investing in, producing and airing original programming on its Starz Channel. Secondly, Starz Entertainment will work with its affiliates to package its channels in lower tier product offerings to gain wider distribution. Thirdly, Starz Entertainment will continue to explore and invest in additional distribution channels and products, including on demand, high definition, Internet and mobile Internet products. Finally, Starz Entertainment will seek to finalize new long-term affiliation agreements with those affiliates whose agreements are expiring.

Starz Entertainment faces certain challenges in its attempt to meet these goals, including: (1) cable operators' promotion of bundled service offerings rather than premium video services; (2) the impact on viewer habits of new technologies such as Internet capable televisions and blu-ray players; (3) potential consolidation in the broadband and satellite distribution industries; (4) an increasing number of alternative movie and programming sources; (5) loss of subscribers due to economic conditions and (6) the launch of Epix, a new pay television service owned by three Hollywood movie studios.

Results of Operations

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 categorized by tracking stock group. The "corporate and other" category for each tracking stock group 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 of each tracking stock group, see "Interactive Group", "Starz Group" and "Capital Group" below.

Consolidated Operating Results

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
<i>Revenue</i>			
Interactive Group			
QVC	\$ 7,374	7,303	7,397
Corporate and other	931	776	405
	<u>8,305</u>	<u>8,079</u>	<u>7,802</u>
Starz Group			
Starz Entertainment	1,193	1,111	1,066
Corporate and other	11	13	25
	<u>1,204</u>	<u>1,124</u>	<u>1,091</u>
Capital Group			
Starz Media	364	321	254
Corporate and other	285	293	231
	<u>649</u>	<u>614</u>	<u>485</u>
Consolidated Liberty	<u>\$ 10,158</u>	<u>9,817</u>	<u>9,378</u>
<i>Adjusted OIBDA</i>			
Interactive Group			
QVC	\$ 1,565	1,502	1,652
Corporate and other	89	53	32
	<u>1,654</u>	<u>1,555</u>	<u>1,684</u>
Starz Group			
Starz Entertainment	384	301	264
Corporate and other	(10)	(11)	(5)
	<u>374</u>	<u>290</u>	<u>259</u>
Capital Group			
Starz Media	(93)	(189)	(143)
Corporate and other	(82)	(108)	(67)
	<u>(175)</u>	<u>(297)</u>	<u>(210)</u>
Consolidated Liberty	<u>\$ 1,853</u>	<u>1,548</u>	<u>1,733</u>
<i>Operating Income (Loss)</i>			
Interactive Group			
QVC	\$ 1,019	956	1,114
Corporate and other	22	(50)	(1)
	<u>1,041</u>	<u>906</u>	<u>1,113</u>
Starz Group			
Starz Entertainment	330	(975)	210
Corporate and other	(58)	(38)	(59)
	<u>272</u>	<u>(1,013)</u>	<u>151</u>
Capital Group			
Starz Media	(100)	(395)	(342)
Corporate and other	(163)	(256)	(164)
	<u>(263)</u>	<u>(651)</u>	<u>(506)</u>
Consolidated Liberty	<u>\$ 1,050</u>	<u>(758)</u>	<u>758</u>

Revenue. Our consolidated revenue increased 3.5% in 2009 and 4.7% in 2008, as compared to the corresponding prior year. The increase in 2009 is due to increases for most of our subsidiaries including our e-commerce businesses (\$155 million), Starz Entertainment (\$82 million) and QVC (\$71 million). The 2008 revenue increase is due to a full year of operations for subsidiaries acquired in 2007 (\$291 million increase) and 2008 acquisitions (\$59 million), as well as increases for Starz Media and Starz Entertainment, partially offset by a decrease for QVC. See Management's Discussion and Analysis for the Interactive Group and the Starz Group below for a more complete discussion of QVC's and Starz Entertainment's results of operations.

In November 2006, TruePosition signed an amendment to its existing services contract with AT&T Corp. that requires TruePosition to develop and deliver additional software features. Because TruePosition did not meet generally accepted accounting principles requirements for revenue recognition, TruePosition was required to defer revenue recognition until all contracted items had been delivered. TruePosition is currently evaluating recently issued accounting standards and believes that based on these new rules it may be able to recognize revenue from this contract in 2010. It is expected that accounting for TruePosition's services contract with its other major customer, T-Mobile, Inc., will be similar. It should be noted that both AT&T and T-Mobile are paying currently for services they receive and that the aforementioned deferrals have normal gross profit margins included.

Adjusted OIBDA. We define Adjusted OIBDA as revenue less cost of sales, 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 compensation, separately disclosed litigation settlements and impairments of long-lived assets that are included in the measurement of operating income pursuant to generally accepted accounting principles ("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 \$305 million or 19.7% and decreased \$185 million or 10.7% in 2009 and 2008, respectively, as compared to the corresponding prior year. The 2009 increase is due primarily to improvements for Starz Media, Starz Entertainment, QVC and our e-commerce companies. The decrease in 2008 is due primarily to QVC, as increases and decreases for our other subsidiaries largely offset each other. Starz Media's Adjusted OIBDA loss decreased in 2009 and increased in 2008 primarily due to the timing of revenue and expenses associated with films released by Overture Films and Starz Animation in 2009 and 2008. Partially offsetting the increased losses in 2008 was a \$53 million decrease in capitalized production cost write-offs. Theatrical print costs and advertising expenses related to the release of a film are recognized at the time the advertisements are run and generally exceed the theatrical revenue earned from the film. In addition, amortization of film production costs begins when revenue recognition begins. Although there can be no assurance, the expectation when films are approved for production or acquisition is that the ultimate revenue to be earned from theatrical release, home video and pay-per-view and premium television distribution, which revenue may be earned over several years, will exceed the costs associated with the film.

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 \$128 million, \$49 million and \$89 million of stock compensation expense for the years ended December 31, 2009, 2008, and 2007, respectively. The fluctuations in stock compensation expense in 2009 and 2008 relate to our SARs and Starz Entertainment's PSAR plans and are due to changes in our stock prices and the value of Starz Entertainment and to the vesting of Starz Entertainment PSARs. As of December 31, 2009, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately \$143 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 2.6 years.

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.

Impairment of long-lived assets. No significant impairments were required in 2009.

In December 2008, we performed our annual evaluation of the recoverability of our goodwill and other indefinite lived intangible assets. We compared the estimated fair value of each reporting unit to its carrying value, including goodwill (the "Step 1 Test"). In our Step 1 Test, we estimated the fair value of each of our reporting units using a combination of discounted cash flows and market-based valuation methodologies. Developing estimates of fair value requires significant judgments, including making assumptions about appropriate discount rates, perpetual growth rates, relevant comparable market multiples and the amount and timing of expected future cash flows. The cash flows employed in our valuation analysis were 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 estimated fair value exceeded the carrying value, no further testwork was required and no impairment was recorded. For those reporting units whose carrying value exceeded the fair value, a second test was required to measure the impairment loss (the "Step 2 Test"). In the Step 2 Test, the fair value of the reporting unit was 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 was recorded as an impairment charge. In connection with our analysis, we recorded the following impairment charges (amounts in millions):

Starz Entertainment	\$ 1,239
Starz Media	192
Other	138
	<u>\$ 1,569</u>

We believe that the foregoing impairment charges, which also include \$29 million of impairments of intangible assets other than goodwill, were due in large part to the 2008 economic crisis and the downward impact it had on perceptions of future growth prospects and valuation multiples for our reporting units.

While Starz Entertainment had increasing revenue and Adjusted OIBDA in recent years, it failed the Step 1 Test due to the aforementioned lower future growth expectations and the compression of market multiples. In performing the Step 2 Test, Starz Entertainment allocated a significant portion of its estimated fair value to amortizable intangibles such as affiliation agreements and trade names which have little or no carrying value. The resulting residual goodwill was significantly less than its carrying value. Accordingly, Starz Entertainment recorded an impairment charge. The impairment loss for Starz

Media is due primarily to a lowered long-term forecast for its home video distribution reporting unit resulting from the current economic conditions.

In connection with our 2007 annual evaluation of the recoverability of Starz Media's goodwill, we estimated the fair value of Starz Media's reporting units using a combination of discounted cash flows and market comparisons and concluded that the carrying value of certain reporting units exceeded their respective fair values. Accordingly, we recognized a \$182 million impairment charge related to goodwill. During the third quarter of 2007, FUN recognized a \$41 million impairment loss related to its sports information segment due to new competitors in the marketplace and the resulting loss of revenue and operating income.

Operating income. We generated consolidated operating income of \$1,050 million and \$758 million in 2009 and 2007, respectively, and a consolidated operating loss of \$758 million in 2008. The operating loss in 2008 is largely due to the \$1,569 million of impairment charges discussed above.

Other Income and Expense

Components of Other Income (Expense) are presented in the table below: The attribution of these items to our tracking stock groups assumes the Reclassification had occurred as of January 1, 2007.

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Interest expense			
Interactive Group	\$ (496)	(473)	(465)
Starz Group	(2)	(22)	(25)
Capital Group	(130)	(172)	(151)
Consolidated Liberty	<u>\$ (628)</u>	<u>(667)</u>	<u>(641)</u>
Dividend and interest income			
Interactive Group	\$ 8	22	44
Starz Group	2	16	3
Capital Group	115	136	217
Consolidated Liberty	<u>\$ 125</u>	<u>174</u>	<u>264</u>
Share of earnings (losses) of affiliates			
Interactive Group	\$ (14)	(1,192)	77
Starz Group	(10)	(7)	—
Capital Group	(34)	(64)	(68)
Consolidated Liberty	<u>\$ (58)</u>	<u>(1,263)</u>	<u>9</u>
Realized and unrealized gains (losses) on financial instruments, net			
Interactive Group	\$ (121)	(240)	(6)
Starz Group	8	272	14
Capital Group	(42)	(292)	1,261
Consolidated Liberty	<u>\$ (155)</u>	<u>(260)</u>	<u>1,269</u>
Gains (losses) on dispositions, net			
Interactive Group	\$ 42	2	12
Starz Group	27	(3)	(1)
Capital Group	215	16	635
Consolidated Liberty	<u>\$ 284</u>	<u>15</u>	<u>646</u>
Other than temporary declines in fair value of investments			
Interactive Group	\$ —	(440)	—
Starz Group	—	—	—
Capital Group	(9)	(1)	(33)
Consolidated Liberty	<u>\$ (9)</u>	<u>(441)</u>	<u>(33)</u>
Other, net			
Interactive Group	\$ 7	177	1
Starz Group	(6)	(12)	1
Capital Group	11	4	(2)
Consolidated Liberty	<u>\$ 12</u>	<u>169</u>	<u>—</u>

Interest expense. Consolidated interest expense decreased 5.8% and increased 4.1% for the years ended December 31, 2009 and 2008, respectively, as compared to the corresponding prior year. The

decrease in 2009 is due to retirements of Liberty public debt, partially offset by higher interest rates on the QVC debt. Interest expense increased in 2008 primarily due to an increase in borrowings (i) under the QVC credit facilities (Interactive Group) and (ii) against certain derivative positions (Capital Group).

Dividend and interest income. Interest income decreased in 2009 and 2008 primarily due to lower invested cash balances and lower interest rates.

Share of earnings (losses) of affiliates. The following table presents our share of earnings (losses) of affiliates:

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Interactive Group			
Expedia	\$ 72	(726)	68
Other	(86)	(466)	9
Starz Group			
Other	(10)	(7)	—
Capital Group			
SIRIUS XM	(28)	—	—
Other	(6)	(64)	(68)
	<u>\$ (58)</u>	<u>(1,263)</u>	<u>9</u>

Our share of earnings of Expedia increased in 2009 due to impairment charges recorded by Expedia in the fourth quarter of 2008. In response to the impairment charges taken by Expedia, we wrote off our excess basis in Expedia in the amount of \$119 million. Such charge is included in our 2008 share of losses of Expedia. Our 2008 share of losses for the Interactive Group also includes other than temporary impairment charges of \$136 million related to Interval, \$242 million related to Ticketmaster and \$85 million related to HSN. Subsequent to December 31, 2009, Ticketmaster completed a merger with a subsidiary of Live Nation, Inc., and Live Nation, Inc. was renamed Live Nation Entertainment, Inc. ("Live Nation"). Upon completion of the merger, we held an approximate 14.6% ownership interest in Live Nation. Subsequent to the merger we launched a tender offer for up to 34,200,000 or approximately 20.3% of the outstanding common shares of Live Nation for \$12.00 per share. Such tender offer is scheduled to expire on March 2, 2010.

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,		
	2009	2008	2007
	amounts in millions		
Non-strategic Securities(1)(4)	\$ 1,074	(2,882)	—
Exchangeable senior debentures(2)(4)	(856)	1,509	541
Equity collars(4)	(132)	870	527
Borrowed shares(4)	(301)	791	298
Other derivatives(3)	60	(548)	(97)
	<u>\$ (155)</u>	<u>(260)</u>	<u>1,269</u>

(1) See note 3 to the accompanying consolidated financial statements for a discussion of our accounting for Non-strategic Securities.

- (2) See note 3 to the accompanying consolidated financial statements for a discussion of our accounting for our exchangeable senior debentures.
- (3) Other derivative losses in 2008 include losses of \$289 million on debt swap arrangements related to certain of our public debt issuances and losses of \$182 million on put options related to our common stock, as well as losses on interest rate swaps and other derivatives.
- (4) Changes in fair value are due to improvements in the equity and debt markets in 2009 and declines in such markets in 2008 and 2007.

Gains (losses) on dispositions. The Capital Group's 2009 gains from dispositions are due primarily to (i) the sale of our interest in WildBlue Communications Corp. to ViaSat, Inc. (\$128 million) and our transactions with SIRIUS XM (\$85 million). The 2007 gains from dispositions are due primarily to the Time Warner Exchange (\$582 million) and the CBS Exchange (\$31 million).

See notes 7 and 8 to the accompanying consolidated financial statements for a discussion of the foregoing transactions.

Other than temporary declines in fair value of investments. During 2009, 2008 and 2007, we determined that certain of our cost investments experienced other than temporary declines in value. As a result, the cost bases of such investments were adjusted to their respective fair values based primarily on quoted market prices at the date each adjustment was deemed necessary. These adjustments are reflected as other than temporary declines in fair value of investments in our consolidated statements of operations. Our 2008 other than temporary declines for the Interactive Group relate to our investment in IAC.

Income taxes. In 2009 we had pre-tax income of \$621 million and a tax benefit of \$16 million. Our effective tax rate was 24.5% in 2008 and 13.8% in 2007. In 2009, due to the completion of audits with taxing authorities, we recognized previously unrecognized tax benefits of \$201 million. Our 2008 effective tax rate was lower than the U.S. federal income tax rate of 35% due primarily to the impairment of goodwill which is not deductible for income tax purposes. The Time Warner Exchange and the CBS Exchange, which were completed in 2007, qualify as IRC Section 355 transactions, and therefore do not trigger federal or state income tax obligations. In addition, upon consummation of those exchange transactions, deferred tax liabilities previously recorded for the difference between our book and tax bases in our Time Warner and CBS Corporation investments in the amount of \$354 million were reversed with an offset to income tax benefit.

Net earnings. Our net earnings were \$6,501 million, \$3,523 million and \$2,149 million for the years ended December 31, 2009, 2008 and 2007, respectively, and were the result of the above-described fluctuations in our revenue and expenses. In addition, we recognized earnings from discontinued operations of \$5,864 million, \$5,812 million and \$190 million for the years ended December 31, 2009, 2008 and 2007, respectively. Our 2009 earnings from discontinued operations include a \$5,927 million gain that we recognized in connection with the Split-Off and DTV Business Combination. Earnings from discontinued operations in 2008 includes a \$3,665 million gain and a \$1,791 million tax benefit related to our exchange of our News Corporation investment for certain assets and businesses of News Corporation.

Liquidity and Capital Resources

While the Interactive Group, the Starz Group and the Capital Group are not separate legal entities and the assets and liabilities attributed to each group remain assets and liabilities of our consolidated company, we manage the liquidity and financial resources of each group separately. Keeping in mind that assets of one group may be used to satisfy liabilities of one of the other groups, the following discussion assumes, consistent with management expectations, that future liquidity needs of each group will be funded by the financial resources attributed to each respective group.

As of December 31, 2009, substantially all of our cash and cash equivalents are invested in U.S. Treasury securities, other government securities or government guaranteed funds, AAA rated money market funds and A1/P1 rated commercial paper.

The following are potential sources of liquidity for each group to the extent the identified asset or transaction has been attributed to such group: available cash balances, cash generated by the operating activities of our privately-owned 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 and equity issuances, and dividend and interest receipts.

Upon completion of our Split-Off of LEI, Standard & Poor's Ratings Services and Moody's Investors Services each lowered their rating on our corporate credit. In the event we need to obtain external debt financing, such downgrades could hurt our ability to obtain financing and could increase the cost of any financing we are able to obtain.

Interactive Group. During the year ended December 31, 2009, the Interactive Group's primary uses of cash were \$2,732 million of debt and intergroup loan repayments and \$208 million of capital expenditures. These uses of cash were funded primarily with \$983 million from the issuance of QVC bonds, \$500 million of intergroup borrowings, \$1,087 million of cash provided by operating activities, which is net of \$168 million of intercompany tax payments to the Capital Group, and \$305 million of cash proceeds from the sale of shares of IAC. As of December 31, 2009, the Interactive Group had a cash balance of \$884 million.

Effective June 16, 2009, QVC amended each of its bank credit agreements. Concurrent with the execution of the amended credit agreements, QVC retired \$750 million of loans at par and cancelled another \$19 million of unfunded commitments at no cost.

Cash used to retire the \$750 million of loans came from a combination of \$250 million in cash from QVC and \$250 million in the form of an intergroup loan from each of the Starz Group and the Capital Group to the Interactive Group. Such intergroup loans (i) are secured by various public stocks attributed to the Interactive Group, (ii) accrue interest quarterly at the rate of LIBOR plus 500 basis points and (iii) are due June 16, 2010. During 2009, the Interactive Group repaid \$97 million of the intergroup loans to each of the Starz Group and the Capital Group.

In connection with the amendment of QVC's bank credit agreements, those lenders consenting to the amendments, which held loans in the aggregate principal amount of approximately \$4.23 billion, received certain modified loan terms, including (i) adjusted interest rate margins of 350 to 550 basis points depending on the tranche maturity, (ii) reductions in QVC's maximum leverage ratio, (iii) additional restrictions on creating additional indebtedness and (iv) mandatory prepayment in the event of certain asset sales by QVC. Loans held by the non-consenting lenders, in the aggregate principal amount of approximately \$252 million, will continue to receive an interest rate margin of up to 100 basis points with their loans maturing in 2011. All other terms of the amended credit agreements will apply to these loans.

During the third quarter of 2009, QVC issued \$1.0 billion principal amount of 7.5% Senior Secured Notes due 2019 at an issue price of 98.278%. QVC used the net proceeds from such offering to fund the purchase and cancellation of outstanding term loans under its amended credit agreements that mature in 2014.

QVC was in compliance with its debt covenants as of December 31, 2009.

Including the impacts of the Reattribution, the projected uses of Interactive Group cash for 2010 include \$438 million for QVC scheduled debt repayments, approximately \$450 million for interest payments on QVC debt and parent debt attributed to the Interactive Group, \$316 million to repay the

remaining intergroup notes, \$275 million for capital expenditures, \$119 million for the repayment of parent derivative debt attributed to the Interactive Group, tax payments to the Capital Group and payments to settle outstanding put options on Liberty Interactive Group common stock. In addition, we may make additional investments in existing or new businesses and attribute such investments to the Interactive Group. However, we do not have any commitments to make new investments at this time.

We expect that the Interactive Group will fund its 2010 cash needs with cash on hand, cash provided by operating activities, cash reattributed from the Capital Group pursuant to the Reattribution and proceeds from the sale of available-for-sale securities. In addition, at December 31, 2009, unused capacity under QVC's bank credit agreements aggregated \$427 million.

Starz Group. As of December 31, 2009, the Starz Group had a cash balance of \$794 million. During the second quarter of 2009, the Starz Group used cash on hand to make a \$250 million intergroup loan to the Interactive Group. In connection with the Split-Off, the Starz Group contributed \$120 million of cash to LEI and received \$226 million from DIRECTV for the repayment of loans previously made to LEI.

The projected uses of Starz Group cash in 2010 include tax payments to the Capital Group, cash payments to settle PSARs held by the founder of Starz Entertainment and repurchases of Liberty Starz common stock. In addition, we may make additional investments in existing or new businesses and attribute such investments to the Starz Group. However, we do not have any significant commitments to make new investments at this time. We expect that we will be able to use a combination of cash on hand and cash from operations to fund Starz Group cash needs in 2010.

Our board of directors has authorized a share repurchase program pursuant to which we can repurchase up to \$500 million of Liberty Starz common stock in the open market or in privately negotiated transactions, subject to market conditions. As of December 31, 2009, we had repurchased \$13 million of Liberty Starz common stock pursuant to this plan. We may alter or terminate the stock repurchase program at any time.

Capital Group. During the second quarter of 2009, we used cash for the voluntary early retirement of \$750 million face amount of our Exchangeable Senior Debentures attributable to Liberty Capital. We paid \$187.5 million (of which \$37.5 million was existing cash collateral) to retire \$400 million face amount of our 4% Exchangeable Senior Debentures due 2029 and \$350 million face amount of our 3³/₄% Exchangeable Senior Debentures due 2030. We also terminated swap arrangements that reference the 4% and 3³/₄% Exchangeable Senior Debentures with no additional payment. The total cash used to retire the \$750 million face amount of Exchangeable Senior Debentures and swaps referencing these Exchangeable Senior Debentures was \$503 million, of which \$315 million was paid to settle swap arrangements that were settled in November 2008. We also purchased and retired \$126 million principal amount of our 3.125% Exchangeable Senior Debentures for aggregate cash payments of \$106 million. Other uses of cash by the Capital Group were \$186 million net cash to purchase debt and equity instruments of SIRIUS XM (as more fully described in note 8 to the accompanying condensed consolidated financial statements) and the \$250 million intergroup loan to the Interactive Group.

In addition, we had net borrowings during 2009 of \$213 million against certain of our derivative positions attributed to the Capital Group, bringing our total borrowings against such derivatives to \$838 million as of December 31, 2009. We expect that as these derivatives terminate in 2010, the proceeds due to us upon termination will be substantially offset by our borrowings.

In April 2007, we borrowed \$750 million of bank financing with an interest rate of LIBOR plus an applicable margin. We are investing such proceeds in a portfolio of selected debt instruments of companies in the telecommunications, media and technology sectors that we believe have favorable risk/return profiles. Due to the investment restrictions contained in the agreements related to these

borrowings, the remaining cash balance of \$465 million as of December 31, 2009 is included in other assets in our consolidated balance sheet.

Including the impacts of the Reattribution, the projected uses of Capital Group cash for 2010 include \$807 million to be reattributed to the Interactive Group, \$838 million to repay our derivative loans, approximately \$50 million for interest payments and up to \$410 million to purchase additional shares of Live Nation if our tender offer is fully subscribed. We may also (i) make additional investments in existing or new businesses and attribute such investments to the Capital Group and (ii) make additional repurchases of Liberty Capital common stock pursuant to our stock repurchase program. In addition, we expect to generate taxable income and make related federal tax payments.

We expect that the Capital Group's investing and financing activities will be funded with a combination of cash on hand, tax payments from the Interactive Group and the Starz Group and dispositions of non-strategic assets. At December 31, 2009, the Capital Group's sources of liquidity include \$3,157 million in cash and \$2,558 million of non-strategic AFS securities including related derivatives. To the extent the Capital Group recognizes any taxable gains from the sale of assets or the expiration of derivative instruments, we may incur current tax expense and be required to make tax payments, thereby reducing any cash proceeds attributable to the Capital Group.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Starz Group

The following contingencies and obligations have been attributed to the Starz Group:

Starz Entertainment has entered into agreements with a number of motion picture producers which obligate Starz Entertainment to pay fees ("Programming Fees") for the rights to exhibit certain films that are released by these producers. The unpaid balance under agreements for film rights related to films that were available for exhibition by Starz Entertainment at December 31, 2009 is reflected as a liability in the accompanying consolidated balance sheet. The balance due as of December 31, 2009 is payable as follows: \$62 million in 2010 and \$7 million in 2011.

Starz Entertainment has also contracted to pay Programming Fees for the rights to exhibit films that have been released theatrically, but are not available for exhibition by Starz Entertainment until some future date. These amounts have not been accrued at December 31, 2009. In addition, Starz Entertainment has agreed to pay Sony Pictures Entertainment ("Sony") (i) a total of \$190 million in four equal annual installments beginning in 2011 for a contract extension through 2013, and (ii) total of \$120 million in three equal annual installments beginning in 2015 for a new output agreement. Starz Entertainment's estimate of amounts payable under these agreements is as follows: \$449 million in 2010; \$125 million in 2011; \$94 million in 2012; \$84 million in 2013; \$67 million in 2014 and \$145 million thereafter.

In addition, Starz Entertainment is obligated to pay Programming Fees for all qualifying films that are released theatrically in the United States by studios owned by The Walt Disney Company ("Disney") through 2012 and all qualifying films that are released theatrically in the United States by studios owned by Sony through 2016. Films are generally available to Starz Entertainment for exhibition 10 - 12 months after their theatrical release. The Programming Fees to be paid by Starz Entertainment are based on the quantity and domestic theatrical exhibition receipts of qualifying films. As these films have not yet been released in theatres, Starz Entertainment is unable to estimate the amounts to be paid under these output agreements. However, such amounts are expected to be significant. In February 2009, Disney announced that it has agreed to enter into a long-term distribution arrangement with DreamWorks Studios. Under the terms of this arrangement, Disney will handle distribution and marketing for approximately six DreamWorks films each year. As a result of

this arrangement, the number of qualifying films under Starz Entertainment's output agreement with Disney may be higher than it would have been otherwise.

Liberty guarantees Starz Entertainment's film licensing obligations under certain of its studio output agreements. At December 31, 2009, Liberty's guarantees for studio output obligations for films released by such date aggregated \$656 million. While the guarantee amount for films not yet released is not determinable, such amount is expected to be significant. As noted above, Starz Entertainment has recognized the liability for a portion of its obligations under the output agreements. As this represents a direct commitment of Starz Entertainment, a consolidated subsidiary of ours, we have not recorded a separate indirect liability for our guarantees of these obligations.

Capital Group

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, 2009 aggregated \$199 million, which is payable as follows: \$80 million in 2010, \$67 million in 2011, \$50 million in 2012 and \$2 million in 2013. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

Capital Group, Starz Group and Interactive Group

In connection with agreements for the sale of assets by our company, we may retain liabilities that relate to events occurring prior to the sale, such as tax, environmental, litigation and employment matters. We generally indemnify the purchaser in the event that a third party asserts a claim against the purchaser that relates to a liability retained by us. These types of indemnification obligations may extend for a number of years. We are 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, we have 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 obligations.

We have contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible we 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.

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Information concerning the amount and timing of required payments, both accrued and off-balance sheet, under our contractual obligations is summarized below. This table has been prepared as of December 31, 2009, and does not reflect any impacts of the Reattribution.

	Payments due by period				
	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
amounts in millions					
<i>Attributed Starz Group contractual obligations</i>					
Long-term debt(1)	\$ 48	4	8	9	27
Interest payments(2)	18	3	5	5	5
Programming Fees(3)	1,033	511	226	151	145
Operating lease obligations	9	1	2	2	4
Purchase orders and other obligations	8	8	—	—	—
Total Starz Group	1,116	527	241	167	181
<i>Attributed Capital Group contractual obligations</i>					
Long-term debt(1)	4,280	971	759	9	2,541
Interest payments(2)	1,577	100	185	178	1,114
Long-term financial instruments	2	—	2	—	—
Operating lease obligations	87	13	24	21	29
Purchase orders and other obligations	247	128	117	2	—
Total Capital Group	6,193	1,212	1,087	210	3,684
<i>Attributed Interactive Group contractual obligations</i>					
Long-term debt(1)	6,319	561	1,127	2,279	2,352
Interest payments(2)	3,073	400	633	430	1,610
Long-term financial instruments	130	—	130	—	—
Operating lease obligations	132	32	45	26	29
Purchase orders and other obligations	1,065	1,037	28	—	—
Total Interactive Group	10,719	2,030	1,963	2,735	3,991
<i>Consolidated contractual obligations</i>					
Long-term debt(1)	10,647	1,536	1,894	2,297	4,920
Interest payments(2)	4,668	503	823	613	2,729
Programming Fees(3)	1,033	511	226	151	145
Long-term financial instruments	132	—	132	—	—
Operating lease obligations	228	46	71	49	62
Purchase orders and other obligations	1,320	1,173	145	2	—
Total consolidated	\$ 18,028	3,769	3,291	3,112	7,856

(1) Amounts are stated at the face amount at maturity of our debt instruments and may differ from the amounts stated in our consolidated balance sheet to the extent debt instruments (i) were issued at a discount or premium or (ii) have elements which are reported at fair value in our consolidated balance sheet. Also includes 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, 2009, (ii) assume the interest rates on our variable rate debt remain constant at the December 31, 2009 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 are currently assessing the impact that these changes will have on our consolidated financial statements and we are unable to quantify such impact or determine the timing and method of our adoption. As of December 31, 2009, our subsidiary, TruePosition, Inc., had deferred revenue and deferred costs of \$1,037 million and \$434 million, respectively, which we believe will be impacted by the adoption of the new revenue recognition rules. We believe that application of these amendments will result in the revenue and related cost of sales being recognized at the time of sale for the hardware and software portions of bundled arrangements delivered by TruePosition rather than being deferred as is currently the case.

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.

Fair Value Measurements

Financial Instruments. We record a number of assets and liabilities in our consolidated balance sheet at fair value on a recurring basis, including available-for-sale ("AFS") securities, financial instruments and our exchangeable senior debentures. 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. We use quoted market prices, or Level 1 inputs, to value our AFS securities. As of December 31, 2009, the carrying value of our AFS securities was \$4,090 million.

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. We use the Black-Scholes Model to value many of our financial instruments. The inputs we use for the Black-Scholes Model include market prices of equity securities, volatilities for equity securities, dividend rates and risk free discount rates. We also consider our credit risk and counterparty credit risk in estimating the fair value of our financial instruments. While these inputs are observable, they are not all quoted market prices, so the fair values of our financial instruments fall in Level 2. As of December 31, 2009, the carrying value of our financial instrument assets and liabilities was \$752 million and \$1,134 million, respectively. We use quoted market prices to determine the fair value of our exchangeable senior debentures. However, these debentures are not traded on active markets as defined in GAAP, so these liabilities also fall in Level 2. As of December 31, 2009, the principal amount and carrying value of our exchangeable debentures were \$3,102 million and \$2,254 million, respectively.

Level 3 inputs are unobservable inputs for an asset or liability. We currently have no Level 3 financial instrument assets or liabilities.

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 consolidated 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. In addition, when the equity market capitalization of one of our tracking stock groups is lower than our estimate of the aggregate fair value of the reporting units attributable to such tracking stock group, we reconcile such difference to further support the carrying value of our long-lived assets. 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, 2009, the intangible assets not subject to amortization for each of our significant reporting units was as follows:

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Other</u>	<u>Total</u>
	<u>amounts in millions</u>			
QVC	\$ 5,395	2,428	—	7,823
Starz Entertainment	132	—	—	132
Other	698	80	153	931
Consolidated	<u>\$ 6,225</u>	<u>2,508</u>	<u>153</u>	<u>8,886</u>

We perform our annual assessment of the recoverability of our goodwill and other nonamortizable intangible assets as of December 31. With respect to QVC, we performed the Step 1 Test using a discounted cash flow analysis prepared as of December 31, 2009. The cash flow projections (the "2009 Cash Flow Projections") used in our analysis were prepared by QVC management and represent management's estimate of the future cash flows to be generated by QVC's operations during 2010 through 2014 (Years 1-5). For the 5 years ended December 31, 2009, QVC's revenue grew at a compound annual growth rate of approximately 5.3%, including growth of 1.0% in 2009 and a decrease of 1.3% in 2008. Similarly, QVC's Adjusted OIBDA grew at a compound annual growth rate of approximately 5.1% for the 5 years ended December 31, 2009, including decreases of .2% in 2007 and

9.1% in 2008. Given the improving trends in the economy during 2009, as well as QVC's intention to expand its international operations into new markets, the 2009 Cash Flow Projections include growth rates which are higher than QVC's recent historical growth rates and higher than the growth rates used in the 2008 cash flow projections. The growth rates used in the 2009 Cash Flow Projections are considered by management to be appropriate and reflect the current state of the domestic and world wide economies. The 2009 Cash Flow Projections include many assumptions, including the timing of an economic recovery and the impact of any such recovery on QVC's operations. In this regard, the 2009 Cash Flow Projections are based on the economy continuing to stabilize in 2010 and return to historical levels in the years beyond 2010.

The projected cash flows for QVC's domestic business were discounted using a discount rate of 13.3%. Such rate was derived using a weighted average cost of capital approach and compares to a 12.8% rate that was used in 2008. Such increase in rate reflects a higher risk-free rate and long-horizon expected equity risk premium and factors in the impacts of the recent recession and volatility of business risks. The discount rates for QVC's international businesses were adjusted to reflect the appropriate risk of operating in international regions and were each slightly higher than the discount rates used in 2008 due to the aforementioned factors. Terminal growth rates after Year 5 consider the above noted factors for the initial five years forecasted cash flows and forecasted CPI increases.

We also used a market approach to validate the fair value of QVC determined by our discounted cash flow analysis. In our market approach, we identified publicly traded companies whose business and financial risks are comparable to those of QVC. We then compared the market values of those companies to the calculated value of QVC. We also identified recent sales of companies in lines of business similar to QVC and compared the sales prices in those transactions to the calculated value of QVC. The range of values determined in our market approach corroborated the value calculated in our discounted cash flow analysis for QVC.

The estimated fair value of QVC determined in the foregoing Step 1 Test was clearly in excess of our carrying value for QVC, and accordingly no Step 2 Test was performed and no impairment charge was recorded. We note that if our fair value estimate for QVC was 10% lower, we would still not have triggered a Step 1 failure and no impairment charge would be taken.

The foregoing impairment test requires a high degree of judgment with respect to estimates of future cash flows and discount rates as well as other assumptions. Therefore, any value ultimately derived from QVC may differ from our estimate of fair value. Further if the retail environment continues to experience recessionary pressures for an extended period of time, our cash flow projections will need to be revised downward and we could have impairment charges in the future. In this regard, we estimate that if we were to use a compound annual growth rate for QVC's revenue that is approximately 30% lower than the rate currently used in the 2009 Cash Flow Projections and that QVC achieved the margins assumed in the 2009 Cash Flow Projections, we would fail the Step 1 Test and would be required to perform the Step 2 Test to measure any impairment of QVC's goodwill.

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 consolidated statement of operations. Other than temporary declines in fair value of our cost investments are recognized on a separate line in our consolidated 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 consolidated 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 investments is based on the market prices of the investments at the balance sheet date. We estimate the fair value of our other 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 consolidated 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 consolidated statement of operations only upon our ultimate disposition of the investment.

Retail Related Adjustments and Allowances. QVC records adjustments and allowances for sales returns, inventory obsolescence and uncollectible receivables. Each of these adjustments is estimated based on historical experience. Sales returns are calculated as a percent of sales and are netted against revenue in our consolidated statement of operations. For the years ended December 31, 2009, 2008 and 2007, sales returns represented 18.7%, 19.8% and 18.7% of QVC's gross product revenue, respectively. The inventory obsolescence reserve is calculated as a percent of QVC's inventory at the end of a reporting period based on among other factors, the average inventory balance for the preceding 12 months and historical experience with liquidated inventory. The change in the reserve is included in cost of goods sold in our consolidated statements of operations. At December 31, 2009, QVC's inventory is \$879 million, which is net of the obsolescence adjustment of \$113 million. QVC's allowance for doubtful accounts is calculated as a percent of accounts receivable at the end of a reporting period, and the change in such allowance is recorded as bad debt expense in our consolidated statements of operations. At December 31, 2009, QVC's trade accounts receivable are \$1,236 million, net of the allowance for doubtful accounts of \$80 million. Each of these adjustments requires management judgment and may not reflect actual results.

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.

Interactive Group

At December 31, 2009, the Interactive Group consists of our subsidiaries QVC, Provide, Backcountry, Bodybuilding and BuySeasons, our interests in IAC/InterActiveCorp, Expedia, HSN, Interval, Ticketmaster, Tree.com and GSI Commerce, Inc. and \$2,135 million principal amount (as of December 31, 2009) of our publicly-traded debt.

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The following discussion and analysis provides information concerning the results of operations of the Interactive Group. This discussion should be read in conjunction with (1) our consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K and (2) the Unaudited Attributed Financial Information for Tracking Stock Groups filed as Exhibit 99.1 to this Annual Report on Form 10-K.

Results of Operations

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Revenue			
QVC	\$ 7,374	7,303	7,397
E-commerce businesses	931	776	405
Corporate and other	—	—	—
	<u>\$ 8,305</u>	<u>8,079</u>	<u>7,802</u>
Adjusted OIBDA			
QVC	\$ 1,565	1,502	1,652
E-commerce businesses	103	71	40
Corporate and other	(14)	(18)	(8)
	<u>\$ 1,654</u>	<u>1,555</u>	<u>1,684</u>
Operating Income (Loss)			
QVC	\$ 1,019	956	1,114
E-commerce businesses	49	(29)	16
Corporate and other	(27)	(21)	(17)
	<u>\$ 1,041</u>	<u>906</u>	<u>1,113</u>

QVC. QVC is a retailer of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised shopping programs and via the Internet. In the United States, QVC's live programming is aired through its nationally televised shopping network 24 hours a day ("QVC-US"). Internationally, QVC's program services are based in the United Kingdom ("QVC-UK"), Germany ("QVC-Germany") and Japan ("QVC-Japan"). QVC-UK broadcasts 24 hours a day with 17 hours of live programming, and QVC-Germany and QVC-Japan each broadcast live 24 hours a day. Additionally, QVC expects to launch its programming in Italy in the fourth quarter of 2010.

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QVC's operating results are as follows:

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Net revenue	\$ 7,374	7,303	7,397
Cost of sales	(4,755)	(4,719)	(4,682)
Gross profit	2,619	2,584	2,715
Operating expenses	(684)	(703)	(690)
SG&A expenses (excluding stock-based compensation)	(370)	(379)	(373)
Adjusted OIBDA	1,565	1,502	1,652
Stock-based compensation	(18)	(15)	(22)
Depreciation and amortization	(528)	(531)	(516)
Operating income	\$ 1,019	956	1,114

Net revenue is generated in the following geographical areas:

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
QVC-US	\$ 4,987	4,911	5,208
QVC-UK	578	660	707
QVC-Germany	942	954	870
QVC-Japan	867	778	612
	\$ 7,374	7,303	7,397

QVC's net revenue increased 1.0% and decreased 1.3% for the years ended December 31, 2009 and 2008, respectively, as compared to the corresponding prior year. The 2009 increase is comprised of \$124 million due to a 2.1% increase in the average sales price per unit ("ASP"), \$86 million due to lower estimated product returns and \$46 million primarily due to an increase in shipping and handling revenue. These increases were partially offset by a \$129 million decrease due to a 2.1% decrease in the number of units sold from 161.1 million to 157.8 million and \$56 million due to unfavorable foreign currency rates. Returns as a percent of gross product revenue decreased from 19.8% to 18.7% and reflect a shift in the mix from jewelry and apparel to home and accessories products which typically have lower return rates.

The 2008 decrease is comprised of \$257 million due to a 3.9% decrease in the number of units shipped and \$97 million due to lower shipping and handling revenue and an increase in estimated product returns. These decreases were partially offset by a \$167 million increase due to a 3.0% increase in the ASP and \$93 million due to favorable foreign currency rates. Returns as a percent of gross product revenue increased from 18.7% to 19.8% and reflect a higher ASP and a shift in the mix from home products to apparel products, which typically have higher return rates.

During the years ended December 31, 2009 and 2008, the changes in revenue and expenses were impacted by changes in the exchange rates for the UK pound sterling, the euro and the Japanese yen. In the event the U.S. dollar strengthens against these foreign currencies in the future, QVC's revenue

and operating cash flow will be negatively impacted. The percentage increase (decrease) in revenue for each of QVC's geographic areas in dollars and in local currency is as follows:

	Percentage increase (decrease) in net revenue			
	Year ended		Year ended	
	December 31, 2009		December 31, 2008	
	U.S. dollars	Local currency	U.S. dollars	Local currency
QVC-US	1.5%	1.5%	(5.7)%	(5.7)%
QVC-UK	(12.4)%	2.2%	(6.6)%	2.0%
QVC-Germany	(1.3)%	3.1%	9.7%	3.1%
QVC-Japan	11.4%	1.4%	27.1%	11.0%

QVC's net revenue increased in local currency in each geographical area for the year ended December 31, 2009 as compared to corresponding prior year period. QVC-US net revenue increased 13.4% in the fourth quarter of 2009 compared to a year-over-year decline in the first quarter and second quarter 2009 of 10.5% and 2.0%, respectively, and a 2.3% increase in the third quarter 2009. The growth in net revenue for the year ended December 31, 2009 as compared to the corresponding prior year period of 1.5% is due primarily to a decrease in return rates and an increase in shipping and handling revenue due to the full implementation and increased customer usage of prepaid return labels. In the fourth quarter of 2009, QVC-UK showed greater year-over-year growth in net revenue in local currency for the third consecutive quarter, resulting in a year to date net growth of 2.2% in local currency. The growth is the result of increased sales in the apparel and beauty product categories. QVC-Germany's net revenue in local currency increased 3.1% as they continue efforts to grow the beauty business. For the year ended December 31, 2009, QVC-Japan experienced growth in the accessories, apparel and jewelry product categories and declines in sales of home, health and beauty products.

The QVC service is already received by substantially all of the cable television and direct broadcast satellite homes in the U.S., UK and Germany. In addition, the rate of growth in households is expected to diminish in Japan. Therefore, future sales growth will primarily depend on expansion into new countries, additions of new customers from homes already receiving the QVC service and growth in sales to existing customers. QVC's future sales may also be affected by (i) the willingness of cable and satellite distributors to continue carrying QVC's programming service, (ii) QVC's ability to maintain favorable channel positioning, which may become more difficult as distributors convert analog customers to digital, (iii) changes in television viewing habits because of personal video recorders, video-on-demand and IP television and (iv) general economic conditions.

QVC's gross profit percentage was 35.5%, 35.4% and 36.7% for the years ended December 31, 2009, 2008 and 2007, respectively. The decrease in gross profit percentage in 2008 is primarily due to lower initial product margins across all product categories.

QVC's operating expenses are principally comprised of commissions, order processing and customer service expenses, credit card processing fees, telecommunications expense and production costs. Operating expenses decreased 2.7% and increased 1.9% for the years ended December 31, 2009 and 2008, respectively, as compared to the corresponding prior year period. The decrease in 2009 operating expenses is due primarily to lower customer service expenses due to staff efficiencies. As a percentage of net revenue, operating expenses were 9.3%, 9.6% and 9.3% for 2009, 2008 and 2007, respectively. The 2008 increase in operating expenses as a percent of revenue is due primarily to programming expenses, which are generally fixed costs, and to a lesser extent, increased commissions expense due to new fixed-rate agreements in QVC-UK and QVC-Japan.

QVC's SG&A expenses include personnel, information technology, provision for doubtful accounts, credit card income and marketing and advertising expenses. Such expenses decreased 2.4% in 2009 as higher bad debt expense (\$15 million) was more than offset by lower personnel and marketing expenses due to cost control measures and higher credit card income. SG&A expenses increased 1.6% in 2008 due primarily to a \$27 million increase in the bad debt provision and personnel expenses for salaries and benefits. In 2008 and 2009, QVC has experienced an increase in write-offs and reserves related to its installment receivables and private label credit card. Such increases in bad debt are due to an increase in customer use of the installment payment plan offered by QVC and to the recessionary economic conditions. Personnel expenses increased in 2008 primarily due to severance expenses of \$13 million primarily related to a reduction in workforce communicated in the fourth quarter of 2008. These increases were partially offset by an increase in credit card income of \$14 million, a \$9 million reversal in sales tax expense related to the settlement of certain audits as well as certain non-recurring marketing and legal items in 2007.

As previously noted, QVC intends to launch its television programming in Italy in the fourth quarter of 2010. QVC expects that QVC-Italy will incur an Adjusted OIBDA loss in 2010 of \$35-\$40 million, including start up costs. Included in QVC's results of operations for the year ended December 31, 2009 are \$5 million of costs related to the expected launch of the QVC-Italy service.

E-commerce businesses. The results of operations of Provide, BuySeasons, Backcountry and Bodybuilding are included in e-commerce businesses since their respective date of acquisition. Revenue and Adjusted OIBDA for the e-commerce businesses increased \$155 million or 20.0% and \$32 million or 45.1%, respectively, for the year ended December 31, 2009. Included in the overall increase in revenue and Adjusted OIBDA is \$62 million and \$16 million, respectively, related to small acquisitions by our e-commerce companies in 2008. Exclusive of the impact of acquisitions, the e-commerce revenue and Adjusted OIBDA increased organically 13.0% and 21.3%, respectively, for the year ended December 31, 2009. Included in organic growth is an increase of \$15 million related to commission revenue earned when customers sign up for third-party on-line discount services.

Fluctuations in e-commerce businesses from 2007 to 2008 are due primarily to the acquisitions of Backcountry and Bodybuilding in 2007. In addition to these acquisitions, Provide's revenue and Adjusted OIBDA increased 24% and 74%, respectively, for the year ended December 31, 2008, as compared to the corresponding prior year. Although our e-commerce businesses were able to grow their revenue and Adjusted OIBDA in 2008, the economic crisis slowed this growth. As further described above in our discussion of our consolidated results of operations, the impact of the economic conditions resulted in impairment charges for certain of our reporting units. Such impairment charges aggregated \$56 million for our e-commerce businesses and caused a decrease in our 2008 operating income.

Starz Group

The Starz Group is primarily comprised of our subsidiary Starz Entertainment and approximately \$542 million of corporate cash.

The following discussion and analysis provides information concerning the attributed results of operations of the Starz Group and is presented as through the Reclassification had been completed on January 1, 2007. This discussion should be read in conjunction with (1) our consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K and (2) the Unaudited Attributed Financial Information for Tracking Stock Groups filed as Exhibited 99.1 to this Annual Report on Form 10-K.

Results of Operations

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Revenue			
Starz Entertainment	\$ 1,193	1,111	1,066
Corporate and other	11	13	25
	<u>\$ 1,204</u>	<u>1,124</u>	<u>1,091</u>
Adjusted OIBDA			
Starz Entertainment	\$ 384	301	264
Corporate and other	(10)	(11)	(5)
	<u>\$ 374</u>	<u>290</u>	<u>259</u>
Operating Income (Loss)			
Starz Entertainment	\$ 330	(975)	210
Corporate and other	(58)	(38)	(59)
	<u>\$ 272</u>	<u>(1,013)</u>	<u>151</u>

Starz Entertainment. Starz Entertainment provides premium programming distributed by cable operators, direct-to-home satellite providers, telephone companies, other distributors and the Internet throughout the United States. Substantially all of Starz Entertainment's revenue is derived from the delivery of movies to subscribers under affiliation agreements with television video programming distributors. Some of Starz Entertainment's affiliation agreements provide for payments to Starz Entertainment based on the number of subscribers that receive Starz Entertainment's services ("consignment agreements"). Starz Entertainment also has fixed-rate affiliation agreements with certain of its customers. Pursuant to these agreements, the customers pay an agreed-upon rate regardless of the number of subscribers. The agreed-upon rate is contractually increased annually or semi-annually as the case may be. The affiliation agreements expire in 2010 through 2016. During the year ended December 31, 2009, 57.3% of Starz Entertainment's revenue was generated by its three largest customers, Comcast, DIRECTV and Dish Network, each of which individually generated more than 10% of Starz Entertainment's revenue for such period.

Starz Entertainment's operating results are as follows:

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Revenue	\$ 1,193	1,111	1,066
Operating expenses	(677)	(675)	(692)
SG&A expenses	(132)	(135)	(110)
Adjusted OIBDA	384	301	264
Stock-based compensation	(38)	(19)	(33)
Depreciation and amortization	(16)	(18)	(21)
Impairment of long-lived assets	—	(1,239)	—
Operating income (loss)	<u>\$ 330</u>	<u>(975)</u>	<u>210</u>

Starz Entertainment's revenue increased 7.4% and 4.2% for the years ended December 31, 2009 and 2008, respectively, as compared to the corresponding prior year. The 2009 increase in revenue is comprised of \$30 million due to growth in the weighted average number of subscriptions, \$31 million

due to a higher effective rate for Starz Entertainment's services and \$21 million due to new products and services. The increase in revenue in 2008 is comprised of \$33 million due to a higher effective rate for Starz Entertainment's services and \$12 million due to growth in the weighted average number of subscriptions.

The Starz movie service and Encore and the Encore thematic multiplex channels ("EMP") movie service are the primary drivers of Starz Entertainment's revenue. Starz average subscriptions increased 2.8% and 6.7% in 2009 and 2008, respectively; and EMP average subscriptions were essentially flat in 2009 and increased 8.1% in 2008. The impact on revenue of subscription increases is affected by the relative percentages of increases under consignment agreements and fixed-rate affiliation agreements. In this regard, in 2009 subscriptions under fixed-rate agreements decreased while subscriptions under consignment agreements increased. Conversely, in 2008, subscriptions under fixed-rate affiliation agreements increased at a higher rate than subscriptions under consignment agreements.

Starz Entertainment's operating expenses were relatively flat in 2009 and decreased 2.5% in 2008, as compared to the corresponding prior year. Programming expenses are Starz Entertainment's primary operating expense and comprised approximately 91% of the total for 2009. Starz Entertainment has been able to reduce its programming expenses in recent years with expenses decreasing from \$656 million in 2007 to \$629 million in 2008 to \$615 million in 2009. The 2009 decrease in programming expenses is due to a decrease in the percentage of first-run movie exhibitions (which have a relatively higher cost per title) as compared to the number of library product and original programming exhibitions (\$31 million) and a lower effective rate for first-run movies (\$2 million), partially offset by the amortization of production costs for original series (\$19 million). We expect that amortization of production costs for original series will increase in the future as Starz Entertainment continues to invest in original programming. The 2009 decrease in programming expenses was more than offset by (i) the amortization and write-off of production costs related to the home video and international distribution of original programming and (ii) other operating expenses.

The 2008 decrease in programming expense is due to lower amortization (\$25 million) of upfront bonus payments made under output agreements and a decrease in the percentage of first-run movie exhibitions as compared to the number of library product exhibitions (\$44 million), partially offset by a higher effective rate for first-run movies (\$34 million) and the amortization of production costs for original series (\$8 million).

Starz Entertainment's SG&A expenses decreased slightly and increased 22.7% during 2009 and 2008, respectively, as compared to the corresponding prior year. The 2009 decrease is due to lower advertising expenses. The 2008 increase is due primarily to higher marketing and advertising costs related to Starz new branding campaign and an increase in marketing support.

Starz Entertainment has outstanding phantom stock appreciation rights held by its founder. Starz Entertainment also has a long-term incentive plan for certain members of its current management team. Compensation relating to the PSARs and the long-term incentive plan has been recorded based upon the estimated fair value of Starz Entertainment. The amount of expense associated with the PSARs and the long-term incentive plan is generally based on the vesting of the awards and the change in the fair value of Starz Entertainment. The value of the PSARs decreased in 2008 due to a decrease in the value of Starz Entertainment.

In connection with our 2008 annual evaluation of the recoverability of our goodwill, we estimated the fair value of our reporting units using a combination of discounted cash flows and market comparisons and determined that the carrying value of the goodwill for Starz Entertainment exceeded its fair value, and we recorded an impairment charge of \$1,239 million for Starz Entertainment. See our discussion of our consolidated results of operations above for a more complete description of these impairment charges.

[Table of Contents](#)**Capital Group**

The Capital Group is comprised of our subsidiaries and assets not attributed to the Interactive Group or the Starz Group, including our subsidiaries Starz Media, ANLBC and TruePosition, as well as investments in SIRIUS XM, Time Warner Inc., Sprint Nextel Corporation and other public and private companies. In addition, we have attributed \$4,149 million principal amount (as of December 31, 2009) of our exchangeable senior debentures and other parent debt to the Capital Group.

The following discussion and analysis provides information concerning the attributed results of operations of the Capital Group. The following discussion is presented as though the Reclassification had been completed on January 1, 2007. This discussion should be read in conjunction with (1) our consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K and (2) the Unaudited Attributed Financial Information for Tracking Stock Groups filed as Exhibit 99.1 to this Annual Report on Form 10-K.

Results of Operations

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Revenue			
Starz Media	\$ 364	321	254
Corporate and other	285	293	231
	<u>\$ 649</u>	<u>614</u>	<u>485</u>
Adjusted OIBDA			
Starz Media	\$ (93)	(189)	(143)
Corporate and other	(82)	(108)	(67)
	<u>\$ (175)</u>	<u>(297)</u>	<u>(210)</u>
Operating Loss			
Starz Media	\$ (100)	(395)	(342)
Corporate and other	(163)	(256)	(164)
	<u>\$ (263)</u>	<u>(651)</u>	<u>(506)</u>

Revenue. The Capital Group's combined revenue increased 5.7% and 26.6% for the years ended December 31, 2009 and 2008, respectively, as compared to the corresponding prior year. The 2009 increase in Starz Media's revenue is attributable to a \$50 million aggregate increase in theatrical, home video and television revenue from movies released by Overture Films, including \$17 million of intercompany revenue from Starz Entertainment. Such intercompany revenue is eliminated in corporate and other. The increases for Overture Films were partially offset by lower theatrical and home video revenue for Starz Media's other divisions. The increase in Starz Media's revenue in 2008 is due primarily to (i) \$63 million recognized from the theatrical release of eight films by Overture Films and one film by Starz Animation, as compared with no film releases in 2007, and (ii) an increase of \$28 million in home video revenue. These increases in revenue were partially offset by a \$20 million decrease in revenue related to for-hire animation projects. Included in Capital Group's corporate and other revenue are payments from CNBC related to a revenue sharing agreement between our company and CNBC. The agreement has no termination date, and payments aggregated \$24 million, \$24 million and \$21 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Corporate and other revenue increased in 2008 primarily due to having a full year of operations for ANLBC.

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In November 2006, TruePosition signed an amendment to its existing services contract with AT&T Corp. that requires TruePosition to develop and deliver additional software features. Because TruePosition did not meet GAAP requirements for revenue recognition, TruePosition was required to defer revenue recognition until all contracted items had been delivered. TruePosition is currently evaluating recently issued accounting standards and believes that based on these new rules it may be able to recognize revenue from this contract upon adoption of the new rules in 2010. It is expected that accounting for TruePosition's services contract with its other major customer, T-Mobile, Inc., will be similar. It should be noted that both AT&T and T-Mobile are paying currently for services they receive and that the aforementioned deferrals have normal gross profit margins included.

Adjusted OIBDA. The Capital Group's Adjusted OIBDA loss decreased \$122 million and increased \$87 million in 2009 and 2008, respectively, as compared to the corresponding prior year. Starz Media's Adjusted OIBDA loss decreased in 2009 and increased in 2008 primarily due to the timing of revenue and expenses associated with films released by Overture Films and Starz Animation in 2009 and 2008. Partially offsetting the increased losses in 2008 was a \$53 million decrease in capitalized production cost write-offs. Theatrical print costs and advertising expenses related to the release of a film are recognized at the time the advertisements are run and generally exceed the theatrical revenue earned from the film. In addition, amortization of film production costs begins when revenue recognition begins. We are currently evaluating strategic alternatives for Overture Films. While a final decision has not been made regarding the future of Overture Films, we do not expect it to incur annual operating losses in the future of the same magnitude that it has experienced in recent years.

The lower 2009 Adjusted OIBDA loss for corporate and other is due to TruePosition which improved \$36 million as a result of lower operating costs for its primary equipment business and reduced marketing expenses for its new product and service initiatives. The improvement for TruePosition was partially offset by higher Adjusted OIBDA losses for the Capital Group's other subsidiaries. In 2008, ANLBC's Adjusted OIBDA decreased \$22 million due to the inclusion of the first four months of the year during which ANLBC generally operates at a loss as no significant revenue is recognized until the first home game of the year in April. TruePosition's Adjusted OIBDA loss increased \$22 million in 2008 due to costs incurred for new product and service initiatives.

Starz Media's Adjusted OIBDA loss in 2007 resulted from (i) the \$79 million write-off of capitalized production costs due to the abandonment of certain films and downward adjustments to the revenue projections for certain television series and other films, (ii) start-up costs for Overture Films and (iii) lower than expected revenue for Anchor Bay, its DVD distribution division. TruePosition's 2007 Adjusted OIBDA loss was due in large part to the deferral of revenue under its AT&T and T-Mobile contracts described above and to losses incurred in connection with new product and service initiatives (\$25 million).

Impairment of long-lived assets. In connection with our 2008 annual evaluation of the recoverability of our goodwill, we estimated the fair value of our reporting units using a combination of discounted cash flows and market comparisons and determined that the carrying value of the goodwill for Starz Media and certain of our other subsidiaries exceeded its fair value, and we recorded an aggregate impairment charge of \$251 million. See our discussion of our consolidated results of operations above for a more complete description of this impairment charge.

In connection with our 2007 annual evaluation of the recoverability of Starz Media's goodwill, we estimated the fair value of Starz Media's reporting units using a combination of discounted cash flows and market comparisons and concluded that the carrying value of certain reporting units exceeded their respective fair values. Accordingly, we recognized a \$182 million impairment charge related to goodwill.

Operating loss. The Capital Group's operating losses decreased in 2009 and increased in 2008. Such changes are due to the Adjusted OIBDA losses and impairment charges discussed above.

Item 7A. 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 financing activities and the conduct of operations by our subsidiaries in different foreign countries. 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 December 31, 2009, 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			
Interactive Group	\$ 3,124	4.5%	\$ 3,195	6.9%
Capital Group	\$ 1,717	0.9%	\$ 2,563	3.5%
Starz Group	\$ —	N/A	\$ 48	5.5%

In addition, QVC has entered into (i) interest rate swaps with an aggregate notional amount of \$2.2 billion pursuant to which it pays a fixed rate of 5.0-5.3% and receives variable payments at 3-month LIBOR and (ii) interest rate swaps with an aggregate notional amount of \$600 million pursuant to which it pays a fixed rate of 3.1% and receives variable payments at 3-month LIBOR.

Each of our tracking stock groups is exposed to changes in stock prices primarily as a result of our 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.

At December 31, 2009, the fair value of our AFS securities attributed to the Capital Group was \$3,333 million. Had the market price of such securities been 10% lower at December 31, 2009, the aggregate value of such securities would have been \$333 million lower. Our exchangeable senior debentures are also subject to market risk. Because we mark these instruments to fair value each reporting date, increases in the stock price of the respective underlying security generally result in higher liabilities and unrealized losses in our statement of operations.

The Interactive Group is exposed to foreign exchange rate fluctuations related primarily to the monetary assets and liabilities and the financial results of QVC's foreign subsidiaries. Assets and liabilities of foreign subsidiaries for which the functional currency is the local currency are translated into U.S. dollars at period-end exchange rates, and the statements of operations are generally translated at the average exchange rate for the period. Exchange rate fluctuations on translating foreign currency financial statements into U.S. dollars that result in unrealized gains or losses are referred to as translation adjustments. Cumulative translation adjustments are recorded in other comprehensive

earnings (loss) as a separate component of stockholders' equity. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses, which are reflected in income as unrealized (based on period-end translations) or realized upon settlement of the transactions. Cash flows from our operations in foreign countries are translated at the average rate for the period. Accordingly, the Interactive Group may experience economic loss and a negative impact on earnings and equity with respect to our holdings solely as a result of foreign currency exchange rate fluctuations.

We periodically assess the effectiveness of our derivative financial instruments. With regard to interest rate swaps, we monitor the fair value of interest rate swaps as well as the effective interest rate the interest rate swap yields, in comparison to historical interest rate trends. We believe that any losses incurred with regard to interest rate swaps would be offset by the effects of interest rate movements on the underlying debt facilities. With regard to equity collars, we monitor historical market trends relative to values currently present in the market. We believe that any unrealized losses incurred with regard to equity collars and swaps would be offset by the effects of fair value changes on the underlying assets. These measures allow our management to evaluate the success of our use of derivative instruments and to determine when to enter into or exit from derivative instruments.

Our derivative instruments are executed with counterparties who are well known major financial institutions with high credit ratings. While we believe these derivative instruments effectively manage the risks highlighted above, they are subject to counterparty credit risk. Counterparty credit risk is the risk that the counterparty is unable to perform under the terms of the derivative instrument upon settlement of the derivative instrument. To protect ourselves against credit risk associated with these counterparties we generally:

- execute our derivative instruments with several different counterparties, and
- execute equity derivative instrument agreements which contain a provision that requires the counterparty to post the "in the money" portion of the derivative instrument into a cash collateral account for our benefit, if the respective counterparty's credit rating for its senior unsecured debt were to reach certain levels, generally a rating that is below Standard & Poor's rating of A- and/or Moody's rating of A3.

Due to the importance of these derivative instruments to our risk management strategy, we actively monitor the creditworthiness of each of these counterparties. Based on our analysis, we currently consider nonperformance by any of our counterparties to be unlikely.

At December 31, 2009, the counterparty to all of our derivative assets (\$752 million), which mature in 2010, was Deutsche Bank. To the extent we have borrowed against such derivative instruments, we have a right of offset with respect to our borrowings and amounts due from the counterparty under the derivative, thereby reducing our counterparty credit risk.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements of Liberty Media Corporation are filed under this Item, beginning on Page II-39. The financial statement schedules required by Regulation S-X are filed under Item 15 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

In accordance with Exchange Act Rules 13a-15 and 15d-15, the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer, principal accounting officer and principal financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of December 31, 2009 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

See page II-37 for *Management's Report on Internal Control Over Financial Reporting*.

See page II-38 for *Report of Independent Registered Public Accounting Firm* for our accountant's attestation regarding our internal control over financial reporting.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended December 31, 2009 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Item 9B. Other Information.

None.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Liberty Media Corporation's management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements and related disclosures in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements and related disclosures in accordance with generally accepted accounting principles; (3) provide reasonable assurance that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (4) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements and related disclosures.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The Company assessed the design and effectiveness of internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework*.

Based upon our assessment using the criteria contained in COSO, management has concluded that, as of December 31, 2009, Liberty Media Corporation's internal control over financial reporting is effectively designed and operating effectively.

Liberty Media Corporation's independent registered public accountants audited the consolidated financial statements and related disclosures in the Annual Report on Form 10-K and have issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears on page II-38 of this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Liberty Media Corporation:

We have audited Liberty Media Corporation's internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Liberty Media Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Liberty Media Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Liberty Media Corporation and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, comprehensive earnings, cash flows, and equity for each of the years in the three-year period ended December 31, 2009, and our report dated February 25, 2010 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Denver, Colorado
February 25, 2010

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, 2009 and 2008, and the related consolidated statements of operations, comprehensive earnings, cash flows, and equity for each of the years in the three-year period ended December 31, 2009. 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, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

As discussed in note 3 to the consolidated financial statements, effective January 1, 2009, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51* (included in FASB ASC Topic 810, *Consolidation*), and effective January 1, 2008, the Company adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115* (included in FASB ASC Topic 825, *Financial Instruments*), and SFAS No. 157, *Fair Value Measurements* (included in FASB ASC Topic 820, *Fair Value Measurements and Disclosures*).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Liberty Media Corporation and subsidiaries' internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 25, 2010 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Denver, Colorado
February 25, 2010

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2009 and 2008

	2009	2008
	amounts in millions	
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,835	3,060
Trade and other receivables, net	1,518	1,508
Inventory, net	985	1,032
Program rights	469	491
Financial instruments (note 9)	752	1,133
Other current assets	168	232
Assets of discontinued operations—current (note 5)	—	163
Total current assets	<u>8,727</u>	<u>7,619</u>
Investments in available-for-sale securities and other cost investments, including \$851 million and \$392 million pledged as collateral for share borrowing arrangements (note 7)	4,120	2,857
Long-term financial instruments (note 9)	—	1,166
Investments in affiliates, accounted for using the equity method (note 8)	1,030	1,136
Property and equipment, at cost	2,163	2,023
Accumulated depreciation	(858)	(695)
	<u>1,305</u>	<u>1,328</u>
Intangible assets not subject to amortization (note 10):		
Goodwill	6,225	6,201
Trademarks	2,508	2,505
Other	153	158
	<u>8,886</u>	<u>8,864</u>
Intangible assets subject to amortization, net (note 10)	3,027	3,356
Other assets, at cost, net of accumulated amortization (note 10)	1,536	1,529
Assets of discontinued operations (note 5)	—	14,048
Total assets	<u>\$ 28,631</u>	<u>41,903</u>

(continued)

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
	<u>amounts in millions</u>	
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 598	538
Accrued liabilities	1,037	1,092
Financial instruments (note 9)	1,002	553
Current portion of debt (note 11)	1,932	616
Current deferred income tax liabilities (note 12)	1,247	773
Other current liabilities	360	291
Liabilities of discontinued operations—current (note 5)	—	277
Total current liabilities	<u>6,176</u>	<u>4,140</u>
Long-term debt, including \$2,254 million and \$1,691 million measured at fair value (note 11)	7,842	9,630
Long-term financial instruments (note 9)	132	189
Deferred income tax liabilities (note 12)	2,675	3,143
Other liabilities	1,568	1,546
Liabilities of discontinued operations (note 5)	—	3,498
Total liabilities	<u>18,393</u>	<u>22,146</u>
Equity		
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 89,814,862 shares at December 31, 2009 and 90,042,840 shares at December 31, 2008	1	1
Series B Liberty Capital common stock, \$.01 par value. Authorized 75,000,000 shares; issued and outstanding 7,405,151 shares at December 31, 2009 and 6,024,724 shares at December 31, 2008	—	—
Series A Liberty Starz common stock, \$.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 49,673,954 shares at December 31, 2009 and 493,256,228 shares at December 31, 2008	—	5
Series B Liberty Starz common stock, \$.01 par value. Authorized 150,000,000 shares; issued and outstanding 2,365,545 shares at December 31, 2009 and 23,706,209 shares at December 31, 2008	—	—
Series A Liberty Interactive common stock, \$.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 567,044,845 shares and 564,385,343 shares at December 31, 2009 and 2008	6	6
Series B Liberty Interactive common stock, \$.01 par value. Authorized 150,000,000 shares; issued and outstanding 29,276,689 shares and 29,441,916 shares at December 31, 2009 and 2008	—	—
Additional paid-in capital	8,900	25,132
Accumulated other comprehensive earnings, net of taxes (note 17)	352	70
Retained earnings (deficit)	850	(5,612)
Total stockholders' equity	<u>10,109</u>	<u>19,602</u>
Noncontrolling interests in equity of subsidiaries	129	155
Total equity	<u>10,238</u>	<u>19,757</u>
Commitments and contingencies (note 19)		
Total liabilities and equity	<u>\$ 28,631</u>	<u>41,903</u>

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	amounts in millions, except per share amounts		
Revenue:			
Net retail sales	\$ 8,305	8,079	7,802
Communications and programming services	1,853	1,738	1,576
	<u>10,158</u>	<u>9,817</u>	<u>9,378</u>
Operating costs and expenses:			
Cost of sales	5,332	5,224	4,925
Operating	1,923	1,945	1,896
Selling, general and administrative, including stock-based compensation (note 3)	1,178	1,149	913
Depreciation	189	191	162
Amortization	477	497	501
Impairment of long-lived assets (note 10)	9	1,569	223
	<u>9,108</u>	<u>10,575</u>	<u>8,620</u>
Operating income (loss)	1,050	(758)	758
Other income (expense):			
Interest expense	(628)	(667)	(641)
Dividend and interest income	125	174	264
Share of earnings (losses) of affiliates, net (note 8)	(58)	(1,263)	9
Realized and unrealized gains (losses) on financial instruments, net (note 9)	(155)	(260)	1,269
Gains on dispositions, net (notes 7 and 8)	284	15	646
Other than temporary declines in fair value of investments (note 7)	(9)	(441)	(33)
Gain (loss) on early extinguishment of debt	(11)	240	—
Other, net	23	(71)	—
	<u>(429)</u>	<u>(2,273)</u>	<u>1,514</u>
Earnings (loss) from continuing operations before income taxes	621	(3,031)	2,272
Income tax benefit (expense) (note 12)	16	742	(313)
Earnings (loss) from continuing operations	<u>637</u>	<u>(2,289)</u>	<u>1,959</u>
Earnings from discontinued operations, net of taxes (note 5)	5,864	5,812	190
Net earnings	<u>6,501</u>	<u>3,523</u>	<u>2,149</u>
Less net earnings attributable to the noncontrolling interests	39	44	35
Net earnings attributable to Liberty Media Corporation stockholders	<u>\$ 6,462</u>	<u>3,479</u>	<u>2,114</u>
Net earnings (loss) attributable to Liberty Media Corporation stockholders:			
Liberty Capital common stock	\$ 127	(526)	—
Liberty Starz common stock	6,077	(616)	—
Liberty Interactive common stock	258	(781)	441
Old Liberty Capital common stock	—	5,402	1,673
	<u>\$ 6,462</u>	<u>3,479</u>	<u>2,114</u>

(continued)

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

Years ended December 31, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	amounts in millions, except per share amounts		
Basic earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	\$ 1.32	(4.65)	—
Series A and Series B Liberty Starz common stock	\$.46	(1.87)	—
Series A and Series B Liberty Interactive common stock	\$.43	(1.31)	.70
Old Series A and Series B Liberty Capital common stock	\$ —	(.46)	11.19
Diluted earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share (note 3) :			
Series A and Series B Liberty Capital common stock	\$ 1.31	(4.65)	—
Series A and Series B Liberty Starz common stock	\$.46	(1.87)	—
Series A and Series B Liberty Interactive common stock	\$.43	(1.31)	.69
Old Series A and Series B Liberty Capital common stock	\$ —	(.46)	11.11
Basic net earnings (loss) attributable to Liberty Media Corporation stockholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	\$ 1.32	(4.65)	—
Series A and Series B Liberty Starz common stock	\$ 13.13	(1.19)	—
Series A and Series B Liberty Interactive common stock	\$.43	(1.31)	.70
Old Series A and Series B Liberty Capital common stock	\$ —	41.88	12.67
Diluted net earnings (loss) attributable to Liberty Media Corporation stockholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	\$ 1.31	(4.65)	—
Series A and Series B Liberty Starz common stock	\$ 13.04	(1.19)	—
Series A and Series B Liberty Interactive common stock	\$.43	(1.31)	.69
Old Series A and Series B Liberty Capital common stock	\$ —	41.55	12.58

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

Years ended December 31, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<u>amounts in millions</u>		
Net earnings	\$ 6,501	3,523	2,149
Other comprehensive earnings (loss), net of taxes (note 17):			
Foreign currency translation adjustments	3	(19)	101
Unrealized holding gains (losses) arising during the period	230	(500)	(1,239)
Recognition of previously unrealized losses (gains) on available-for-sale securities, net	(27)	273	(375)
Share of other comprehensive earnings (loss) of equity affiliates	(5)	(10)	3
Other	43	(62)	(46)
Other comprehensive earnings (loss) from discontinued operations	31	(2,618)	(317)
Other comprehensive earnings (loss)	<u>275</u>	<u>(2,936)</u>	<u>(1,873)</u>
Comprehensive earnings	6,776	587	276
Less comprehensive earnings attributable to the noncontrolling interests	32	71	41
Comprehensive earnings attributable to Liberty Media Corporation stockholders	<u>\$ 6,744</u>	<u>516</u>	<u>235</u>
Comprehensive earnings (loss) attributable to Liberty Media Corporation stockholders:			
Liberty Capital common stock	\$ 167	(537)	—
Liberty Starz common stock	6,108	(649)	—
Liberty Interactive common stock	469	(1,114)	100
Old Liberty Capital common stock	—	2,816	135
	<u>\$ 6,744</u>	<u>516</u>	<u>235</u>

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	amounts in millions		
	(see note 4)		
Cash flows from operating activities:			
Net earnings	\$ 6,501	3,523	2,149
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Earnings from discontinued operations	(5,864)	(5,812)	(190)
Depreciation and amortization	666	688	663
Impairment of long-lived assets	9	1,569	223
Stock-based compensation	128	49	89
Cash payments for stock-based compensation	(11)	(24)	(40)
Noncash interest expense	97	8	9
Share of losses (earnings) of affiliates, net	58	1,263	(9)
Realized and unrealized losses (gains) on financial instruments, net	155	260	(1,269)
Gains on disposition of assets, net	(284)	(15)	(646)
Other than temporary declines in fair value of investments	9	441	33
Deferred income tax expense (benefit)	(158)	(997)	120
Other noncash charges (credits), net	75	(80)	141
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions:			
Current and other assets	19	(143)	(434)
Payables and other current liabilities	47	(88)	269
Net cash provided by operating activities	<u>1,447</u>	<u>642</u>	<u>1,108</u>
Cash flows from investing activities:			
Cash proceeds from dispositions	557	35	495
Proceeds from settlement of financial instruments	1,374	33	75
Cash received in exchange transactions	—	—	1,154
Cash paid for acquisitions, net of cash acquired	(4)	(77)	(243)
Investments in and loans to cost and equity investees	(750)	(591)	(159)
Repayment of loan by equity investee	634	—	—
Investment in special purpose entity	—	—	(750)
Capital expended for property and equipment	(264)	(202)	(315)
Net decrease (increase) in restricted cash	54	383	(882)
Other investing activities, net	53	(83)	(10)
Net cash provided (used) by investing activities	<u>1,654</u>	<u>(502)</u>	<u>(635)</u>
Cash flows from financing activities:			
Borrowings of debt	3,338	3,031	1,869
Repayments of debt	(4,682)	(2,763)	(498)
Repurchases of Liberty common stock	(18)	(537)	(2,529)
Settlement of financial instruments	(149)	(346)	—
Premium proceeds from financial instruments	332	—	—
Contribution from noncontrolling owner	—	—	751
Other financing activities, net	(1)	(10)	2
Net cash used by financing activities	<u>(1,180)</u>	<u>(625)</u>	<u>(405)</u>
Effect of foreign currency exchange rates on cash	<u>(25)</u>	<u>17</u>	<u>8</u>
Net cash provided by (to) discontinued operations:			
Cash provided (used) by operating activities	(5)	2	58
Cash used by investing activities	(15)	(1,464)	(2)
Cash provided (used) by financing activities	—	1,930	(106)
Change in available cash held by discontinued operations	(101)	(68)	4
Net cash provided by (to) discontinued operations	<u>(121)</u>	<u>400</u>	<u>(46)</u>
Net increase (decrease) in cash and cash equivalents	1,775	(68)	30
Cash and cash equivalents at beginning of year	3,060	3,128	3,098
Cash and cash equivalents at end of year	<u>\$ 4,835</u>	<u>3,060</u>	<u>3,128</u>

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2009, 2008 and 2007

	Stockholders' Equity													Total equity	
	Common stock										Additional paid-in capital	Accumulated other comprehensive earnings	Retained earnings (deficit)		Noncontrolling interests in equity of subsidiaries
	Preferred stock	Liberty Capital		Liberty Starz		Liberty Interactive		Old Liberty Capital							
	Series A	Series B	Series A	Series B	Series A	Series B	Series A	Series B							
	amounts in millions														
Balance at January 1, 2007	\$ —	—	—	—	—	6	—	1	—	28,112	5,952	(12,438)	290	21,923	
Net earnings	—	—	—	—	—	—	—	—	—	—	—	2,114	35	2,149	
Other comprehensive earnings (loss)	—	—	—	—	—	—	—	—	—	—	(1,879)	—	6	(1,873)	
Cumulative effects of accounting changes (note 3)	—	—	—	—	—	—	—	—	—	—	—	193	—	193	
Issuance of common stock upon exercise of stock options	—	—	—	—	—	—	—	—	—	35	—	—	—	35	
Stock compensation	—	—	—	—	—	—	—	—	—	24	—	—	5	29	
Series A Liberty Interactive stock repurchases	—	—	—	—	—	—	—	—	—	(1,224)	—	—	—	(1,224)	
Series A Liberty Capital stock repurchases	—	—	—	—	—	—	—	—	—	(1,305)	—	—	—	(1,305)	
Liberty acquisition of noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—	(35)	(35)	
Sale by Liberty of controlling interest in subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	(132)	(132)	
Contribution by noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	751	751	
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	(54)	(54)	
Other	—	—	—	—	—	—	—	—	—	(5)	—	—	—	(5)	
Balance at December 31, 2007	—	—	—	—	—	6	—	1	—	25,637	4,073	(10,131)	866	20,452	
Net earnings	—	—	—	—	—	—	—	—	—	—	—	3,479	44	3,523	
Other comprehensive earnings (loss)	—	—	—	—	—	—	—	—	—	—	(2,963)	—	27	(2,936)	
Cumulative effects of accounting changes (note 3)	—	—	—	—	—	—	—	—	—	—	(1,040)	1,040	—	—	
Distribution of Liberty Entertainment and Liberty Capital common stock to stockholders (note 2)	—	1	—	5	—	—	—	(1)	—	(5)	—	—	—	—	
Stock compensation	—	—	—	—	—	—	—	—	—	35	—	—	—	35	
Series A Liberty Interactive stock repurchases	—	—	—	—	—	—	—	—	—	(75)	—	—	—	(75)	
Series A Liberty Capital stock repurchases	—	—	—	—	—	—	—	—	—	(462)	—	—	—	(462)	
Unwind of special purpose entity	—	—	—	—	—	—	—	—	—	—	—	—	(750)	(750)	
Liberty purchase of noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—	(11)	(11)	
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	(21)	(21)	
Other	—	—	—	—	—	—	—	—	—	2	—	—	—	2	
Balance at December 31, 2008	—	1	—	5	—	6	—	—	—	25,132	70	(5,612)	155	19,757	
Net earnings	—	—	—	—	—	—	—	—	—	—	—	6,462	39	6,501	
Other comprehensive earnings (loss)	—	—	—	—	—	—	—	—	—	—	282	—	(7)	275	
Split Off of Liberty Entertainment, Inc. (note 2)	—	—	—	(5)	—	—	—	—	—	(16,481)	—	—	—	(16,486)	
Stock compensation	—	—	—	—	—	—	—	—	—	158	—	—	—	158	
Stock issued upon exercise of stock options	—	—	—	—	—	—	—	—	—	117	—	—	—	117	
Series A Liberty Starz stock repurchases	—	—	—	—	—	—	—	—	—	(13)	—	—	—	(13)	
Series A Liberty Capital stock repurchases	—	—	—	—	—	—	—	—	—	(5)	—	—	—	(5)	
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	(59)	(59)	
Other	—	—	—	—	—	—	—	—	—	(8)	—	—	1	(7)	
Balance at December 31, 2009	\$ —	1	—	—	—	6	—	—	—	8,900	352	850	129	10,238	

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2009, 2008 and 2007

(1) Basis of Presentation

The accompanying consolidated financial statements include the accounts of Liberty Media Corporation and its controlled subsidiaries (collectively, "Liberty" or the "Company" unless the context otherwise requires). All significant intercompany accounts and transactions have been eliminated in consolidation.

Liberty, through its ownership of interests in subsidiaries and other companies, is primarily engaged in the video and on-line commerce, media, communications and entertainment industries in North America, Europe and Asia.

(2) Tracking Stocks

Prior to March 3, 2008, Liberty had two tracking stocks, Liberty Interactive common stock and Liberty Capital common stock, which were intended to track and reflect the economic performance of one of two groups, the Interactive Group and the Capital Group, respectively.

On March 3, 2008, Liberty completed a reclassification (the "Reclassification") of its Liberty Capital common stock (herein referred to as "Old Liberty Capital common stock") whereby each share of Old Series A Liberty Capital common stock was reclassified into four shares of Series A Liberty Entertainment common stock and one share of new Series A Liberty Capital common stock, and each share of Old Series B Liberty Capital common stock was reclassified into four shares of Series B Liberty Entertainment common stock and one share of new Series B Liberty Capital common stock. The Liberty Entertainment common stock was intended to track and reflect the economic performance of the Entertainment Group. The Reclassification did not change the businesses, assets and liabilities attributed to the Interactive Group.

As more fully described in note 5, on November 19, 2009, Liberty completed its previously announced split-off (the "Split-Off") of its wholly owned subsidiary, Liberty Entertainment, Inc. ("LEI"), and the business combination transaction among Liberty, LEI and The DIRECTV Group, Inc. ("DIRECTV") (the "DTV Business Combination"). The Split-Off was accomplished by a redemption (the "Redemption") of 90% of the outstanding shares of Liberty Entertainment common stock in exchange for all of the outstanding shares of common stock of LEI, pursuant to which, 0.9 of each outstanding share of Liberty Entertainment common stock was redeemed for 0.9 of a share of the corresponding series of common stock of LEI, with payment of cash in lieu of any fractional shares. Subsequent to the Redemption, Liberty redesignated the Entertainment Group as the Starz Group.

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. While the Interactive Group, the Starz Group and the Capital Group have separate collections of businesses, assets and liabilities attributed to them, no group is a separate legal entity and therefore cannot own assets, issue securities or enter into legally binding agreements. Holders of tracking stocks have no direct claim to the group's stock or assets and are not represented by separate boards of directors. Instead, holders of tracking stock are stockholders of the parent corporation, with a single board of directors and subject to all of the risks and liabilities of the parent corporation.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

The term "Interactive Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which Liberty has attributed to that group. As of December 31, 2009, the assets and businesses Liberty has attributed to the Interactive Group are those engaged in video and on-line commerce, and include its subsidiaries QVC, Inc. ("QVC"), Provide Commerce, Inc. ("Provide"), Backcountry.com, Inc. ("Backcountry"), Bodybuilding.com, LLC ("Bodybuilding") and BuySeasons, Inc. ("BuySeasons") and its interests in Expedia, Inc. ("Expedia"), HSN, Inc. ("HSN"), Interval Leisure Group, Inc. ("Interval"), Ticketmaster Entertainment, Inc. ("Ticketmaster"), Tree.com, Inc. ("Lending Tree") and IAC/InterActiveCorp ("IAC"). In addition, Liberty has attributed \$2,135 million principal amount (as of December 31, 2009) of its public debt to the Interactive Group. The Interactive Group will also include such other businesses, assets and liabilities that Liberty's board of directors may in the future determine to attribute to the Interactive Group, including such other businesses and assets as Liberty may acquire for the Interactive Group.

Similarly, the term "Starz Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which Liberty has attributed to that group. The Starz Group focuses primarily on video programming and is comprised primarily of Starz Entertainment, LLC ("Starz Entertainment") and \$542 million of corporate cash (as of December 31, 2009). The Starz Group will also include such other businesses, assets and liabilities that Liberty's board of directors may in the future determine to attribute to the Starz Group, including such other businesses as Liberty may acquire for the Starz Group.

The term "Capital Group" also does not represent a separate legal entity, rather it represents all of Liberty's businesses, assets and liabilities other than those which have been attributed to the Interactive Group or the Starz Group. The assets and businesses attributed to the Capital Group include Liberty's subsidiaries: Starz Media, LLC ("Starz Media"), Atlanta National League Baseball Club, Inc. ("ANLBC") and TruePosition, Inc. ("TruePosition"); and its interests in Sirius XM Radio Inc. ("SIRIUS XM"), Time Warner Inc., Time Warner Cable Inc. and Sprint Nextel Corporation. In addition, Liberty has attributed \$3,157 million of cash, including subsidiary cash, and \$4,149 million principal amount (as of December 31, 2009) of its exchangeable senior debentures and other parent debt to the Capital Group. The Capital Group will also include such other businesses, assets and liabilities that Liberty's board of directors may in the future determine to attribute to the Capital Group, including such other businesses and assets as Liberty may acquire for the Capital Group.

During the second quarter of 2009, each of the Starz Group and the Capital Group made intergroup loans to the Interactive Group in the amount of \$250 million. See note 11.

On February 25, 2010, Liberty announced that its board of directors had resolved to effect the following changes in attribution between the Capital Group and the Interactive Group, effective immediately (the "Reattribution"):

- the change in attribution from the Interactive Group to the Capital Group of Liberty's 14.6% ownership interest in Live Nation Entertainment, Inc.;
- the change in attribution from the Capital Group to the Interactive Group of the following debt securities:
 - \$469 million in principal amount of 4% Exchangeable Senior Debentures due 2029 (the "2029 Exchangeables");

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

- \$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 the Capital Group to the 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 will account for the Reattribution prospectively. This change in attribution has no effect on the assets and liabilities attributed to the Starz Group.

See Exhibit 99.1 to this Annual Report on Form 10-K for unaudited attributed financial information for Liberty's tracking stock groups.

(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.

Receivables

Receivables are reflected net of an allowance for doubtful accounts. Such allowance aggregated \$116 million and \$104 million at December 31, 2009 and 2008, respectively. A summary of activity in the allowance for doubtful accounts is as follows:

	Balance beginning of year	Additions		Deductions— write-offs	Balance end of year
		Charged to expense	Acquisitions		
			amounts in millions		
2009	\$ 104	81	—	(69)	116
2008	\$ 80	66	1	(43)	104
2007	\$ 72	41	1	(34)	80

Inventory

Inventory, consisting primarily of products held for sale, is stated at the lower of cost or market. Cost is determined by the average cost method, which approximates the first-in, first-out method.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

Program Rights

Program rights are amortized on a film-by-film basis over the anticipated number of exhibitions. Program rights payable are initially recorded at the estimated cost of the programs when the film is available for airing.

Investment in Films and Television Programs

Investment in films and television programs generally includes the cost of proprietary films and television programs that have been released, completed and not released, in production, and in development or pre-production. Capitalized costs include the acquisition of story rights, the development of stories, production labor, postproduction costs and allocable overhead and interest costs. 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 is amortized using the individual-film-forecast method, whereby the costs are charged to expense and participation and residual costs are accrued based on the proportion that current revenue from the films bear to an estimate of total revenue anticipated from all markets (ultimate revenue). Ultimate revenue estimates generally may 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. Costs of films in development or pre-production are charged to expense if the project is abandoned, or if the film has not been set for production within three years from the time of the first capitalized transaction.

The 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 should be assessed. If the estimated fair value of a film is less than its unamortized cost, then the excess of unamortized costs over the estimated fair value is charged to expense.

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. Effective January 1, 2008, 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"). Previously under 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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

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 December 31, 2009 and 2008 consolidated statement of operations. The amount of unrealized gains related to the Non-strategic Securities and included in accumulated other comprehensive earnings in the Company's balance sheet as of January 1, 2008 aggregated \$1,040 million and was reclassified to accumulated deficit. The total value of AFS securities for which the Company has elected the fair value option aggregated \$3,063 million and \$2,089 million as of December 31, 2009 and 2008, 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.

Prior to January 1, 2009, changes in the Company's proportionate share of the underlying equity of an equity method investee, which resulted from the issuance of additional equity securities by such equity investee ("SAB 51 Gain"), were recognized in equity. Subsequent to January 1, 2009, such changes are recognized in earnings.

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.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

Derivative Instruments and Hedging Activities

The Company uses various derivative instruments including equity collars and interest rate swaps to manage fair value and cash flow risk associated with certain of its investments and some of its variable rate debt. Liberty's derivative instruments are executed with counterparties who are well known major financial institutions. While Liberty believes these derivative instruments effectively manage the risks highlighted above, they are subject to counterparty credit risk. Counterparty credit risk is the risk that the counterparty is unable to perform under the terms of the derivative instrument upon settlement of the derivative instrument. To protect itself against credit risk associated with these counterparties the Company generally:

- executes its derivative instruments with several different counterparties, and
- executes equity derivative instrument agreements which contain a provision that requires the counterparty to post the "in the money" portion of the derivative instrument into a cash collateral account for the Company's benefit, if the respective counterparty's credit rating for its senior unsecured debt were to reach certain levels, generally a rating that is below Standard & Poor's rating of A- and/or Moody's rating of A3.

In addition, to the extent Liberty borrows against a derivative instrument, it has a right of offset with respect to its borrowings and amounts due from the counterparty under the derivative, thereby reducing its counterparty risk.

Due to the importance of these derivative instruments to its risk management strategy, Liberty actively monitors the creditworthiness of each of its counterparties. Based on its analysis, the Company currently considers nonperformance by any of its counterparties to be unlikely.

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. Through November 2008, certain of these interest rate swap arrangements were designated as cash flow hedges. The Company assessed the effectiveness of its interest rate swaps using the hypothetical derivative method. Hedge ineffectiveness had no significant impact on earnings for the years ended December 31, 2009 and 2008. In December 2008, the interest rate swaps were determined to be ineffective due to changes in the interest rates on the underlying debt and no longer qualify as cash flow hedges. None of the Company's other derivatives have been designated as hedges.

The fair value of the Company's equity collars and other similar derivative instruments is 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 obtains volatility rates from pricing services based on the expected volatility of the underlying security over the remaining term of the derivative instrument. A discount

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****December 31, 2009, 2008 and 2007**

rate is obtained at the inception of the derivative instrument and updated each reporting period based on the Company's estimate of the discount rate at which it could currently settle the derivative instrument. The Company considers its own credit risk as well as the credit risk of its counterparties in estimating the discount rate. Considerable management judgment is required in estimating the Black-Scholes variables. Actual results upon settlement or unwinding of derivative instruments may differ materially from these estimates.

Effective January 1, 2007, Liberty adopted new accounting literature which, among other things, permits fair value remeasurement of hybrid financial instruments that contain an embedded derivative that otherwise would require bifurcation. Prior to January 1, 2007, Liberty reported the fair value of the call option feature of its exchangeable senior debentures separate from the long-term debt. The long-term debt portion was reported as the difference between the face amount of the debenture and the fair value of the call option feature on the date of issuance and was accreted through interest expense to its face amount over the expected term of the debenture. Liberty now accounts for its exchangeable senior debentures at fair value rather than bifurcating such instruments into a debt instrument and a derivative instrument. Decreases in the fair value of the exchangeable debentures are included in realized and unrealized gains on financial instruments in the accompanying consolidated statements of operations.

The impact—increase/(decrease)—on Liberty's January 1, 2007 balance sheet of the change in accounting for its exchangeable senior debentures is as follows (amounts in millions):

Other assets	\$ (47)
Long-term financial instrument liabilities	\$ (1,280)
Long-term debt	\$ 1,848
Deferred income tax liabilities	\$ (234)
Accumulated deficit	\$ 381

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.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

The Company performs an annual assessment of whether there is an indication that goodwill is impaired. In performing this assessment, the Company compares the estimated fair value of a reporting unit to its carrying value, including goodwill (the "Step 1 Test"). 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.

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, Liberty 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 consolidated 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 Liberty maintains a controlling interest are recorded in equity. Liberty has applied the changes prospectively, except for the presentation and disclosure requirements, which have been applied retrospectively for all periods presented.

Foreign Currency Translation

The functional currency of the Company is the United States ("U.S.") dollar. The functional currency of the Company's foreign operations generally is the applicable local currency for each foreign subsidiary. Assets and liabilities of foreign subsidiaries are translated at the spot rate in effect at the applicable reporting date, and the consolidated statements of operations are translated at the average

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustment, net of applicable income taxes, is recorded as a component of accumulated other comprehensive earnings in stockholders' equity.

Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses which are reflected in the accompanying consolidated statements of operations and comprehensive earnings as unrealized (based on the applicable period-end exchange rate) or realized upon settlement of the transactions.

Revenue Recognition

Revenue is recognized as follows:

- Revenue from retail sales is recognized at the time of delivery to customers. An allowance for returned merchandise is provided as a percentage of sales based on historical experience. The total reduction in sales due to returns for the years ended December 31, 2009, 2008 and 2007 aggregated \$1,626 million, \$1,760 million and \$1,651 million, respectively. Sales tax collected from customers on retail sales is recorded on a net basis and is not included in revenue.
- Programming revenue is recognized in the period during which programming is provided, pursuant to affiliation agreements.
- Certain subsidiaries of the Company earn revenue from the sale and licensing of equipment with embedded software and related service and maintenance. For multiple element contracts with vendor specific objective evidence, the Company recognizes revenue for each specific element when the earnings process is complete. If vendor specific objective evidence does not exist, revenue is deferred and recognized on a straight-line basis over the remaining term of the maintenance period after all other elements have been delivered.
- 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 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.

Cost of Sales

Cost of sales primarily includes actual product cost, provision for obsolete inventory, buying allowances received from suppliers, shipping and handling costs and warehouse costs.

Advertising Costs

Advertising costs generally are expensed as incurred. Advertising expense aggregated \$363 million, \$377 million and \$165 million for the years ended December 31, 2009, 2008 and 2007, 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.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

Stock-Based Compensation

As more fully described in note 15, the Company 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.

Included in selling, general and administrative expenses in the accompanying consolidated statements of operations are the following amounts of stock-based compensation (amounts in millions):

Years ended:	
December 31, 2009	\$ 128
December 31, 2008	\$ 49
December 31, 2007	\$ 89

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, 2009, the total unrecognized compensation cost related to unvested Liberty equity Awards was approximately \$143 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.6 years.

Income Taxes

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.

Effective January 1, 2007, Liberty adopted new accounting literature which clarified the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribed a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In instances where the Company has taken or expects to take a tax position in its tax return and the Company believes it is more likely than not that such tax position will be upheld by the relevant taxing authority, the Company may record a benefit for such tax position in its consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****December 31, 2009, 2008 and 2007**

The impact—increase/(decrease)—on Liberty's balance sheet of the January 1, 2007 changes in accounting for uncertain income tax provisions is as follows (amounts in millions):

Tax liabilities (including interest and penalties)	\$ (634)
Goodwill	\$ (31)
Deferred tax liabilities	\$ 36
Accumulated deficit	\$ (574)
Other assets	\$ 7

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.

Earnings Attributable to Liberty Media Corporation Stockholders and Earnings (Loss) Per Common Share

Net earnings attributable to Liberty Media Corporation stockholders are comprised of the following:

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Earnings (loss) from continuing operations	\$ 598	(2,333)	1,918
Earnings from discontinued operations	5,864	5,812	196
Net earnings	\$ 6,462	3,479	2,114

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.

Old Series A and Series B Liberty Capital Common Stock

Old Liberty Capital basic EPS for (i) the period from January 1, 2008 to the Reclassification and (ii) the year ended December 31, 2007 was computed by dividing the net earnings attributable to the Capital Group by the weighted average outstanding shares of Old Liberty Capital common stock for the period (129 million and 132 million, respectively). Fully diluted EPS for the two months in 2008 and for the year ended December 31, 2007 includes 1 million common stock equivalents.

Earnings from discontinued operations per common share for the year ended December 31, 2007 is \$1.48.

Series A and Series B Liberty Interactive Common Stock

Liberty Interactive basic EPS for the years ended December 31, 2009, 2008 and 2007 was computed by dividing the net earnings attributable to the Interactive Group by the weighted average

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

outstanding shares of Liberty Interactive common stock for the period (594 million, 594 million and 634 million, respectively). Fully diluted EPS for the year ended December 31, 2007 includes 2 million common stock equivalents. Due to the relative insignificance of the dilutive securities for the years ended December 31, 2009 and 2008, their inclusion does not impact the EPS amount. Excluded from diluted EPS for the year ended December 31, 2009 are approximately 21 million potential common shares because their inclusion would be anti-dilutive.

Series A and Series B Liberty Starz Common Stock

Liberty Starz basic EPS for the year ended December 31, 2009 and for the period from the Reclassification to December 31, 2008 was computed by dividing the net earnings attributable to the Starz Group by the weighted average outstanding shares of Liberty Starz common stock for the period (463 million and 517 million, respectively). Fully diluted EPS for each period includes 3 million common stock equivalents. Excluded from diluted EPS for the year ended December 31, 2009 are approximately 2 million potential common shares because their inclusion would be anti-dilutive.

Series A and Series B Liberty Capital Common Stock

Liberty Capital basic and fully diluted EPS for the year ended December 31, 2009 and for the period from the Reclassification to December 31, 2008 was computed by dividing the net earnings attributable to the Capital Group by the weighted average outstanding shares of Liberty Capital common stock for the period (96 million and 113 million, respectively). Fully diluted EPS for the year ended December 31, 2009 includes 1 million common stock equivalents. Due to the relative insignificance of the dilutive securities for the period from the Reclassification to December 31, 2008, their inclusion does not impact the EPS amount. Excluded from diluted EPS for the year ended December 31, 2009 are approximately 2 million potential common shares because their inclusion would be anti-dilutive.

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. Liberty 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) estimates of retail-related adjustments and allowances 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 Liberty uses in the application of the equity method. In addition, Liberty

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

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 Liberty'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 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 is currently assessing the impact that these changes will have on its consolidated financial statements and is unable to quantify such impact or determine the timing and method of its adoption. As of December 31, 2009, the Company's subsidiary, TruePosition, Inc., had deferred revenue and deferred costs of \$1,037 million and \$434 million, respectively, which it believes will be impacted by the adoption of the new revenue recognition rules. The Company believes that application of these amendments will result in the revenue and related cost of sales being recognized at the time of sale for the hardware and software portions of bundled arrangements delivered by TruePosition rather than being deferred as is currently the case.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

(4) Supplemental Disclosures to Consolidated Statements of Cash Flows

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Cash paid for acquisitions:			
Fair value of assets acquired	\$ 3	89	290
Net liabilities assumed	—	(29)	(41)
Deferred tax liabilities	—	17	1
Noncontrolling interest	1	—	—
Common stock issued	—	—	(7)
Cash paid for acquisitions, net of cash acquired	<u>\$ 4</u>	<u>77</u>	<u>243</u>
Available-for-sale securities exchanged for consolidated subsidiaries and cash	<u>\$ —</u>	<u>—</u>	<u>1,718</u>
Cash paid for interest	<u>\$ 517</u>	<u>659</u>	<u>607</u>
Cash paid for income taxes	<u>\$ 204</u>	<u>374</u>	<u>195</u>

(5) Discontinued Operations

Split Off of LEI

On February 27, 2008, Liberty completed a transaction with News Corporation (the "News Corporation Exchange") in which Liberty 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 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'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 purchased 78.3 million additional shares of DIRECTV common stock in a private transaction for cash consideration of \$1.98 billion. Liberty funded the purchase with borrowings against a newly executed equity collar on 110 million DIRECTV common shares. As of May 5, 2008, Liberty's ownership in DIRECTV was approximately 48%. As a result of stock repurchases by DIRECTV, Liberty's ownership interest in DIRECTV increased to approximately 57% as of November 19, 2009. However, due to a standstill agreement with DIRECTV, Liberty's ability to control DIRECTV was limited, and Liberty accounted for its investment using the equity method of accounting. Liberty's share of the earnings of DIRECTV, including amortization of Liberty's excess basis related to DIRECTV, aggregated \$386 million and \$404 million in 2009 and 2008, respectively. Such share of earnings are net of amortization of Liberty's excess basis of \$279 million and \$224 million in 2009 and 2008, respectively.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****December 31, 2009, 2008 and 2007**

Summarized unaudited financial information for DIRECTV is as follows:

DIRECTV Consolidated Balance Sheets

	December 31,	
	2009	2008
amounts in millions		
Current assets	\$ 5,055	4,044
Satellites, net	2,338	2,476
Property and equipment, net	4,138	4,171
Goodwill	4,164	3,753
Intangible assets	1,131	1,172
Other assets	1,434	923
Total assets	\$ 18,260	16,539
Current liabilities	\$ 5,701	3,585
Deferred income taxes	1,070	524
Long-term debt	6,500	5,725
Other liabilities	1,678	1,749
Noncontrolling interest	400	325
Stockholders' equity	2,911	4,631
Total liabilities and equity	\$ 18,260	16,539

DIRECTV Consolidated Statements of Operations

	Year ended December 31,	
	2009	2008
amounts in millions		
Revenue	\$ 21,565	19,693
Costs of revenue	(10,930)	(9,948)
Selling, general and administrative expenses	(5,322)	(4,730)
Depreciation and amortization	(2,640)	(2,320)
Operating income	2,673	2,695
Interest expense	(423)	(360)
DTV Business Combination	(491)	—
Other income, net	75	136
Income tax expense	(827)	(864)
Income from continuing operations	1,007	1,607
Income from discontinued operations	—	6
Net income	1,007	1,613
Less: Net income attributable to noncontrolling interest	(65)	(92)
Net income attributable to DIRECTV	\$ 942	1,521

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

On November 19, 2009, Liberty completed the split off of LEI, and the business combination transaction among Liberty, LEI and DIRECTV. LEI held Liberty's 57% interest in DIRECTV (which had a carrying value of \$13,475 million at the time of the Split-Off), 100% interest in Liberty Sports Holdings, LLC, 65% interest in Game Show Network, LLC and approximately \$120 million in cash and cash equivalents, and approximately \$2 billion of indebtedness. All of the businesses, assets and liabilities that were attributed to the Entertainment Group and were not held by LEI have remained with Liberty and continue to be attributed to the Entertainment Group, which Liberty redesignated as the Starz Group.

Immediately following the Split-Off, Liberty, 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 in the amount of \$226 million. Pursuant to the DTV Business Combination, (i) John C. Malone, Chairman of the boards of Liberty Media, 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 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 Split-Off was conditioned on, among other matters, satisfaction and waiver of all conditions to the DTV Business Combination, the Split-Off and the DTV Business Combination have been recorded at fair value, and Liberty recognized an approximate \$5.9 billion 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 Split-Off and the DTV Business Combination, no taxes have been recorded on the gain for financial statement purposes.

Sale of OpenTV Corp. and Ascent Entertainment Group, Inc.

In 2007, Liberty completed the sales of its consolidated subsidiaries OpenTV Corp. ("OPTV") and Ascent Entertainment Group, Inc. ("AEG"), both of which were attributed to the Capital Group. The gains from such sales are included in earnings from discontinued operations in the accompanying consolidated statement of operations.

The consolidated financial statements and accompanying notes of Liberty have been prepared reflecting LEI, OPTV and AEG as discontinued operations. Accordingly, the assets and liabilities, revenue, costs and expenses, and cash flows of these subsidiaries have been excluded from the respective captions in the accompanying consolidated balance sheets, statements of operations, statements of comprehensive earnings and statements of cash flows and have been reported separately in such consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

Certain combined statement of operations information for LEI, OPTV and AEG, which is included in earnings from discontinued operations, is as follows:

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Revenue	\$ 240	267	104
Earnings before income taxes(1)	\$ 5,770	4,274	209

(1) Includes the gain from the News Corporation Exchange in 2008 and 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.

The Company's assets and liabilities measured at fair value are as follows:

Description	Total	Fair Value Measurements at December 31, 2009 Using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		amounts in millions		
Available-for-sale securities	\$ 4,090	3,714	376	—
Financial instrument assets	\$ 752	—	752	—
Financial instrument liabilities	\$ 1,134	851	283	—
Debt	\$ 2,254	—	2,254	—

The Company uses the Black Scholes Model to estimate fair value for the majority of its Level 2 financial instrument assets and liabilities using observable inputs such as exchange-traded equity prices, risk-free interest rates, dividend yields and volatilities obtained from pricing services. For the Company's debt instruments reported at fair value, the Company gets quoted market prices from pricing services or from evidence of observable inputs, some of which may be obtained using third-party brokers. However, the Company does not believe such instruments are traded on "active markets," as defined in GAAP. Accordingly, the debt instruments are reported in the foregoing table as Level 2 fair value.

The Company incorporates a credit risk valuation adjustment in its fair value measurements to estimate the impact of both its own nonperformance risk and the nonperformance risk of its counterparties. The Company estimates credit risk associated with its and its counterparties nonperformance primarily by using observable credit default swap rates for terms similar to those of the remaining life of the instrument, adjusted for any master netting arrangements or other factors that provide an estimate of nonperformance risk. These are Level 3 inputs. However, as the credit risk

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****December 31, 2009, 2008 and 2007**

valuation adjustments were not significant, the Company continues to report its equity collars, interest rate swaps and put options as Level 2.

(7) Investments in Available-for-Sale Securities and Other Cost Investments

Investments in AFS securities, including Non-strategic Securities, and other cost investments are summarized as follows:

	December 31,	
	2009	2008
	amounts in millions	
Capital Group		
Time Warner Inc. ("Time Warner")(1)	\$ 997	1,033
Time Warner Cable Inc. ("Time Warner Cable")(1)	356	—
Sprint Nextel Corporation ("Sprint")(1)	260	160
Motorola, Inc. ("Motorola")(1)	403	328
Viacom, Inc.	226	145
CenturyTel, Inc/Embarq Corporation ("CenturyTel")(1)	195	157
Other AFS equity securities(1)	220	40
Other AFS debt securities	676	224
Other cost investments and related receivables	22	31
Total attributed Capital Group	3,355	2,118
Interactive Group		
IAC/InterActiveCorp ("IAC")	492	638
Other	242	101
Total attributed Interactive Group	734	739
Starz Group		
Other	31	—
Total attributed Starz Group	31	—
Consolidated Liberty	\$ 4,120	2,857

(1) Includes shares pledged as collateral for share borrowing arrangements. See note 9.

Time Warner

On May 17, 2007, Liberty completed a transaction (the "Time Warner Exchange") with Time Warner in which Liberty exchanged approximately 68.5 million shares of Time Warner common stock valued at \$1,479 million for a subsidiary of Time Warner which held ANLBC, Leisure Arts, Inc. and \$984 million in cash. Liberty recognized a pre-tax gain of \$582 million based on the difference between the fair value and the weighted average cost basis of the Time Warner shares exchanged.

In March 2009, Time Warner Inc. completed the separation of Time Warner Cable from Time Warner Inc. by way of a dividend to Time Warner Inc. shareholders, including Liberty. Liberty received 8.6 million shares of Time Warner Cable and recorded its investment in Time Warner Cable based on

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

an allocation of its basis in Time Warner Inc. No gain or loss was recognized in connection with this transaction.

CBS Corporation

On April 16, 2007, Liberty completed a transaction (the "CBS Exchange") with CBS Corporation pursuant to which Liberty exchanged all of its 7.6 million shares of CBS Class B common stock valued at \$239 million for a subsidiary of CBS that held WFRV TV Station and approximately \$170 million in cash. Liberty recognized a pre-tax gain of \$31 million based on the difference between the fair value and the weighted average cost basis of the CBS shares exchanged.

On a pro forma basis, the results of operations of ANLBC, Leisure Arts and WFRV TV Station are not significant to those of Liberty for the year ended December 31, 2007.

IAC/InterActiveCorp

In the first quarter of 2008, Liberty purchased additional shares of IAC common stock in a private transaction for cash consideration of \$339 million.

On August 21, 2008, IAC completed the spin off of four separate subsidiaries, HSN, Inc., Interval Leisure Group, Inc., Ticketmaster Entertainment Inc. and Tree.com, Inc., to its stockholders, including Liberty. Subsequent to these spin offs Liberty held an approximate 30% ownership interest in each of these companies and accordingly, accounts for them using the equity method of accounting.

During the year ended December 31, 2009, Liberty sold shares of IAC Class A common stock for aggregate cash proceeds of \$305 million and recognized a \$42 million pre-tax gain.

At December 31, 2009, Liberty owned approximately 18% of IAC common stock representing an approximate 56% voting interest. However, under governance arrangements existing at December 31, 2009, Mr. Barry Diller, the Chairman of IAC, voted Liberty's shares, subject to certain limitations. Due to this voting arrangement and the fact that Liberty has rights to appoint only two of the twelve members of the IAC board of directors, Liberty's ability to exert significant influence over IAC is limited. Accordingly, Liberty accounts for this investment as an AFS security.

Other Than Temporary Declines in Fair Value of Investments

During the years ended December 31, 2009, 2008 and 2007, Liberty determined that certain of its AFS securities and cost investments experienced other than temporary declines in value. The primary factors considered by Liberty in determining the timing of the recognition for these impairments was the length of time the investments traded below Liberty's cost bases, the severity of the declines and the lack of near-term prospects for recovery in the stock prices. As a result, the carrying amounts of such investments were adjusted to their respective fair values based primarily on quoted market prices at the balance sheet date. These adjustments are reflected as other than temporary declines in fair value of investments in the consolidated statements of operations. The Company's 2008 other than temporary declines in value include \$440 million related to its investment in IAC.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

Unrealized Holdings Gains and Losses

Unrealized holding gains and losses related to investments in AFS securities are summarized below.

	December 31, 2009		December 31, 2008	
	Equity securities	Debt securities	Equity securities	Debt securities
	amounts in millions			
Gross unrealized holding gains	\$ 258	69	9	—
Gross unrealized holding losses	\$ —	—	(4)	—

(8) Investments in Affiliates Accounted for Using the Equity Method

Liberty has various investments accounted for using the equity method. The following table includes Liberty's carrying amount and percentage ownership of the more significant investments in affiliates at December 31, 2009 and the carrying amount at December 31, 2008:

	Percentage ownership	December 31, 2009		December 31, 2008
		Carrying amount	Carrying amount	Carrying amount
		dollar amounts in millions		
Interactive Group				
Expedia	24%	\$ 631		559
Other	various	264		342
Capital Group				
SIRIUS XM	40%	33		—
Other	various	102		223
Starz Group				
Other	various	—		12
		<u>\$ 1,030</u>		<u>1,136</u>

The following table presents Liberty's share of earnings (losses) of affiliates:

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Interactive Group			
Expedia	\$ 72	(726)	68
Other	(86)	(466)	9
Capital Group			
SIRIUS XM	(28)	—	—
Other	(6)	(64)	(68)
Starz Group			
Other	(10)	(7)	—
	<u>\$ (58)</u>	<u>(1,263)</u>	<u>9</u>

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Notes to Consolidated Financial Statements (Continued)

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Expedia

Our share of losses of Expedia for the year ended December 31, 2008 includes a \$119 million other than temporary impairment charge. The market value of the Company's investment in Expedia was \$1,781 million and \$570 million at December 31, 2009 and 2008, respectively. Summarized unaudited financial information for Expedia is as follows:

Expedia Consolidated Balance Sheets

	December 31,	
	2009	2008
	amounts in millions	
Current assets	\$ 1,225	1,199
Property and equipment	237	248
Goodwill	3,604	3,539
Intangible assets	823	833
Other assets	48	75
Total assets	\$ 5,937	5,894
Current liabilities	\$ 1,835	1,566
Deferred income taxes	224	190
Long-term debt	895	1,545
Other liabilities	233	212
Noncontrolling interest	67	64
Stockholders' equity	2,683	2,317
Total liabilities and equity	\$ 5,937	5,894

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

Expedia Consolidated Statements of Operations

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Revenue	\$ 2,955	2,937	2,665
Cost of revenue	(607)	(639)	(565)
Gross profit	2,348	2,298	2,100
Selling, general and administrative expenses	(1,637)	(1,662)	(1,493)
Amortization	(38)	(69)	(78)
Impairment of long-lived assets and other	(102)	(2,996)	—
Operating income (loss)	571	(2,429)	529
Interest expense	(84)	(72)	(53)
Interest income	6	30	39
Other expense, net	(35)	(44)	(18)
Income tax expense	(154)	(6)	(203)
Net earnings (loss)	304	(2,521)	294
Net (earnings) loss attributable to noncontrolling interests	(4)	3	2
Net earnings (loss) attributable to Expedia, Inc.	\$ 300	(2,518)	296

Spin Off Companies from IAC

As described in note 7, IAC completed the spin off of HSN, Interval, Ticketmaster and Lending Tree (the "IAC Spin Off Companies") on August 21, 2008. Liberty received an approximate 30% ownership interest in each of the IAC Spin Off Companies. Liberty allocated its carrying value in IAC prior to the spin off among IAC and the IAC Spin Off Companies based on their relative fair values at the time of the spin off. Liberty received no super voting shares in and has no special voting arrangements with respect to any of the IAC Spin Off Companies (other than with respect to the election of directors), and therefore, accounts for its interests using the equity method of accounting. Liberty has elected to record its share of earnings/losses for each of the IAC Spin Off Companies on a three month lag due to timeliness considerations. Since the spin off occurred in the third quarter of 2008, Liberty recorded its initial share of income or losses for the IAC Spin Off Companies in the fourth quarter of 2008. Such net losses aggregated \$464 million, including other than temporary impairment charges of \$136 million, \$242 million and \$85 million related to the Company's investments in Interval, Ticketmaster and HSN, respectively.

Subsequent to December 31, 2009, Ticketmaster completed a merger with a subsidiary of Live Nation, Inc., and Live Nation, Inc. was renamed Live Nation Entertainment, Inc. ("Live Nation"). Upon completion of the merger, Liberty held an approximate 14.6% ownership interest in Live Nation. Subsequent to the merger, Liberty launched a tender offer for up to 34,200,000, or approximately 20.3%, of the outstanding common shares of Live Nation for \$12.00 per share. Such tender offer is scheduled to expire on March 2, 2010.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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Sirius XM Radio Inc.

During 2009, Liberty made equity contributions and loans to SIRIUS XM and made open market purchases of SIRIUS XM public debt. On February 17, 2009, Liberty and SIRIUS XM entered into a senior secured loan agreement (the "Senior Loan") whereby Liberty loaned SIRIUS XM \$250 million and made a commitment to loan an additional \$30 million to fund qualifying expenditures by SIRIUS XM (the "Purchase Money Commitment"). In exchange for making the Senior Loan, Liberty received a \$30 million origination fee. Liberty accounted for the origination fee as a discount to the Senior Loan. On March 6, 2009, Liberty (i) purchased \$100 million of a new senior loan facility of a subsidiary of SIRIUS XM ("Subsidiary Senior Loan"), (ii) purchased \$61 million of bank debt of such subsidiary directly from the lending group and (iii) committed to make a loan of \$150 million to such subsidiary in December 2009 ("Subsidiary Commitment"). In addition, Liberty received voting preferred stock of SIRIUS XM (the "SIRIUS XM Preferred Stock"), which has substantially the same rights and preferences as common shareholders of SIRIUS XM, for a cash payment of \$12,500. The SIRIUS XM Preferred Stock is convertible into common stock equal to 40% of fully diluted equity.

Liberty allocated the total consideration paid for the Subsidiary Senior Loan, the Subsidiary Commitment and the SIRIUS XM Preferred Stock to each of the instruments based on the relative fair values of such instruments.

During the second and third quarters of 2009, SIRIUS XM issued new public bonds and used the net proceeds to repay all amounts outstanding under the Senior Loan and the Subsidiary Senior Loan; to replace the Subsidiary Commitment, which was terminated; and to refinance and repay other debt of SIRIUS XM. As Liberty's book basis in the Senior Loan, the Subsidiary Senior Loan and the Subsidiary Commitment were originally recorded at a discount, Liberty recognized an aggregate gain on the debt repayments and commitment cancellation of \$85 million, after eliminating 40% of the gain related to Liberty's ownership in SIRIUS XM.

As of December 31, 2009, Liberty had invested aggregate cash of \$611 million and had received scheduled debt repayments, cash from the SIRIUS XM refinancings and bond sales proceeds totaling \$425 million, resulting in a net cash investment of \$186 million. Such net cash investment has resulted in Liberty owning \$279 million principal amount of SIRIUS XM public bonds, which are accounted for as AFS securities and have a fair market value of \$301 million, and the SIRIUS XM Preferred Stock. In addition, the Purchase Money Commitment has been cancelled.

Based on Liberty's voting rights and its conclusion that the SIRIUS XM Preferred Stock is in-substance common stock, Liberty accounts for its investment in the SIRIUS XM Preferred Stock using the equity method of accounting. Liberty has elected to record its share of earnings/losses for SIRIUS XM on a three-month lag due to timeliness considerations. As of September 30, 2009 SIRIUS XM had total assets and liabilities of \$7,268 million and \$7,261 million, respectively. SIRIUS XM's net loss attributable to common shareholders was \$543 million for the nine months ended September 30, 2009.

As of December 31, 2009, the SIRIUS XM Preferred Stock had a market value of \$1,552 million based on the value of the common stock into which it is convertible.

Liberty's investment in SIRIUS XM has been attributed to the Capital Group.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

(9) Financial Instruments

Equity Collars

The Company has entered into equity collars and other financial instruments to manage market risk associated with its investments in certain marketable securities. These instruments are recorded at fair value based on option pricing models. Equity collars provide the Company with a put option that gives the Company the right to require the counterparty to purchase a specified number of shares of the underlying security at a specified price at a specified date in the future. Equity collars also provide the counterparty with a call option that gives the counterparty the right to purchase the same securities at a specified price at a specified date in the future. The put option and the call option generally have equal fair values at the time of origination resulting in no cash receipts or payments.

Borrowed Shares

From time to time and in connection with certain of its derivative instruments, Liberty 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 Liberty have been posted as collateral with the counterparty. These share borrowing arrangements can be terminated at any time at Liberty'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.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

The Company's financial instruments are summarized as follows:

<u>Type of financial instrument</u>	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
	<u>amounts in millions</u>	
<i>Assets</i>		
Equity collars(1)	\$ 752	2,206
Other	—	93
	<u>752</u>	<u>2,299</u>
Less current portion	<u>(752)</u>	<u>(1,133)</u>
	<u>\$ —</u>	<u>1,166</u>
<i>Liabilities</i>		
Borrowed shares(2)	\$ 851	392
Other	283	350
	<u>1,134</u>	<u>742</u>
Less current portion	<u>(1,002)</u>	<u>(553)</u>
	<u>\$ 132</u>	<u>189</u>

- (1) Represents the Company's Sprint equity collars at December 31, 2009. The Company has made borrowings against substantially all of the future proceeds to be received by the Company upon expiration of these equity collars. See note 11.
- (2) Borrowed shares are as follows:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
	<u>amounts in millions</u>	
Time Warner	\$ 88	91
Time Warner Cable	31	—
Sprint	125	17
Motorola	403	230
CenturyTel	84	16
Other	120	38
	<u>\$ 851</u>	<u>392</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

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,		
	2009	2008	2007
	amounts in millions		
Non-strategic Securities	\$ 1,074	(2,882)	—
Exchangeable senior debentures	(856)	1,509	541
Equity collars	(132)	870	527
Borrowed shares	(301)	791	298
Other derivatives	60	(548)	(97)
	<u>\$ (155)</u>	<u>(260)</u>	<u>1,269</u>

(10) Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill are as follows:

	QVC	Starz		Other	Total
		Entertainment	Media		
	amounts in millions				
Balance at January 1, 2008	\$ 5,419	1,371	194	770	7,754
Acquisitions	—	—	—	62	62
Impairment(1)	—	(1,239)	(186)	(115)	(1,540)
Foreign currency translation adjustments	(54)	—	(8)	—	(62)
Other	(2)	—	—	(11)	(13)
Balance at December 31, 2008	<u>5,363</u>	<u>132</u>	<u>—</u>	<u>706</u>	<u>6,201</u>
Impairment	—	—	—	(3)	(3)
Foreign currency translation adjustments	20	—	—	—	20
Other	12	—	—	(5)	7
Balance at December 31, 2009	<u>\$ 5,395</u>	<u>132</u>	<u>—</u>	<u>698</u>	<u>6,225</u>

As of December 31, 2009, the accumulated impairment losses for Starz Entertainment, Starz Media and Other were \$2,592 million, \$368 million and \$119 million, respectively.

- (1) Liberty performs its annual evaluation of the recoverability of its goodwill and other indefinite lived intangible assets each December. In its Step 1 Test in 2008, Liberty estimated the fair value of each of its reporting units using a combination of discounted cash flows and market based valuation methodologies. For those reporting units whose estimated fair value exceeded the carrying value, no further testwork was required and no impairment was recorded. For those reporting units whose carrying value exceeded the fair value, a Step 2 Test was performed. In the Step 2 Test, the fair value of the reporting unit was 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. In

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

connection with its analysis, Liberty recorded the following impairment charges (amounts in millions):

Starz Entertainment	\$ 1,239
Starz Media	192
Other	138
	<u>\$ 1,569</u>

Liberty believes that the foregoing impairment charges, which also include \$29 million of impairments of intangible assets other than goodwill, are due in large part to the 2008 economic crisis and the downward impact it had on perceptions of future growth prospects and valuation multiples for its reporting units.

While Starz Entertainment had increasing revenue and Adjusted OIBDA, as defined in note 20, in recent years, it failed the Step 1 Test due to the aforementioned lower future growth expectations and the compression of market multiples. In performing the Step 2 Test, Starz Entertainment allocated a significant portion of its estimated fair value to amortizable intangibles such as affiliation agreements and trade names which have little or no carrying value. The resulting residual goodwill was significantly less than its carrying value. Accordingly, Starz Entertainment recorded an impairment charge. The impairment loss for Starz Media is due primarily to a lowered long-term forecast for its home video distribution reporting unit resulting from the 2008 economic conditions.

Intangible Assets Subject to Amortization

Intangible assets subject to amortization are comprised of the following:

	December 31, 2009			December 31, 2008		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	amounts in millions					
Distribution rights	\$ 2,325	(1,069)	1,256	2,301	(889)	1,412
Customer relationships	2,650	(1,181)	1,469	2,640	(974)	1,666
Other	1,051	(749)	302	916	(638)	278
Total	<u>\$ 6,026</u>	<u>(2,999)</u>	<u>3,027</u>	<u>5,857</u>	<u>(2,501)</u>	<u>3,356</u>

Distribution rights and customer relationships are amortized primarily over 14 years and 10-14 years, respectively. Amortization expense was \$477 million, \$497 million and \$501 million for the years ended December 31, 2009, 2008 and 2007, respectively. Based on its amortizable intangible assets

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

as of December 31, 2009, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

2010	\$ 493
2011	\$ 448
2012	\$ 409
2013	\$ 371
2014	\$ 358

(11) Long-Term Debt

Debt is summarized as follows:

	Outstanding principal December 31, 2009	Carrying value December 31,	
		2009	2008
amounts in millions			
Capital Group			
Exchangeable senior debentures			
3.125% Exchangeable Senior Debentures due 2023	\$ 1,138	1,157	918
4% Exchangeable Senior Debentures due 2029	469	243	256
3.75% Exchangeable Senior Debentures due 2030	460	237	241
3.5% Exchangeable Senior Debentures due 2031	494	297	138
Liberty bank facility	750	750	750
Liberty derivative loan	838	838	625
Subsidiary debt	131	131	135
Total attributed Capital Group debt	<u>4,280</u>	<u>3,653</u>	<u>3,063</u>
Interactive Group			
Senior notes and debentures			
Senior Notes repaid in 2009	—	—	117
5.7% Senior Notes due 2013	803	801	801
8.5% Senior Debentures due 2029	287	284	284
8.25% Senior Debentures due 2030	504	501	501
3.25% Exchangeable Senior Debentures due 2031	541	320	138
QVC 7.5% Senior Secured Notes due 2019	1,000	983	—
QVC bank credit facilities	2,996	2,996	5,230
Other debt	188	188	60
Total attributed Interactive Group debt	<u>6,319</u>	<u>6,073</u>	<u>7,131</u>
Starz Group			
Subsidiary debt	48	48	52
Total consolidated Liberty debt	<u>\$ 10,647</u>	<u>9,774</u>	<u>10,246</u>
Less current portion		(1,932)	(616)
Total long-term debt		<u>\$ 7,842</u>	<u>9,630</u>

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Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

Exchangeable Senior Debentures

Each \$1,000 debenture of Liberty's 3.125% Exchangeable Senior Debentures is exchangeable at the holder's option for the value of 19.136 shares of Time Warner common stock, 4.8033 shares of Time Warner Cable common stock and 1.7396 shares of AOL Inc. common stock. Liberty may, at its election, pay the exchange value in cash, Time Warner, Time Warner Cable and AOL common stock, shares of Liberty common stock or a combination thereof. On or after April 5, 2013, Liberty, at its option, may redeem the debentures, in whole or in part, for cash equal to the face amount of the debentures plus accrued interest. On March 30, 2013 or March 30, 2018, each holder may cause Liberty to purchase its exchangeable debentures, and Liberty, at its election, may pay the purchase price in shares of Time Warner, Time Warner Cable and AOL common stock, cash, Liberty common stock, or any combination thereof.

Each \$1,000 debenture of Liberty's 4% Exchangeable Senior Debentures is exchangeable at the holder's option for the value of 11.4743 shares of Sprint common stock and .786 shares of CenturyTel common stock. Liberty may, at its election, pay the exchange value in cash, Sprint and CenturyTel common stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash generally equal to the face amount of the debentures plus accrued interest.

Each \$1,000 debenture of Liberty's 3.75% Exchangeable Senior Debentures is exchangeable at the holder's option for the value of 8.3882 shares of Sprint common stock and .5746 shares of CenturyTel common stock. Liberty may, at its election, pay the exchange value in cash, Sprint and CenturyTel common stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash equal to the face amount of the debentures plus accrued interest.

Each \$1,000 debenture of Liberty's 3.5% Exchangeable Senior Debentures (the "Motorola Exchangeables") is exchangeable at the holder's option for the value of 36.8189 shares of Motorola common stock. Such exchange value is payable, at Liberty's option, in cash, Motorola stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash generally equal to the adjusted principal amount of the debentures plus accrued interest. As a result of a cash distribution made by Liberty in 2007 to holders of the Motorola Exchangeables, the adjusted principal amount of each \$1,000 debenture is \$837.38.

Each \$1,000 debenture of Liberty's 3.25% Exchangeable Senior Debentures (the "Viacom Exchangeables") is exchangeable at the holder's option for the value of 9.2833 shares of Viacom Class B common stock and 9.2833 shares of CBS Corporation ("CBS") Class B common stock. Such exchange value is payable at Liberty's option in cash, Viacom and CBS stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash equal to the face amount of the debentures plus accrued interest.

Liberty has sold or otherwise disposed of a portion of its shares of Motorola and CBS common stock which underlie the Motorola Exchangeables and Viacom Exchangeables, respectively. Because such exchangeable debentures are exchangeable at the option of the holder at any time and Liberty can no longer use shares it owns to redeem the debentures, Liberty has classified for financial reporting purposes the portion of the debentures that would be redeemed for cash as a current liability. Such amount aggregated \$400 million at December 31, 2009. Although such amount has been classified as a current liability for financial reporting purposes, the Company believes the probability that the holders of such instruments will exchange a significant principal amount of the debentures prior to maturity is remote.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

During the second quarter of 2009, Liberty used cash for the voluntary early retirement of \$750 million face amount of its Exchangeable Senior Debentures attributable to Liberty Capital. Liberty paid \$187.5 million (of which \$37.5 million was existing cash collateral) to retire \$400 million face amount of its 4% Exchangeable Senior Debentures due 2029 and \$350 million face amount of its 3.75% Exchangeable Senior Debentures due 2030. Liberty also terminated swap arrangements that reference the 4% and 3.75% Exchangeable Senior Debentures with no additional payment. The total cash used to retire the \$750 million face amount of Exchangeable Senior Debentures and swaps referencing these Exchangeable Senior Debentures was \$503 million, of which \$315 million was paid to settle swap arrangements that were settled in November 2008. Liberty also purchased and retired \$126 million principal amount of its 3.125% Exchangeable Senior Debentures for aggregate cash payments of \$106 million.

Interest on the Company's exchangeable debentures is payable semi-annually based on the date of issuance. At maturity, all of the Company's exchangeable debentures are payable in cash.

Liberty Bank Facility

Represents borrowings from a financial institution to be invested by Liberty in a portfolio of selected debt and mezzanine-level instruments of companies in the telecommunications, media and technology sectors. Due to the investment restrictions contained in the agreements related to these borrowings, the uninvested cash balance of \$465 million is included in other assets in the accompanying consolidated balance sheet at December 31, 2009. Borrowings accrue interest at LIBOR plus an applicable margin (.82% at December 31, 2009).

Liberty Derivative Loan

During the first quarter of 2009, Liberty made additional net borrowings of \$1,638 million against the present value of its Sprint derivatives. Such debt accrues interest at LIBOR plus an applicable margin (.74% at December 31, 2009), is due when the derivatives expire in 2010 and is expected to be retired by the offset of debt left against amounts to be received by Liberty upon expiration of the derivatives. In this regard, in the second quarter of 2009, Liberty repaid \$333 million of the Sprint derivative loan with cash on hand. In addition, in the third quarter of 2009, Liberty repaid \$775 million of the Sprint derivative loans. In the third quarter of 2009, certain Sprint derivatives expired, and Liberty received cash proceeds of \$1,027 million. In the fourth quarter of 2009, Liberty voluntarily unwound a derivative collar, repaid \$317 million of the derivative loan and received cash proceeds of \$286 million upon the unwind.

Senior Notes and Debentures

Interest on the Senior Notes and Senior Debentures is payable semi-annually based on the date of issuance.

The Senior Notes and Senior Debentures are stated net of an aggregate unamortized discount of \$8 million and \$9 million at December 31, 2009 and 2008, respectively. Such discount is being amortized to interest expense in the accompanying consolidated statements of operations.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

QVC 7.5% Senior Secured Notes due 2019

During the third quarter of 2009, QVC issued \$1.0 billion principal amount of 7.5% Senior Secured Notes due 2019 (the "QVC Notes") at an issue price of 98.278%. QVC used the net proceeds from such offering to fund the purchase and cancellation of outstanding term loans under QVC's senior secured credit facilities that mature in 2014.

QVC Bank Credit Facilities

Effective June 16, 2009, QVC amended each of its bank credit agreements (the "Amended Credit Agreements"). Concurrent with the execution of the Amended Credit Agreements, QVC retired \$750 million of loans at par and cancelled another \$19 million of unfunded commitments at no cost. As noted above, QVC purchased and cancelled outstanding term loans under its Amended Credit Agreements with proceeds from the issuance of the QVC Notes.

In connection with the execution of the Amended Credit Agreements, those lenders consenting to the amendments, which held loans in the aggregate principal amount of approximately \$4.23 billion, received certain modified loan terms, including (i) adjusted interest rate margins of 350 to 550 basis points depending on the tranche maturity, (ii) reductions in QVC's maximum leverage ratio, (iii) additional restrictions on creating additional indebtedness and (iv) mandatory prepayment in the event of certain asset sales by QVC. Loans held by the non-consenting lenders, in the aggregate principal amount of approximately \$252 million, will continue to receive an interest rate margin of up to 100 basis points with their loans maturing in 2011. All other terms of the Amended Credit Agreements will apply to these loans.

Cash used to retire the \$750 million of loans came from a combination of \$250 million in cash from QVC and \$250 million in the form of an intergroup loan from each of the Starz Group and the Capital Group to the Interactive Group. Such intergroup loans (i) are secured by various public stocks attributed to the Interactive Group, (ii) accrue interest quarterly at the rate of LIBOR plus 500 basis points and (iii) are due June 16, 2010. As of December 31, 2009, the Interactive Group had repaid \$97 million of the intergroup loans to each of the Starz Group and the Capital Group.

QVC was in compliance with all of its debt covenants at December 31, 2009.

QVC Interest Rate Swap Arrangements

QVC is party to ten separate interest rate swap arrangements with an aggregate notional amount of \$2,200 million to manage the cash flow risk associated with interest payments on its variable rate debt. The swap arrangements provide for QVC to make fixed payments at rates ranging from 4.9575% to 5.2928% and to receive variable payments at 3 month LIBOR. All of the swap arrangements expire in March 2011. Until December 2008, Liberty accounted for the swap arrangements as cash flow hedges with the effective portions of changes in the fair value reflected in other comprehensive earnings in the accompanying condensed consolidated balance sheet. In December 2008, QVC elected interest terms under its credit facilities that do not effectively match the terms of the swap arrangements. As a result, the swaps no longer qualify as cash flow hedges under GAAP. Accordingly, changes in the fair value of the swaps are now reflected in realized and unrealized gains or 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, 2009, 2008 and 2007**

QVC is also party to two interest rate swap arrangements with an aggregate notional amount of \$600 million. These swap arrangements, which expire in October 2010, provide for QVC to make fixed payments at 3.07% and to receive variable payments at 3 month LIBOR. These swap arrangements do not qualify as cash flow hedges under GAAP.

During the third quarter of 2009, QVC entered into seven new forward interest rate swap arrangements with an aggregate notional amount of \$1.75 billion. Such arrangements provide for payments beginning in March 2011 and extending to March 2013. QVC will make fixed payments at rates ranging from 2.98% to 3.67% and receive variable payments at 3 month LIBOR. These swap arrangements are not accounted for as cash flow hedges.

Other Subsidiary Debt

Other subsidiary debt at December 31, 2009 is comprised of capitalized satellite transponder lease obligations and bank debt of certain subsidiaries.

Five Year Maturities

The U.S. dollar equivalent of the annual principal maturities of Liberty's debt for each of the next five years is as follows (amounts in millions):

2010	\$ 1,536
2011	\$ 728
2012	\$ 1,166
2013	\$ 1,217
2014	\$ 1,080

Fair Value of Debt

Liberty estimates the fair value of its debt based on the quoted market prices for the same or similar issues or on the current rate offered to Liberty for debt of the same remaining maturities. The fair value of Liberty's publicly traded debt securities that are not reported at fair value in the accompanying consolidated balance sheets is as follows:

	December 31,	
	2009	2008
	amounts in millions	
Fixed rate senior notes	\$ 774	618
Senior debentures	\$ 722	501

The fair value of the QVC Notes was approximately \$1,016 million as of December 31, 2009. Due to its variable rate nature, Liberty believes that the carrying amount of its subsidiary debt and other parent debt, approximated fair value at December 31, 2009.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

(12) Income Taxes

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Current:			
Federal	\$ (19)	(143)	(19)
State and local	(36)	(18)	(81)
Foreign	(87)	(94)	(93)
	<u>(142)</u>	<u>(255)</u>	<u>(193)</u>
Deferred:			
Federal	108	858	(153)
State and local	47	129	32
Foreign	3	10	1
	<u>158</u>	<u>997</u>	<u>(120)</u>
Income tax benefit (expense)	<u>\$ 16</u>	<u>742</u>	<u>(313)</u>

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,		
	2009	2008	2007
	amounts in millions		
Computed expected tax benefit (expense)	\$ (217)	1,061	(795)
Nontaxable exchange of investments for subsidiaries and cash	—	—	541
State and local income taxes, net of federal income taxes	(4)	70	(35)
Foreign taxes, net of foreign tax credits	(3)	35	(1)
Change in valuation allowance affecting tax expense	9	(5)	(5)
Impairment of goodwill not deductible for tax purposes	—	(462)	(11)
Nontaxable gains (losses) related to the Company's common stock	21	(64)	—
Recognition of tax benefits (expense) not previously recognized, net	201	75	(6)
Expenses not deductible for income tax purposes	(16)	—	(3)
Excess tax deductions over book expense	19	—	—
Other, net	6	32	2
Income tax benefit (expense)	<u>\$ 16</u>	<u>742</u>	<u>(313)</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

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,	
	2009	2008
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	\$ 174	336
Accrued stock compensation	114	89
Other accrued liabilities	226	259
Deferred revenue	420	370
Other future deductible amounts	42	140
Deferred tax assets	976	1,194
Valuation allowance	(17)	(23)
Net deferred tax assets	959	1,171
Deferred tax liabilities:		
Investments	1,536	1,227
Intangible assets	2,021	2,094
Discount on exchangeable debentures	963	1,652
Deferred gain on debt retirements	321	—
Other	40	114
Deferred tax liabilities	4,881	5,087
Net deferred tax liabilities	\$ 3,922	3,916

The Company's deferred tax assets and liabilities are reported in the accompanying consolidated balance sheets as follows:

	December 31,	
	2009	2008
	amounts in millions	
Current deferred tax liabilities	\$ 1,247	773
Long-term deferred tax liabilities	2,675	3,143
Net deferred tax liabilities	\$ 3,922	3,916

The Company's valuation allowance decreased \$6 million in 2009. Such decrease is due to a \$9 million decrease that affected tax expense and a \$3 million increase for acquisitions.

At December 31, 2009, Liberty had net operating and capital loss carryforwards for income tax purposes aggregating approximately \$205 million which, if not utilized to reduce taxable income in future periods, will expire as follows: 2011: \$89 million; 2013: \$1 million; 2014: \$1 million and beyond 2014: \$114 million. The foregoing net operating and capital loss are subject to certain limitations and may not be currently utilized.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****December 31, 2009, 2008 and 2007**

A reconciliation of unrecognized tax benefits is as follows:

	Years ended	
	December 31,	
	2009	2008
	amounts in millions	
Balance at beginning of year	\$ 396	462
Additions based on tax positions related to the current year	22	28
Additions for tax positions of prior years	26	7
Reductions for tax positions of prior years	(229)	(78)
Lapse of statute and settlements	(10)	(23)
Balance at end of year	\$ 205	396

As of December 31, 2009, the Company had recorded tax reserves of \$205 million related to unrecognized tax benefits for uncertain tax positions. If such tax benefits were to be recognized for financial statement purposes, \$138 million would be reflected in the Company's tax expense and affect its effective tax rate. Liberty's estimate of its unrecognized tax benefits related to uncertain tax positions requires a high degree of judgment.

As of December 31, 2009, the Company's 2001 through 2005 tax years are closed for federal income tax purposes, and the IRS has completed its examination of the Company's 2006 through 2008 tax years. The Company's tax loss carryforwards from its 2004 through 2008 tax years are still subject to adjustment. The Company's 2009 tax year is being examined currently as part of the IRS's Compliance Assurance Process ("CAP") program. The states of California and New York are currently examining the Company's 2003 through 2005 tax years. The Company is currently under audit in the UK, Japan, and Germany. It is reasonably possible that the amount of the Company's gross unrecognized tax benefits may increase within the next twelve months by up to \$10 million.

As of December 31, 2009, the Company had recorded \$33 million of accrued interest and penalties 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, 2009, no shares of preferred stock were issued.

Common Stock

Series A Liberty Capital common stock, Series A Liberty Starz common stock and Series A Liberty Interactive common stock each has one vote per share, and Series B Liberty Capital common stock, Series B Liberty Starz common stock and Series B Liberty Interactive common stock each 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 of the same group. The Series A and Series B common stock of each Group participate on an equal basis with respect to dividends and distributions of that Group.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

As of December 31, 2009, there were 5.1 million shares of Series A Liberty Capital common stock, respectively, reserved for issuance under exercise privileges of outstanding stock options.

As of December 31, 2009, there were 40.8 million and 7.5 million shares of Series A and Series B Liberty Interactive common stock, respectively, reserved for issuance under exercise privileges of outstanding stock options.

As of December 31, 2009, there were 2.6 million and 0.6 million shares of Series A and Series B Liberty Starz common stock, respectively, reserved for issuance under exercise privileges of outstanding stock options.

In addition to the Series A and Series B Liberty Capital common stock, the Series A and Series B Liberty Interactive common stock and the Series A and Series B Liberty Starz common stock, there are 2.0 billion, 4.0 billion and 4.0 billion shares of Series C Liberty Capital, Series C Liberty Interactive and Series C Liberty Starz common stock, respectively, authorized for issuance. As of December 31, 2009, no shares of any Series C common stock were issued or outstanding.

Purchases of Common Stock

During the year ended December 31, 2007, the Company repurchased 56.3 million shares of Series A Liberty Interactive common stock for aggregate cash consideration of \$1,224 million. Liberty also repurchased 11.5 million shares of Series A Liberty Capital common stock for aggregate cash consideration of \$1,305 million (including transaction costs).

During the year ended December 31, 2008, the Company repurchased 4.7 million shares of Series A Liberty Interactive common stock in the open market for aggregate cash consideration of \$83 million (including \$8 million to settle put obligations pursuant to which 2.1 million shares of Liberty Interactive common stock were repurchased) and 33.2 million shares of Series A Liberty Capital common stock for aggregate cash consideration of \$478 million (including \$16 million to settle put obligations pursuant to which 2.2 million shares of Liberty Capital common stock were repurchased).

As described in note 2, in November 2009, Liberty 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.

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.

During the year ended December 31, 2007, the Company sold put options on Series A Liberty Capital common stock and Series A Liberty Interactive common stock for aggregate net cash proceeds of \$34 million.

During the year ended December 31, 2008, the Company sold put options on Series A Liberty Capital common stock, Series A Liberty Interactive common stock and Series A Liberty Starz common stock for aggregate net cash proceeds of \$46 million and settled put options with respect to each of its tracking stocks for aggregate cash payments of \$89 million.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

During the year ended December 31, 2009, the Company settled put options on Series A Liberty Capital common stock for cash payments of \$5 million. As of December 31, 2009, put options with respect to 12.6 million shares of LINTA with a weighted average put price of \$17.26 remained outstanding. Such put options expire on or before November 30, 2010.

The Company accounts for the foregoing put options as financial instrument liabilities due to their settlement provisions. Accordingly, the put options are recorded in financial instrument liabilities at fair value, and changes in the fair value are included in realized and unrealized gains (losses) on financial instruments in the accompanying consolidated statements of operations.

(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 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. 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 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.

Also, on December 17, 2009, in connection with the approval of his compensation arrangement, the CEO received a one-time grant of options to purchase the following shares of Liberty with exercise prices equal to the closing sale prices of the applicable series of stock on the grant date: 8,743,000 shares of Series A Liberty Interactive common stock, 760,000 shares of Series A Liberty Starz common stock and 1,353,000 shares of 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 the CEO being employed by Liberty on the applicable vesting date. The options will have a term of 10 years.

Chief Executive Officer Investment in Subsidiary

In the fourth quarter of 2009, the CEO invested \$2 million cash in Lockerz, LLC, a subsidiary of Liberty, in exchange for a 28.6% ownership interest.

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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

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 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 to begin 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.

Stock Purchases from Chairman

In October 2008, the Company purchased 4.5 million shares of Series A Liberty Capital common stock from its Chairman for \$11 per share in cash pursuant to the Company's stock repurchase program.

(15) Stock Options and Stock Appreciation Rights

Liberty—Incentive Plans

Pursuant to the Liberty Media Corporation 2000 Incentive Plan, as amended from time to time (the "2000 Plan"), the Company has granted to certain of its employees stock options and SARs (collectively, "Awards") to purchase shares of Series A and Series B Liberty Capital, Liberty Entertainment and Liberty Interactive common stock. The 2000 Plan provides for Awards to be made in respect of a maximum of 69.5 million shares of Liberty common stock. On May 1, 2007, stockholders of the Company approved the Liberty Media Corporation 2007 Incentive Plan (the "2007 Plan"). The 2007 Plan provides for Awards to be made in respect of a maximum of 39.3 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 2002 Nonemployee Director Incentive Plan, as amended from time to time (the "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.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

Liberty—Grants

Awards granted in 2009, 2008 and 2007 pursuant to the 2000 Plan, the 2007 Plan and the NDIP are summarized as follows:

	Year ended December 31,					
	2009		2008		2007	
	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 Interactive	17,519,391	\$ 3.57	9,405,564	\$ 2.30	6,093,384	\$ 5.88
Series A Liberty Capital	1,649,511	\$ 12.17	1,285,787	\$ 1.19	739,681	\$ 28.78
Series A Liberty Starz	2,083,429	\$ 14.33	5,261,721	\$ 5.79	N/A	N/A

In addition, in April 2009, Liberty completed an exchange offer pursuant to which eligible employees of QVC and BuySeasons were offered the opportunity to exchange all (but not less than all) of their outstanding stock options to purchase shares of Series A Liberty Interactive common stock ("LINTA") with an exercise price greater than \$7.00 for new options to acquire shares of LINTA. Eligible option holders tendered an aggregate of 11,311,787 shares of LINTA. In exchange, Liberty granted the tendering option holders an aggregate of 2,828,022 options to purchase shares of LINTA with an exercise price of \$3.41 per share and 2,828,022 options to purchase shares of LINTA with an exercise price of \$6.00 per share. The difference between the fair value of the options granted in the exchange offer and the fair value of the options tendered, which aggregated \$3 million, will be recognized as stock compensation expense over the vesting term of the options granted.

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. 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.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

The following table presents the volatilities used by Liberty in the Black-Scholes Model for the 2009, 2008 and 2007 grants.

	Volatility
<i>2009 grants</i>	
Liberty Capital options	29.3%-47.9%
Liberty Interactive options	36.0%-46.4%
Liberty Starz options	29.3%-33.6%
<i>2008 grants</i>	
Liberty Capital options	19.7%-29.4%
Liberty Interactive options	25.3%-36.5%
Liberty Starz options	19.7%-29.4%
<i>2007 grants</i>	
Liberty Capital options	17.5%-19.7%
Liberty Interactive options	20.8%-25.3%

Liberty—Outstanding Awards

The following table presents the number and weighted average exercise price ("WAEP") of certain options and SARs to purchase Liberty common stock granted to certain officers, employees and directors of the Company.

	Series A					
	Liberty Capital	WAEP	Liberty Interactive	WAEP	Liberty Starz	WAEP
	numbers of options in thousands					
Outstanding at January 1, 2009	4,031	\$ 10.83	31,361	\$ 16.48	15,978	\$ 19.77
Granted	1,650	\$ 23.26	23,175	\$ 7.18	2,083	\$ 45.96
Exercised	(592)	\$ 13.55	(382)	\$ 3.59	(5,776)	\$ 19.84
Redeemed for LEI options	—		—		(9,633)	\$ 19.95
Forfeited/cancelled/exchanged	(20)	\$ 37.37	(13,322)	\$ 16.53	(57)	\$ 38.75
Outstanding at December 31, 2009	<u>5,069</u>	\$ 14.45	<u>40,832</u>	\$ 11.30	<u>2,595</u>	\$ 43.13
Exercisable at December 31, 2009	<u>2,190</u>	\$ 12.20	<u>15,019</u>	\$ 17.88	<u>566</u>	\$ 29.51

There were no grants or exercises of any of the Company's Series B options during 2009, except that 1,408,000 options for Series B Liberty Capital common stock with an exercise price of \$15.20 were exercised.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

The following table provides additional information about outstanding options to purchase Liberty common stock at December 31, 2009.

	No. of outstanding options (000's)	WAEP of outstanding options	Weighted average remaining life	Aggregate intrinsic value (000's)	No. of exercisable options (000's)	WAEP of exercisable options	Aggregate intrinsic value (000's)
Series A Capital	5,069	\$ 14.45	5.1 years	\$ 47,981	2,190	\$ 12.20	\$ 25,757
Series B Capital	—				—		
Series A Interactive	40,832	\$ 11.30	5.2 years	\$ 117,900	15,019	\$ 17.88	\$ 17,950
Series B Interactive	7,491	\$ 23.41	1.4 years	\$ —	7,491	\$ 23.41	\$ —
Series A Starz	2,595	\$ 43.13	7.6 Years	\$ 18,597	566	\$ 29.51	\$ 9,508
Series B Starz	599	\$ 31.33	1.4 Years	\$ 9,305	599	\$ 31.33	\$ 9,305

Liberty—Exercises

The aggregate intrinsic value of all options exercised during the years ended December 31, 2009, 2008 and 2007 was \$68 million, \$3 million and \$16 million, respectively.

Liberty—Restricted Stock

The following table presents the number and weighted average grant-date fair value ("WAFV") of unvested restricted shares of Liberty common stock held by certain directors, officers and employees of the Company as of December 31, 2009 (numbers of shares in thousands).

	Number of shares	WAFV
Series A Liberty Capital	340	\$ 7.40
Series A Liberty Interactive	2,437	\$ 4.79
Series A Liberty Starz	241	\$ 39.42

The aggregate fair value of all restricted shares of Liberty common stock that vested during the years ended December 31, 2009, 2008 and 2007 was \$14 million, \$4 million and \$28 million, respectively.

Starz Entertainment

Starz Entertainment has fully vested outstanding Phantom Stock Appreciation Rights ("PSARs") held by its founder. Effective September 30, 2009, the founder elected to exercise all of his remaining PSARs. The amount to be paid to the founder for his PSARs is to be determined by a valuation process. Starz Entertainment has accrued \$116 million as of December 31, 2009 based upon Starz Entertainment's best estimate of the amount to be paid. Such amount is payable in cash, Liberty common stock or a combination thereof.

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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

these plans vest and become exercisable over various terms. The awards and compensation recorded, if any, under these plans is not significant to Liberty.

(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 \$31 million, \$31 million and \$26 million for the years ended December 31, 2009, 2008 and 2007, 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.

The change in the components of accumulated other comprehensive earnings (loss), net of taxes ("AOCI"), is summarized as follows:

	Foreign currency translation adjustments	Unrealized holding gains (losses) on securities	Share of AOCI of equity affiliates	Other	AOCI of discontinued operations	AOCI
	amounts in millions					
Balance at January 1, 2007	\$ 169	2,878	1	—	2,904	5,952
Other comprehensive earnings (loss) attributable to Liberty Media Corporation stockholders	95	(1,614)	3	(46)	(317)	(1,879)
Balance at December 31, 2007	264	1,264	4	(46)	2,587	4,073
Other comprehensive loss attributable to Liberty Media Corporation stockholders	(46)	(227)	(10)	(62)	(2,618)	(2,963)
Cumulative effect of accounting change	—	(1,040)	—	—	—	(1,040)
Balance at December 31, 2008	218	(3)	(6)	(108)	(31)	70
Other comprehensive earnings (loss) attributable to Liberty Media Corporation stockholders	10	203	(5)	43	31	282
Balance at December 31, 2009	<u>\$ 228</u>	<u>200</u>	<u>(11)</u>	<u>(65)</u>	<u>—</u>	<u>352</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

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).

	<u>Before-tax amount</u>	<u>Tax (expense) benefit</u>	<u>Net-of-tax amount</u>
	amounts in millions		
<i>Year ended December 31, 2009:</i>			
Foreign currency translation adjustments	\$ 5	(2)	3
Unrealized holding gains on securities arising during period	371	(141)	230
Reclassification adjustment for holding gains realized in net loss	(44)	17	(27)
Share of other comprehensive loss of equity affiliates	(8)	3	(5)
Other	69	(26)	43
Other comprehensive earnings from discontinued operations	50	(19)	31
Other comprehensive earnings	<u>\$ 443</u>	<u>(168)</u>	<u>275</u>
<i>Year ended December 31, 2008:</i>			
Foreign currency translation adjustments	\$ (31)	12	(19)
Unrealized holding losses on securities arising during period	(806)	306	(500)
Reclassification adjustment for holding losses realized in net earnings	440	(167)	273
Share of other comprehensive loss of equity affiliates	(16)	6	(10)
Other	(100)	38	(62)
Other comprehensive loss from discontinued operations	(4,223)	1,605	(2,618)
Other comprehensive loss	<u>\$ (4,736)</u>	<u>1,800</u>	<u>(2,936)</u>
<i>Year ended December 31, 2007:</i>			
Foreign currency translation adjustments	\$ 163	(62)	101
Unrealized holding losses on securities arising during period	(1,998)	759	(1,239)
Reclassification adjustment for holding gains realized in net earnings	(605)	230	(375)
Share of other comprehensive earnings of equity affiliates	5	(2)	3
Other	(74)	28	(46)
Other comprehensive loss from discontinued operations	(511)	194	(317)
Other comprehensive loss	<u>\$ (3,020)</u>	<u>1,147</u>	<u>(1,873)</u>

(18) Transactions with Related Parties

During the year ended December 31, 2009 and the period from February 27, 2008 to December 31, 2008, subsidiaries of Liberty recognized aggregate revenue of \$303 million and \$264 million, respectively, from DIRECTV for distribution of their programming. In addition, subsidiaries of Liberty made aggregate payments of \$40 million and \$31 million in 2009 and 2008, respectively, to DIRECTV for carriage and marketing.

Starz Entertainment pays Revolution Studios ("Revolution"), an equity affiliate, fees for the rights to exhibit films produced by Revolution. Payments aggregated \$46 million and \$58 million in 2008 and 2007, respectively.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

(19) Commitments and Contingencies

Film Rights

Starz Entertainment, a wholly-owned subsidiary of Liberty, provides premium video programming distributed by cable operators, direct-to-home satellite providers, telephone companies, other distributors and the Internet throughout the United States. Starz Entertainment has entered into agreements with a number of motion picture producers which obligate Starz Entertainment to pay fees ("Programming Fees") for the rights to exhibit certain films that are released by these producers. The unpaid balance of Programming Fees for films that were available for exhibition by Starz Entertainment at December 31, 2009 is reflected as a liability in the accompanying consolidated balance sheet. The balance due as of December 31, 2009 is payable as follows: \$62 million in 2010 and \$7 million in 2011.

Starz Entertainment has also contracted to pay Programming Fees for films that have been released theatrically, but are not available for exhibition by Starz Entertainment until some future date. These amounts have not been accrued at December 31, 2009. In addition, Starz Entertainment has agreed to pay Sony Pictures Entertainment ("Sony") (i) a total of \$190 million in four equal annual installments beginning in 2011 for a contract extension through 2013, and (ii) a total of \$120 million in three equal annual installments beginning in 2015 for a new output agreement. Starz Entertainment's estimate of amounts payable under these agreements is as follows: \$449 million in 2010; \$125 million in 2011; \$94 million in 2012; \$84 million in 2013; \$67 million in 2014 and \$145 million thereafter.

In addition, Starz Entertainment is also obligated to pay Programming Fees for all qualifying films that are released theatrically in the United States by studios owned by The Walt Disney Company ("Disney") through 2012 and all qualifying films that are released theatrically in the United States by studios owned by Sony through 2016. Films are generally available to Starz Entertainment for exhibition 10-12 months after their theatrical release. The Programming Fees to be paid by Starz Entertainment are based on the quantity and the domestic theatrical exhibition receipts of qualifying films. As these films have not yet been released in theatres, Starz Entertainment is unable to estimate the amounts to be paid under these output agreements. However, such amounts are expected to be significant. In February 2009, Disney announced that it has agreed to enter into a long-term distribution arrangement with DreamWorks Studios. Under the terms of this arrangement, Disney will handle distribution and marketing for approximately six DreamWorks films each year. As a result of this arrangement, the number of qualifying films under Starz Entertainment's output agreement with Disney may be higher than it would have been otherwise.

Guarantees

Liberty guarantees Starz Entertainment's obligations under certain of its studio output agreements. At December 31, 2009, Liberty's guarantees for obligations for films released by such date aggregated \$656 million. While the guarantee amount for films not yet released is not determinable, such amount is expected to be significant. As noted above, Starz Entertainment has recognized the liability for a portion of its obligations under the output agreements. As this represents a direct commitment of Starz Entertainment, a consolidated subsidiary of Liberty, Liberty has not recorded a separate indirect liability for its guarantee of these obligations.

In connection with agreements for the sale of assets by Liberty or its subsidiaries, Liberty may retain liabilities that relate to events occurring prior to its sale, such as tax, environmental, litigation and employment matters. Liberty generally indemnifies the purchaser in the event that a third party

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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asserts a claim against the purchaser that relates to a liability retained by Liberty. These types of indemnification obligations may extend for a number of years. Liberty 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, Liberty 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 obligations.

Employment Contracts

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, 2009 aggregated \$199 million, which is payable as follows: \$80 million in 2010, \$67 million in 2011, \$50 million in 2012 and \$2 million in 2013. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

Operating Leases

Liberty leases business offices, has entered into satellite transponder lease agreements and uses certain equipment under lease arrangements. Rental expense under such arrangements amounted to \$53 million, \$50 million and \$44 million for the years ended December 31, 2009, 2008 and 2007, respectively.

A summary of future minimum lease payments under noncancelable operating leases as of December 31, 2009 follows (amounts in millions):

Years ending December 31:	
2010	\$ 46
2011	\$ 40
2012	\$ 31
2013	\$ 28
2014	\$ 21
Thereafter	\$ 62

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 2009.

Litigation

Liberty has contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible Liberty 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.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

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 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.

AT&T has requested a refund from Liberty of \$91 million, plus accrued interest, relating to losses that it generated and was able to carry back to offset taxable income previously offset by Liberty's losses. AT&T has asserted that Liberty's losses caused AT&T to pay alternative minimum tax ("AMT") that it would not have been otherwise required to pay had Liberty's losses not been included in its return. Liberty has accrued approximately \$70 million representing its estimate of the amount it may ultimately pay (excluding accrued interest, if any) to AT&T as a result of these requests. Although Liberty has not reduced its accrual for any future refunds, Liberty believes it is entitled to a refund when AT&T is able to realize a benefit in the form of a credit for the AMT previously paid.

Although 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, 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

Liberty, through its ownership interests in subsidiaries and other companies, is primarily engaged in the video and on-line commerce, media, communications and entertainment industries. Liberty has attributed each of its businesses to one of three groups: the Interactive Group, the Starz Group and the Capital Group. Each of the businesses in the tracking stock groups is separately managed. Liberty identifies its reportable segments as (A) those consolidated subsidiaries that represent 10% or more of its consolidated revenue, pre-tax earnings or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of Liberty's pre-tax earnings. The segment presentation for prior periods has been conformed to the current period segment presentation.

Liberty evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue, Adjusted OIBDA, gross margin, average sales price per unit, number of units shipped and revenue or sales per customer equivalent. In addition, Liberty reviews nonfinancial measures such as subscriber growth, penetration, website visitors, conversion rates and active customers, as appropriate.

Liberty defines Adjusted OIBDA as revenue less cost of sales, operating expenses, and selling, general and administrative expenses (excluding stock-based compensation). Liberty 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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

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. Liberty 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, 2009, Liberty has identified the following businesses as its reportable segments:

- QVC—consolidated subsidiary attributed to the Interactive Group that markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of televised shopping programs on the QVC networks and via the Internet through its domestic and international websites.
- Starz Entertainment—consolidated subsidiary attributed to the Starz Group that provides premium programming distributed by cable operators, direct-to-home satellite providers, telephone companies, other distributors and the Internet throughout the United States.
- Starz Media—consolidated subsidiary attributed to the Capital Group that develops, acquires, produces and distributes live-action and animated films and television productions for the theatrical, home video, television and other ancillary markets in the United States and internationally.

Liberty'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 summary of significant policies.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

Performance Measures

	Years ended December 31,					
	2009		2008		2007	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
amounts in millions						
Interactive Group						
QVC	\$ 7,374	1,565	7,303	1,502	7,397	1,652
Corporate and other	931	89	776	53	405	32
	<u>8,305</u>	<u>1,654</u>	<u>8,079</u>	<u>1,555</u>	<u>7,802</u>	<u>1,684</u>
Starz Group						
Starz Entertainment	1,193	384	1,111	301	1,066	264
Corporate and other	11	(10)	13	(11)	25	(5)
	<u>1,204</u>	<u>374</u>	<u>1,124</u>	<u>290</u>	<u>1,091</u>	<u>259</u>
Capital Group						
Starz Media	364	(93)	321	(189)	254	(143)
Corporate and other	285	(82)	293	(108)	231	(67)
	<u>649</u>	<u>(175)</u>	<u>614</u>	<u>(297)</u>	<u>485</u>	<u>(210)</u>
Consolidated Liberty	<u>\$ 10,158</u>	<u>1,853</u>	<u>9,817</u>	<u>1,548</u>	<u>9,378</u>	<u>1,733</u>

Other Information

	December 31,					
	2009			2008		
	Total assets	Investments in affiliates	Capital expenditures	Total assets	Investments in affiliates	Capital expenditures
amounts in millions						
Interactive Group						
QVC	\$ 14,751	2	181	21,567	8	144
Corporate and other	2,592	893	27	3,755	893	22
Intra-group eliminations	—	—	—	(7,835)	—	—
	<u>17,343</u>	<u>895</u>	<u>208</u>	<u>17,487</u>	<u>901</u>	<u>166</u>
Starz Group						
Starz Entertainment	1,607	—	10	1,462	—	7
Corporate and other	591	—	—	14,890	12	—
	<u>2,198</u>	<u>—</u>	<u>10</u>	<u>16,352</u>	<u>12</u>	<u>7</u>
Capital Group						
Starz Media	610	—	2	654	—	3
Corporate and other	8,763	135	44	7,707	223	26
	<u>9,373</u>	<u>135</u>	<u>46</u>	<u>8,361</u>	<u>223</u>	<u>29</u>
Inter-group eliminations	(283)	—	—	(297)	—	—
Consolidated Liberty	<u>\$ 28,631</u>	<u>1,030</u>	<u>264</u>	<u>41,903</u>	<u>1,136</u>	<u>202</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

The following table provides a reconciliation of segment Adjusted OIBDA to earnings (loss) from continuing operations before income taxes:

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Consolidated segment Adjusted OIBDA	\$ 1,853	1,548	1,733
Stock-based compensation	(128)	(49)	(89)
Depreciation and amortization	(666)	(688)	(663)
Impairment of long-lived assets	(9)	(1,569)	(223)
Interest expense	(628)	(667)	(641)
Share of earnings (losses) of affiliates	(58)	(1,263)	9
Realized and unrealized gains (losses) on derivative instruments, net	(155)	(260)	1,269
Gains on dispositions, net	284	15	646
Other than temporary declines in fair value of investments	(9)	(441)	(33)
Other, net	137	343	264
Earnings (loss) from continuing operations before income taxes	<u>\$ 621</u>	<u>(3,031)</u>	<u>2,272</u>

Revenue by Geographic Area

Revenue by geographic area based on the location of customers is as follows:

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
United States	\$ 7,662	7,315	7,138
Germany	944	956	870
Other foreign countries	1,552	1,546	1,370
Consolidated Liberty	<u>\$ 10,158</u>	<u>9,817</u>	<u>9,378</u>

Long-lived Assets by Geographic Area

	December 31,	
	2009	2008
	amounts in millions	
United States	\$ 761	769
Germany	251	269
Other foreign countries	293	290
Consolidated Liberty	<u>\$ 1,305</u>	<u>1,328</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

(21) Quarterly Financial Information (Unaudited)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	amounts in millions, except per share amounts			
<i>2009:</i>				
Revenue	\$ 2,253	2,434	2,302	3,169
Operating income	\$ 212	322	167	349
Earnings (loss) from continuing operations	\$ (148)	396	(100)	489
Net earnings (loss) attributable to Liberty Media Corporation stockholders:				
Series A and Series B Liberty Capital common stock	\$ (160)	201	(132)	218
Series A and Series B Liberty Starz common stock	\$ 81	149	2	5,845
Series A and Series B Liberty Interactive common stock	\$ (57)	128	(6)	193
Basic earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ (1.67)	2.09	(1.38)	2.27
Series A and Series B Liberty Starz common stock	\$.12	.11	.06	.22
Series A and Series B Liberty Interactive common stock	\$ (.10)	.22	(.01)	.32
Diluted earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ (1.67)	2.07	(1.38)	2.22
Series A and Series B Liberty Starz common stock	\$.12	.11	.06	.21
Series A and Series B Liberty Interactive common stock	\$ (.10)	.21	(.01)	.32
Basic net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ (1.67)	2.09	(1.38)	2.27
Series A and Series B Liberty Starz common stock	\$.16	.29	—	19.42
Series A and Series B Liberty Interactive common stock	\$ (.10)	.22	(.01)	.32
Diluted net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ (1.67)	2.07	(1.38)	2.22
Series A and Series B Liberty Starz common stock	\$.16	.29	—	19.29
Series A and Series B Liberty Interactive common stock	\$ (.10)	.21	(.01)	.32

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2009, 2008 and 2007

	<u>1st</u> <u>Quarter</u>	<u>2nd</u> <u>Quarter</u>	<u>3rd</u> <u>Quarter</u>	<u>4th</u> <u>Quarter</u>
	amounts in millions, except per share amounts			
<i>2008:</i>				
Revenue	\$ 2,316	2,406	2,299	2,796
Operating income (loss)	\$ 226	240	64	(1,288)
Earnings (loss) from continuing operations	\$ (10)	146	(295)	(2,130)
Net earnings (loss) attributable to Liberty Media Corporation stockholders:				
Series A and Series B Liberty Capital common stock	\$ (105)	(30)	(112)	(279)
Series A and Series B Liberty Starz common stock	\$ 35	63	147	(861)
Series A and Series B Liberty Interactive common stock	\$ 125	92	(283)	(715)
Old Series A and Series B Liberty Capital common stock	\$ 5,402	—	—	—
Basic earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ (.81)	(.24)	(1.03)	(2.85)
Series A and Series B Liberty Starz common stock	\$.03	.15	.18	(2.23)
Series A and Series B Liberty Interactive common stock	\$.21	.15	(.48)	(1.20)
Old Series A and Series B Liberty Capital common stock	\$ (.46)	—	—	—
Diluted earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ (.81)	(.24)	(1.03)	(2.85)
Series A and Series B Liberty Starz common stock	\$.03	.14	.18	(2.23)
Series A and Series B Liberty Interactive common stock	\$.21	.15	(.48)	(1.20)
Old Series A and Series B Liberty Capital common stock	\$ (.46)	—	—	—
Basic net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ (.81)	(.24)	(1.03)	(2.85)
Series A and Series B Liberty Starz common stock	\$.07	.12	.28	(1.67)
Series A and Series B Liberty Interactive common stock	\$.21	.15	(.48)	(1.20)
Old Series A and Series B Liberty Capital common stock	\$ 41.88	—	—	—
Diluted net earnings (loss) attributable to Liberty Media Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ (.81)	(.24)	(1.03)	(2.85)
Series A and Series B Liberty Starz common stock	\$.07	.12	.28	(1.67)
Series A and Series B Liberty Interactive common stock	\$.21	.15	(.48)	(1.20)
Old Series A and Series B Liberty Capital common stock	\$ 41.55	—	—	—

PART III.

The following required information is incorporated by reference to our definitive proxy statement for our 2010 Annual Meeting of Shareholders presently scheduled to be held in the second quarter of 2010:

- Item 10. Directors, Executive Officers and Corporate Governance**
- Item 11. Executive Compensation**
- Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**
- Item 13. Certain Relationships and Related Transactions, and Director Independence**
- Item 14. Principal Accounting Fees and Services**

We expect to file our definitive proxy statement for our 2010 Annual Meeting of shareholders with the Securities and Exchange Commission on or before April 29, 2010.

PART IV.

Item 15. Exhibits and Financial Statement Schedules.

(a)(1) *Financial Statements*

Included in Part II of this Report:

Liberty Media Corporation:

	<u>Page No.</u>
Report of Independent Registered Public Accounting Firm	II-39
Consolidated Balance Sheets, December 31, 2009 and 2008	II-40
Consolidated Statements of Operations, Years ended December 31, 2009, 2008 and 2007	II-42
Consolidated Statements of Comprehensive Earnings, Years ended December 31, 2009, 2008 and 2007	II-44
Consolidated Statements of Cash Flows, Years Ended December 31, 2009, 2008 and 2007	II-45
Consolidated Statements of Equity, Years ended December 31, 2009, 2008 and 2007	II-46
Notes to Consolidated Financial Statements, December 31, 2009, 2008 and 2007	II-47

(a)(2) *Financial Statement Schedules*

(i) All schedules have been omitted because they are not applicable, not material or the required information is set forth in the financial statements or notes thereto.	
(ii) Separate financial statements for Expedia, Inc.:	
Report of Independent Registered Public Accounting Firm	IV-7
Consolidated Statements of Operations, Years ended December 31, 2009, 2008 and 2007	IV-8
Consolidated Balance Sheets, December 31, 2009 and 2008	IV-9
Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income (Loss), Years ended December 31, 2009, 2008 and 2007	IV-10
Consolidated Statements of Cash Flows, Years ended December 31, 2009, 2008 and 2007	IV-12
Notes to Consolidated Financial Statements	IV-13

(a)(3) *Exhibits*

Listed below are the exhibits which are filed as a part of this Report (according to the number assigned to them in Item 601 of Regulation S-K):

2—Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession:

- 2.1 Agreement and Plan of Merger, dated as of May 3, 2009, by and among Liberty, Liberty Entertainment, Inc. ("LEI"), The DIRECTV Group, Inc. ("Old DTV"), DIRECTV, DTVG One, Inc., and DTVG Two, Inc. (incorporated by reference to Exhibit 10.1 to Old DTV's Current Report of Form 8-K (File No: 001-31945) as filed on May 4, 2009 (the "Old DTV 8-K")).
- 2.2 Amendment No. 1 to the Agreement and Plan of Merger, dated as of July 29, 2009, by and among Liberty, LEI, Old DTV, DIRECTV, DTVG One, Inc., and DTVG Two, Inc. (incorporated by reference to Exhibit 2.1 to Liberty's Current Report on Form 8-K (File No: 001-33982) as filed on July 30, 2009 (the "July 2009 8-K")).

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- 2.3 Amendment No. 2 to the Agreement and Plan of Merger, dated as of October 2, 2009, by and among Liberty, LEI, Old DTV, DIRECTV, DTVG One, Inc., and DTVG Two, Inc. (incorporated by reference to Exhibit 2.1 to Liberty's Current Report on Form 8-K (File No: 001-33982) as filed on October 2, 2009 (the "October 2009 8-K")).

3—Articles of Incorporation and Bylaws:

- 3.1 Restated Certificate of Incorporation of the Company, dated November 19, 2009 ((incorporated by reference to Exhibit 3.1 to Liberty's Current Report on Form 8-K (File No: 001-33982) as filed on November 20, 2009).
- 3.2 Bylaws of the Company (as amended and restated August 12, 2008) (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-33982) as filed on August 14, 2008).

4—Instruments Defining the Rights of Securities Holders, including Indentures:

- 4.1 Specimen certificate for shares of the Registrant's Liberty Interactive Series A common stock, par value \$.01 per share (incorporated by reference to Exhibit 4.3 to Liberty's Registration Statement on Form S-4 (File No. 333-145936) as filed on September 7, 2007 (the "September 2007 S-4")).
- 4.2 Specimen certificate for shares of the Registrant's Liberty Interactive Series B common stock, par value \$.01 per share (incorporated by reference to Exhibit 4.4 to the September 2007 S-4).
- 4.3 Specimen certificate for shares of the Registrant's Liberty Capital Series A common stock, par value \$.01 per share (incorporated by reference to Exhibit 4.1 to the September 2007 S-4).
- 4.4 Specimen certificate for shares of the Registrant's Liberty Capital Series B common stock, par value \$.01 per share (incorporated by reference to Exhibit 4.2 to the September 2007 S-4).
- 4.5 Specimen certificate for shares of the Registrant's Series A Liberty Starz common stock, par value \$.01 per share ((incorporated by reference to Exhibit 4.1 to Amendment No. 2 to Liberty's Registration Statement on Form 8-A (File No: 001-33982) as filed on November 20, 2009 (the "Starz Form 8-A/A")).
- 4.6 Specimen certificate for shares of the Registrant's Series B Liberty Starz common stock, par value \$.01 per share ((incorporated by reference to Exhibit 4.2 to the Starz Form 8-A/A).
- 4.7 The Registrant undertakes to furnish to the Securities and Exchange Commission, upon request, a copy of all instruments with respect to long-term debt not filed herewith.

10—Material Contracts:

- 10.1 Tax Sharing Agreement dated as of March 9, 1999, by and among AT&T Corp., Liberty Media LLC ("Old Liberty"), 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.*
- 10.2 First Amendment to Tax Sharing Agreement dated as of May 28, 1999, by and among AT&T Corp., Old Liberty, 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.*

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- 10.3 Second Amendment to Tax Sharing Agreement dated as of September 24, 1999, by and among AT&T Corp., Old Liberty, 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.*
- 10.4 Third Amendment to Tax Sharing Agreement dated as of October 20, 1999, by and among AT&T Corp., Old Liberty, 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.*
- 10.5 Fourth Amendment to Tax Sharing Agreement dated as of October 28, 1999, by and among AT&T Corp., Old Liberty, 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.*
- 10.6 Fifth Amendment to Tax Sharing Agreement dated as of December 6, 1999, by and among AT&T Corp., Old Liberty, 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.*
- 10.7 Sixth Amendment to Tax Sharing Agreement dated as of December 10, 1999, by and among AT&T Corp., Old Liberty, 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.*
- 10.8 Seventh Amendment to Tax Sharing Agreement dated as of December 30, 1999, by and among AT&T Corp., Old Liberty, 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.*
- 10.9 Eighth Amendment to Tax Sharing Agreement dated as of July 25, 2000, by and among AT&T Corp., Old Liberty, 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.*
- 10.10 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., Old Liberty, 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.*
- 10.11 Restated and Amended Employment Agreement dated November 1, 1992, between Tele-Communications, Inc. and John C. Malone (assumed by Old Liberty as of March 9, 1999), and the amendment thereto dated June 30, 1999 and effective as of March 9, 1999, between Old Liberty and John C. Malone (collectively, the "Malone Employment Agreement").*
- 10.12 Second Amendment to Malone Employment Agreement effective January 1, 2003.*
- 10.13 Third Amendment to Malone Employment Agreement effective January 1, 2007 (incorporated by reference to Exhibit 10.13 to Liberty'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 2008 10-K").
- 10.14 Fourth Amendment to Malone Employment Agreement effective January 1, 2009 (incorporated by reference to Exhibit 10.14 to the Liberty 2008 10-K).

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- 10.15 Liberty Media Corporation 2000 Incentive Plan (As Amended and Restated Effective February 22, 2007) (the "2000 Incentive Plan").*
- 10.16 Liberty Media Corporation 2007 Incentive Plan (the "2007 Incentive Plan").*
- 10.17 Form of Non-Qualified Stock Option Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan [for certain designated award recipients].*
- 10.18 Form of Non-Qualified Stock Option Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan [for all other award recipients].*
- 10.19 Form of Restricted Stock Award Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan [for certain designated award recipients].*
- 10.20 Form of Stock Appreciation Rights Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan.*
- 10.21 Liberty Media Corporation 2002 Nonemployee Director Incentive Plan (As Amended and Restated Effective August 15, 2007) (the "Director Plan").*
- 10.22 Form of Stock Appreciation Rights Agreement under the Director Plan.*
- 10.23 Liberty Media Corporation 2006 Deferred Compensation Plan (incorporated by reference to Exhibit 99.1 to Liberty's Current Report on Form 8-K (File No. 000-51990) as filed on January 5, 2007).
- 10.24 Termination Agreement, dated as of March 27, 2009, between Old Liberty and Robert R. Bennett.*
- 10.25 Letter Agreement regarding personal use of Liberty's aircraft, dated as of February 22, 2008, between Gregory B. Maffei and Liberty (incorporated by reference to Exhibit 10.38 to Liberty's Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 000-51990) as filed on February 29, 2008).
- 10.26 Call Agreement, dated as of February 9, 1998 (the "Call Agreement"), between Liberty (as successor of Old Liberty which was the assignee of Tele-Communications, Inc.) and the Malone Group (incorporated by reference to Exhibit 10.26 to the Liberty 2008 10-K).
- 10.27 Letter, dated as of March 5, 1999, from Tele-Communications, Inc. and Old Liberty addressed to Mr. Malone and Leslie Malone relating to the Call Agreement.*
- 10.28 Credit Agreement, dated as of October 4, 2006, as amended and restated as of June 16, 2009, among QVC, Inc., Wachovia Bank, N.A., as administrative agent, J.P. Morgan Securities Inc. and Bank of America, N.A., as syndication agents, Wachovia Capital Markets, LLC and J.P. Morgan Securities Inc., as joint lead arrangers and joint bookrunners, Royal Bank of Scotland PLC, Fortis Bank SA/NV, New York Branch and Bank of Tokyo-Mitsubishi UFJ, Ltd., as documentation agents, and the lenders party thereto from time to time (incorporated by reference to Exhibit 99.2 to Liberty's Current Report on Form 8-K (File No: 001-33982) as filed on June 19, 2009 (the "Liberty June 2009 8-K")).

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10.29	Credit Agreement, dated as of March 3, 2006, as amended and restated as of June 16, 2009, among QVC, Inc., JP Morgan Chase Bank, N.A., as administrative agent, Wachovia Capital Markets, LLC as syndication agent, and JP Morgan Securities Inc. and Wachovia Capital Markets, LLC, as joint lead arrangers and joint bookrunners, Mizuho Corporate Bank, Ltd., Calyon New York Branch and Royal Bank of Scotland PLC, as documentation agents, and the lenders party thereto from time to time (incorporated by reference to Exhibit 99.3 to the Liberty June 2009 8-K).
10.30	Form of Indemnification Agreement between Liberty and its executive officers/directors (incorporated by reference to Exhibit 10.37 to Liberty's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 000-51990) as filed on March 1, 2007) (the "Liberty 2006 10-K").
10.31	Share Exchange Agreement, dated as of December 22, 2006, by and between News Corporation and Liberty (the "News Agreement") (incorporated by reference to Exhibit 10.38 to the Liberty 2006 10-K).
10.32	Tax Matters Agreement, dated as of December 22, 2006, by and between News Corporation and Liberty (which is Exhibit A-I to the News Agreement) (incorporated by reference to Exhibit 10.39 to the Liberty 2006 10-K).
10.33	Voting and Right of First Refusal Agreement, dated as of May 3, 2009, by and among LEI, Old DTV, DIRECTV, John C. Malone, Leslie Malone, The Tracy L. Neal Trust A, and The Evan D. Malone Trust A, as amended on July 29, 2009 (incorporated by reference to Exhibit 10.3 to the Old DTV 8-K).
10.34	Amendment No. 1 to the Voting and Right of First Refusal Agreement, dated as of July 29, 2009, by and among LEI, Old DTV, DIRECTV, John C. Malone, Leslie Malone, The Tracy L. Neal Trust A, and The Evan D. Malone Trust A (incorporated by reference to Exhibit 99.1 to the Liberty July 2009 8-K).
10.35	Amendment No. 2 to the Voting and Right of First Refusal Agreement, dated as of October 2, 2009, by and among LEI, Old DTV, DIRECTV, John C. Malone, Leslie Malone, The Tracy L. Neal Trust A, and The Evan D. Malone Trust A (incorporated by reference to Exhibit 99.1 to the Liberty October 2009 8-K).
10.36	Voting, Standstill, Non-Competition and Non-Solicitation Agreement, dated as of May 3, 2009, by and among Liberty, LEI, Old DTV, DIRECTV, Greenlady Corporation, and Greenlady II, LLC (incorporated by reference to Exhibit 10.2 to Old DTV 8-K).
10.37	Tax Sharing Agreement, dated as of November 19, 2009, by and between Liberty and 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).
21	Subsidiaries of Liberty Media Corporation.*
23.1	Consent of KPMG LLP.*
23.2	Consent of Ernst & Young LLP.*
31.1	Rule 13a-14(a)/15d-14(a) Certification.*
31.2	Rule 13a-14(a)/15d-14(a) Certification.*
31.3	Rule 13a-14(a)/15d-14(a) Certification.*
32	Section 1350 Certification.**
99.1	Unaudited Attributed Financial Information for Tracking Stock Groups.*

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99.2	Reconciliation of Liberty Media Corporation Net Assets and Net Earnings to Liberty Media LLC Net Assets and Net Earnings.**
101.INS	XBRL Instance Document.**
101.SCH	XBRL Taxonomy Extension Schema Document.**
101.CAL	XBRL Taxonomy Calculation Linkbase Document.**
101.LAB	XBRL Taxonomy Label Linkbase Document.**
101.PRE	XBRL Taxonomy Presentation Linkbase Document.**
101.DEF	XBRL Taxonomy Definition Document.**

* Filed herewith.

** Furnished herewith.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Expedia, Inc.

We have audited the accompanying consolidated balance sheets of Expedia, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of operations, consolidated statements of changes in stockholders' equity and comprehensive income (loss), and consolidated statements of cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Expedia, Inc. at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Company adopted Financial Accounting Standards Board, (FASB) No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51*, codified in ASC 810, *Consolidations*, effective January 1, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Expedia, Inc.'s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 11, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Seattle, Washington
February 11, 2010

Consolidated Financial Statements
EXPEDIA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2009	2008	2007
	(In thousands, except per share data)		
Revenue	\$ 2,955,426	\$ 2,937,013	\$ 2,665,332
Costs and expenses:			
Cost of revenue(1)	607,251	638,709	565,056
Selling and marketing(1)	1,027,062	1,105,337	995,215
Technology and content(1)	319,708	287,763	246,063
General and administrative(1)	290,484	268,721	252,360
Amortization of intangible assets	37,681	69,436	77,569
Occupancy tax assessments and legal reserves	67,658	—	—
Restructuring charges	34,168	—	—
Impairment of goodwill	—	2,762,100	—
Impairment of intangible and other long-lived assets	—	233,900	—
Operating income (loss)	571,414	(2,428,953)	529,069
Other income (expense):			
Interest income	6,206	30,411	39,418
Interest expense	(84,233)	(71,984)	(52,896)
Other, net	(35,364)	(44,178)	(18,607)
Total other expense, net	(113,391)	(85,751)	(32,085)
Income (loss) before income taxes	458,023	(2,514,704)	496,984
Provision for income taxes	(154,400)	(5,966)	(203,114)
Net income (loss)	303,623	(2,520,670)	293,870
Net (income) loss attributable to noncontrolling interests	(4,097)	2,907	1,994
Net income (loss) attributable to Expedia, Inc.	\$ 299,526	\$ (2,517,763)	\$ 295,864
Net income (loss) per share attributable to Expedia, Inc. available to common stockholders:			
Basic	\$ 1.04	\$ (8.80)	\$ 1.00
Diluted	1.03	(8.80)	0.94
Shares used in computing income (loss) per share:			
Basic	288,214	286,167	296,640
Diluted	292,141	286,167	314,233

(1) Includes stock-based compensation as follows:

Cost of revenue	\$ 2,285	\$ 2,252	\$ 2,854
Selling and marketing	12,440	10,198	12,162
Technology and content	15,700	15,111	16,116
General and administrative	31,236	33,730	31,717
Total stock-based compensation	\$ 61,661	\$ 61,291	\$ 62,849

See notes to consolidated financial statements.

EXPEDIA, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2009	2008
(In thousands, except per share data)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 642,544	\$ 665,412
Restricted cash and cash equivalents	14,072	3,356
Short-term investments	45,849	92,762
Accounts receivable, net of allowance of \$14,562 and \$12,584	307,817	267,270
Prepaid merchant bookings	88,971	66,081
Prepaid expenses and other current assets	125,796	103,833
Total current assets	1,225,049	1,198,714
Property and equipment, net	236,820	247,954
Long-term investments and other assets	48,262	75,593
Intangible assets, net	823,031	833,419
Goodwill	3,603,994	3,538,569
TOTAL ASSETS	\$ 5,937,156	\$ 5,894,249
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, merchant	\$ 652,893	\$ 625,059
Accounts payable, other	160,471	150,534
Deferred merchant bookings	679,305	523,563
Deferred revenue	17,204	15,774
Accrued expenses and other current liabilities	325,184	251,238
Total current liabilities	1,835,057	1,566,168
Long-term debt	895,086	894,548
Credit facility	—	650,000
Deferred income taxes, net	223,959	189,541
Other long-term liabilities	233,328	213,028
Commitments and contingencies		
Stockholders' equity:		
Preferred stock \$.001 par value	—	—
Authorized shares: 100,000		
Series A shares issued and outstanding: 1 and 1		
Common stock \$.001 par value	343	340
Authorized shares: 1,600,000		
Shares issued: 342,812 and 339,525		
Shares outstanding: 263,929 and 261,374		
Class B common stock \$.001 par value	26	26
Authorized shares: 400,000		
Shares issued and outstanding: 25,600 and 25,600		
Additional paid-in capital	6,034,164	5,979,484
Treasury stock—Common stock, at cost	(1,739,198)	(1,731,235)
Shares: 78,883 and 78,151		
Retained earnings (deficit)	(1,616,033)	(1,915,559)
Accumulated other comprehensive income (loss)	3,379	(16,002)
Total Expedia, Inc. stockholders' equity	2,682,681	2,317,054
Noncontrolling interest	67,045	63,910
Total stockholders' equity	2,749,726	2,380,964
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 5,937,156	\$ 5,894,249

See notes to consolidated financial statements.

EXPEDIA, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

	Common stock		Class B common stock		Additional paid-in capital	Treasury stock		Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Noncontrolling Interest	Total
	Shares	Amount	Shares	Amount		Shares	Amount				
Balance as of December 31, 2006	328,066,276	\$ 328	25,599,998	\$ 26	\$ 5,903,200	22,165,228	\$ (321,155)	\$ 309,912	\$ 8,475	\$ 65,260	\$ 5,966,046
Net income								295,864		(1,994)	293,870
Components of comprehensive income:											
Net gain on derivative contracts									3,018		3,018
Currency translation adjustment									12,203	4,565	16,768
Cumulative effect of adoption of guidance surrounding uncertain tax positions								(3,572)			(3,572)
Settlement of derivative liability					6,579						6,579
Proceeds from exercise of equity instruments	8,990,484	9			54,843						54,852
Withholding taxes for stock option exercises					(121,208)						(121,208)
Tax deficiencies on equity awards					(459)						(459)
Treasury stock activity related to vesting of equity instruments						402,427	(9,389)				(9,389)
Changes in ownership of noncontrolling interest										2,173	2,173
Common stock repurchases						55,000,003	(1,388,289)				(1,388,289)
Stock-based compensation expense					60,333						60,333
Other					(706)						(706)
Balance as of December 31, 2007	337,056,760	337	25,599,998	26	5,902,582	77,567,658	(1,718,833)	602,204	23,696	70,004	4,880,016
Net loss (excludes \$1,187 of net income attributable to redeemable noncontrolling interest)								(2,517,763)		(4,094)	(2,521,857)
Components of comprehensive loss:											
Net loss on derivative contracts									(339)		(339)
Currency translation adjustment									(39,359)	3,271	(36,088)
Settlement of derivative liability					10,500						10,500
Capital contribution from sale of business					1,624						1,624
Proceeds from exercise of equity instruments	2,468,708	3			6,330						6,333
Tax deficiencies on equity awards					(1,646)						(1,646)
Treasury stock activity related to vesting of equity instruments						583,515	(12,402)				(12,402)
Noncontrolling interest share repurchase										(5,451)	(5,451)
Changes in ownership of noncontrolling interest										180	180
Stock-based compensation expense					60,094						60,094
Balance as of December 31, 2008	339,525,468	340	25,599,998	26	5,979,484	78,151,173	(1,731,235)	(1,915,559)	(16,002)	63,910	2,380,964

EXPEDIA, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS) (Continued)

	Common stock		Class B common stock		Additional paid-in capital	Treasury stock		Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Noncontrolling Interest	Total
	Shares	Amount	Shares	Amount		Shares	Amount				
Net income (excludes \$3,085 of net income attributable to redeemable noncontrolling interest)								299,526		1,012	300,538
Component of comprehensive income:											
Currency translation adjustment									19,381	254	19,635
Proceeds from exercise of equity instruments	3,286,532		3		15,749						15,752
Tax deficiencies on equity awards					(13,061)						(13,061)
Treasury stock activity related to vesting of equity instruments						731,595	(7,963)				(7,963)
Adjustment to the fair value of redeemable noncontrolling interest					(7,800)						(7,800)
Changes in ownership of noncontrolling interest										1,869	1,869
Stock-based compensation expense					59,805						59,805
Other					(13)						(13)
Balance as of December 31, 2009	342,812,000	\$ 343	25,599,998	\$ 26	\$ 6,034,164	78,882,768	\$ (1,739,198)	\$ (1,616,033)	\$ 3,379	\$ 67,045	\$ 2,749,726

We had 751 shares of preferred stock outstanding as of December 31, 2009 and 2008.

See notes to consolidated financial statements.

EXPEDIA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2009	2008	2007
	(In thousands)		
Operating activities:			
Net income (loss)	\$ 303,623	\$ (2,520,670)	\$ 293,870
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property and equipment, including internal-use software and website development	102,782	76,800	59,526
Amortization of intangible assets and stock-based compensation	99,342	130,727	140,418
Deferred income taxes	(12,620)	(209,042)	(1,583)
(Gain) loss on derivative instruments assumed at Spin-Off	38	(4,600)	5,748
Equity in (income) loss of unconsolidated affiliates	(1,185)	979	2,614
Impairment of goodwill	—	2,762,100	—
Impairment of intangible and other long-lived assets	—	233,900	—
Foreign exchange (gain) loss on cash and cash equivalents, net	(4,679)	77,958	(12,524)
Realized (gain) loss on foreign currency forwards	(29,982)	55,175	—
Other	11,415	2,967	3,801
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(36,360)	32,208	(44,363)
Prepaid merchant bookings and prepaid expenses	(19,477)	(15,072)	(32,378)
Accounts payable, merchant	26,466	(75,443)	101,068
Accounts payable, other, accrued expenses and other current liabilities	79,552	54,400	51,702
Deferred merchant bookings	155,665	(85,443)	142,608
Deferred revenue	1,424	3,744	1,562
Net cash provided by operating activities	676,004	520,688	712,069
Investing activities:			
Capital expenditures, including internal-use software and website development	(92,017)	(159,827)	(86,658)
Acquisitions, net of cash acquired	(45,007)	(538,439)	(59,622)
Purchase of short-term investments	(45,903)	(92,923)	—
Maturities of short-term investments	93,092	—	—
Net settlement of foreign currency forwards	29,982	(55,175)	—
Reclassification of Reserve Primary Fund holdings	—	(80,360)	—
Distributions from Reserve Primary Fund	10,677	64,387	—
Changes in long-term investments, deposits and other	1,357	2,779	(33,226)
Net cash used in investing activities	(47,819)	(859,558)	(179,506)
Financing activities:			
Credit facility borrowings	—	740,000	755,000
Credit facility repayments	(650,000)	(675,000)	(170,000)
Proceeds from issuance of long-term debt, net of issuance costs	—	392,348	—
Changes in restricted cash and cash equivalents	(10,716)	11,753	(6,494)
Proceeds from exercise of equity awards	15,794	6,353	55,038
Excess tax benefit on equity awards	1,544	3,191	95,702
Withholding taxes for stock option exercises	—	—	(121,208)
Treasury stock activity	(7,963)	(12,865)	(1,397,173)
Other, net	(8,991)	(979)	(844)
Net cash provided by (used in) financing activities	(660,332)	464,801	(789,979)
Effect of exchange rate changes on cash and cash equivalents	9,279	(77,905)	21,528
Net increase (decrease) in cash and cash equivalents	(22,868)	48,026	(235,888)
Cash and cash equivalents at beginning of year	665,412	617,386	853,274
Cash and cash equivalents at end of year	\$ 642,544	\$ 665,412	\$ 617,386
Supplemental cash flow information			
Cash paid for interest	\$ 78,629	\$ 53,459	\$ 49,266
Income tax payments, net	198,368	179,273	78,345

See notes to consolidated financial statements.

Expedia, Inc.

Notes to Consolidated Financial Statements

NOTE 1—Organization and Basis of Presentation

Description of Business

Expedia, Inc. and its subsidiaries provide travel products and services to leisure and corporate travelers in the United States and abroad as well as various media and advertising offerings to travel and non-travel advertisers. These travel products and services are offered through a diversified portfolio of brands including: Expedia.com®, hotels.com®, Hotwire.com™, the TripAdvisor® Media Network, Expedia Affiliate Network (formerly "Worldwide Travel Exchange and Interactive Affiliate Network"), Classic Vacations, Expedia Local Expert, Egencia™, Expedia® CruiseShipCenters®, eLong™, Inc. ("eLong") and Venere Net SpA ("Venere"). In addition, many of these brands have related international points of sale. We refer to Expedia, Inc. and its subsidiaries collectively as "Expedia," the "Company," "us," "we" and "our" in these consolidated financial statements.

Spin-Off from IAC/InterActiveCorp

On December 21, 2004, IAC/InterActiveCorp ("IAC") announced its plan to separate into two independent public companies. We refer to this transaction as the "Spin-Off." A new company, Expedia, Inc., was incorporated under Delaware law in April 2005, to hold substantially all of IAC's travel and travel-related businesses. On August 9, 2005, the Spin-Off from IAC was completed and Expedia, Inc. shares began trading on The Nasdaq Global Select Market ("NASDAQ") under the symbol "EXPE."

Basis of Presentation

The accompanying consolidated financial statements include Expedia, Inc., our wholly-owned subsidiaries, and entities we control, or in which we have a variable interest and are the primary beneficiary of expected cash profits or losses. We record our investments in entities that we do not control, but over which we have the ability to exercise significant influence, using the equity method. We have eliminated significant intercompany transactions and accounts.

We believe that the assumptions underlying our consolidated financial statements are reasonable. However, these consolidated financial statements do not present our future financial position, the results of our future operations and cash flows.

Seasonality

We generally experience seasonal fluctuations in the demand for our travel products and services. For example, traditional leisure travel bookings are generally the highest in the first three quarters as travelers plan and book their spring, summer and holiday travel. The number of bookings decreases in the fourth quarter. Because revenue in the merchant business is generally recognized when the travel takes place rather than when it is booked, revenue typically lags bookings by several weeks or longer. As a result, revenue is typically the lowest in the first quarter and highest in the third quarter.

NOTE 2—Significant Accounting Policies

Consolidation

Our consolidated financial statements include the accounts of Expedia, Inc., our wholly-owned subsidiaries, and entities for which we control a majority of the entity's outstanding common stock. We record noncontrolling interest in our consolidated financial statements to recognize the minority ownership interest in our consolidated subsidiaries. Noncontrolling interest in the earnings and losses of

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

consolidated subsidiaries represent the share of net income or loss allocated to members or partners in our consolidated entities, which includes, for all periods included in our consolidated financial statements, the noncontrolling interest share of net income or loss from eLong as well as net income or loss from our redeemable noncontrolling interest entities for certain periods covered by our consolidated financial statements. eLong is a separately listed company on the NASDAQ and, therefore, subject to its own audit which could result in possible adjustments that are not material to Expedia, Inc. but could be material to eLong.

On January 1, 2009, we adopted authoritative guidance issued by the Financial Accounting Standards Board ("FASB") on noncontrolling interests. The guidance states that accounting and reporting for minority interests are to be recharacterized as noncontrolling interests and classified as a component of equity. The calculation of earnings per share continues to be based on income amounts attributable to the parent. Beginning on January 1, 2009, upon adoption, we recharacterized our minority interest as a noncontrolling interest and classified it as a component of stockholders' equity in our consolidated financial statements with the exception of shares redeemable at the option of the minority holders, which are not significant and therefore have been included in other long-term liabilities.

In addition, certain of our subsidiaries that operate in China, including eLong, have variable interests in affiliated entities in China in order to comply with Chinese laws and regulations, which restricts foreign investment in the air-ticketing, travel agency and internet content provision businesses. Through a series of contractual agreements with these affiliates and their shareholders, these subsidiaries are the primary beneficiaries of the cash losses or profits of their variable interest affiliates. As such, although we do not own the capital stock of some of our Chinese affiliates, based on our controlling ownership of the subsidiaries and these contractual arrangements, we consolidate their results.

We have eliminated significant intercompany transactions and accounts in our consolidated financial statements.

Accounting Estimates

We use estimates and assumptions in the preparation of our consolidated financial statements in accordance with accounting principles generally accepted in the United States ("GAAP"). Our estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of our consolidated financial statements. These estimates and assumptions also affect the reported amount of net income or loss during any period. Our actual financial results could differ significantly from these estimates. The significant estimates underlying our consolidated financial statements include revenue recognition; recoverability of current and long-lived assets, intangible assets and goodwill; income and indirect taxes, such as potential settlements related to occupancy taxes; loss contingencies; stock-based compensation and accounting for derivative instruments.

Subsequent Events

We have evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through the time that we filed our financial statements on February 11, 2010.

Expedia, Inc.**Notes to Consolidated Financial Statements (Continued)****Reclassifications**

We have reclassified certain amounts relating to our prior period results to conform to our current period presentation. During the first quarter of 2009, our development and information technology teams were effectively combined to better support our global brands. As a result of our reorganization, in addition to costs to develop and maintain our website and internal use applications, technology and content expense now also includes the majority of information technology costs such as costs to support and operate our network and back-office applications (including related data center costs), system monitoring and network security, and other technology leadership and support functions. The most significant reclassification of costs occurred between general and administrative expense and technology and content expense as, historically, a significant portion of the information technology costs were within general and administrative expense. Technology costs to operate our live site and call center applications in production remained in cost of revenue.

The following table presents a summary of the amounts as previously reported and as reclassified in our consolidated statements of operations for the year ended December 31, 2008 and 2007:

	Year ended December 31,			
	2008		2007	
	As reported	As reclassified	As reported	As reclassified
	(In thousands)			
Cost of revenue	\$ 634,744	\$ 638,709	\$ 562,401	\$ 565,056
Selling and marketing	1,101,403	1,105,337	992,560	995,215
Technology and content	208,952	287,763	182,483	246,063
General and administrative	355,431	268,721	321,250	252,360

There was no change to operating income (loss) as a result of these reclassifications.

Revenue Recognition

We recognize revenue when it is earned and realizable based on the following criteria: persuasive evidence that an arrangement exists, services have been rendered, the price is fixed or determinable and collectibility is reasonably assured.

We also evaluate the presentation of revenue on a gross versus a net basis. The consensus of the authoritative accounting literature is that the presentation of revenue as "the gross amount billed to a customer because it has earned revenue from the sale of goods or services or the net amount retained (that is, the amount billed to a customer less the amount paid to a supplier) because it has earned a commission or fee" is a matter of judgment that depends on the relevant facts and circumstances. In making an evaluation of this issue, some of the factors that should be considered are: whether we are the primary obligor in the arrangement (strong indicator); whether we have general supply risk (before customer order is placed or upon customer return) (strong indicator); and whether we have latitude in establishing price. The guidance clearly indicates that the evaluations of these factors, which at times can be contradictory, are subject to significant judgment and subjectivity. If the conclusion drawn is that we perform as an agent or a broker without assuming the risks and rewards of ownership of goods, revenue should be reported on a net basis. For our primary transaction-based revenue models, discussed below, we have determined net presentation is appropriate for the majority of revenue transactions.

We offer travel products and services on a stand-alone and package basis primarily through the following business models: the merchant model, the agency model and the media model.

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

Under the merchant model, we facilitate the booking of hotel rooms, airline seats, car rentals and destination services from our travel suppliers and we are the merchant of record for such bookings.

Under the agency model, we act as the agent in the transaction, passing reservations booked by the traveler to the relevant travel provider. We receive commissions or ticketing fees from the travel supplier and/or traveler. For agency airline, hotel and car transactions, we also receive fees from global distribution systems partners that control the computer systems through which these reservations are booked.

Under the media model, we offer travel and non-travel advertisers access to a potential source of incremental traffic and transactions through our various media and advertising offerings on both the TripAdvisor Media Network and on our transaction-based websites.

Merchant Hotel. Our travelers pay us for merchant hotel transactions prior to departing on their trip, generally when they book the reservation. We record the payment in deferred merchant bookings until the stay occurs, at which point we record the revenue. In certain nonrefundable, nonchangeable transactions where we have no significant post-delivery obligations, we record revenue when the traveler completes the transaction on our website, less a reserve for chargebacks and cancellations based on historical experience. Amounts received from customers are presented net of amounts paid to suppliers. In certain instances when a supplier invoices us for less than the cost we accrued, we generally recognize those amounts as revenue six months in arrears, net of an allowance, when we determine it is not probable that we will be required to pay the supplier, based on historical experience and contract terms.

We generally contract in advance with lodging providers to obtain access to room allotments at wholesale rates. Certain contracts specifically identify the number of potential rooms and the negotiated rate of the rooms to which we may have access over the terms of the contracts, which generally range from one to three years. Other contracts are not specific with respect to the number of rooms and the rates of the rooms to which we may have access over the terms of the contracts. In either case we may return unbooked hotel room allotments with no obligation to the lodging providers within a period specified in each contract. For hotel rooms that are cancelled by the traveler after the specified period of time, we charge the traveler a cancellation fee or penalty that is equal to the amount a hotel may invoice us for the cancellation.

Merchant Air. Generally, we determine the ticket price for merchant air transactions. We generally pay the cost of the airline ticket within a few weeks after booking. We record cash paid by the traveler as deferred merchant bookings and the cost of the airline ticket as prepaid merchant bookings. When the flight occurs, we record the difference between the deferred merchant bookings and the prepaid merchant bookings as revenue on a net basis.

When we have nonrefundable and generally noncancelable merchant air transactions, with no significant post-delivery obligations, we record revenue upon booking. We record a reserve for chargebacks and cancellations at the time of the transaction based on historical experience.

Agency Air, Hotel, Car and Cruise. Our agency revenue comes from airline ticket transactions, certain hotel transactions as well as cruise and car rental reservations. We record agency revenue on air transactions when the traveler books the transaction, as we have no significant post-delivery obligations. We generally record agency revenue on hotel reservations when the stay occurs. We record agency revenue on cruise and car rental reservations either on an accrual basis for payments from a commission clearinghouse, or on receipt of commissions from an individual supplier. We record an allowance for cancellations and chargebacks on this revenue based on historical experience.

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

Packages. Packages assembled by travelers through the packaging model on our websites include a merchant hotel component and some combination of an air, car or destination services component. The individual package components are recognized in accordance with our revenue recognition policies stated above.

Click-Through Fees. We record revenue from click-through fees charged to our travel partners for traveler leads sent to the travel partners' websites. We record revenue from click-through fees after the traveler makes the click-through to the related travel partners' websites.

Advertising. We record advertising revenue ratably over the advertising period or upon delivery of advertising impressions, depending on the terms of the advertising contract.

Other. We record revenue from all other sources either upon delivery or when we provide the service.

Cash and Cash Equivalents

Our cash and cash equivalents include cash and liquid financial instruments with maturities of 90 days or less when purchased.

Short-term Investments

Our short-term investments consist of time deposits with financial institutions held by eLong with maturities greater than 90 days but less than one year.

Accounts Receivable

Accounts receivable are generally due within thirty days and are recorded net of an allowance for doubtful accounts. We consider accounts outstanding longer than the contractual payment terms as past due. We determine our allowance by considering a number of factors, including the length of time trade accounts receivable are past due, previous loss history, a specific customer's ability to pay its obligations to us, and the condition of the general economy and industry as a whole.

Prepaid Expenses and Other Current Assets

At December 31, 2009 and 2008, we had \$5 million and \$16 million in redemptions of money market holdings due from the Reserve Primary Fund (the "Fund"), which has been liquidating since the fourth quarter of 2008. As of December 31, 2009, we had received \$75 million, of the original \$80 million we reclassified from cash and cash equivalents to prepaid expenses and other current assets during 2008. In January 2010, we received a \$5 million distribution from the Fund.

Property and Equipment

We record property and equipment at cost, net of accumulated depreciation and amortization. We also capitalize certain costs incurred related to the development of internal use software. We capitalize costs incurred during the application development stage related to the development of internal use software. We expense costs incurred related to the planning and post-implementation phases of development as incurred.

We compute depreciation using the straight-line method over the estimated useful lives of the assets, which is three to five years for computer equipment, capitalized software development and

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

furniture and other equipment. We amortize leasehold improvement using the straight-line method, over the shorter of the estimated useful life of the improvement or the remaining term of the lease.

We establish assets and liabilities for the present value of estimated future costs to return certain of our leased facilities to their original condition under the authoritative accounting guidance for asset retirement obligations. Such assets are depreciated over the lease period into operating expense, and the recorded liabilities are accreted to the future value of the estimated restoration costs.

Recoverability of Goodwill and Indefinite-Lived Intangible Assets

Goodwill is assigned to reporting units that are expected to benefit from the synergies of the business combination as of the acquisition date. We assess goodwill and indefinite-lived intangible assets, neither of which is amortized, for impairment annually as of October 1, or more frequently, if events and circumstances indicate impairment may have occurred. See Note 5—Goodwill and Intangible Assets, Net for discussion of impairment of goodwill and indefinite-lived assets in 2008.

In the evaluation of goodwill for impairment, we first compare the fair value of the reporting unit to the carrying value. If the carrying value of a reporting unit exceeds its fair value, the goodwill of that reporting unit is potentially impaired and we proceed to step two of the impairment analysis. In step two of the analysis, we will record an impairment loss equal to the excess of the carrying value of the reporting unit's goodwill over its implied fair value should such a circumstance arise.

We generally base our measurement of fair value of reporting units on a blended analysis of the present value of future discounted cash flows and market valuation approach. The discounted cash flows model indicates the fair value of the reporting units based on the present value of the cash flows that we expect the reporting units to generate in the future. Our significant estimates in the discounted cash flows model include: our weighted average cost of capital; long-term rate of growth and profitability of our business; and working capital effects. The market valuation approach indicates the fair value of the business based on a comparison of the Company to comparable publicly traded firms in similar lines of business. Our significant estimates in the market approach model include identifying similar companies with comparable business factors such as size, growth, profitability, risk and return on investment and assessing comparable revenue and operating income multiples in estimating the fair value of the reporting units.

We believe the weighted use of discounted cash flows and market approach is the best method for determining the fair value of our reporting units because these are the most common valuation methodologies used within the travel and internet industries; and the blended use of both models compensates for the inherent risks associated with either model if used on a stand-alone basis.

In addition to measuring the fair value of our reporting units as described above, we consider the combined carrying and fair values of our reporting units in relation to the Company's total fair value of equity plus debt as of the assessment date. Our equity value assumes our fully diluted market capitalization, using either the stock price on the valuation date or the average stock price over a range of dates around the valuation date, plus an estimated acquisition premium which is based on observable transactions of comparable companies. The debt value is based on the highest value expected to be paid to repurchase the debt, which can be fair value, principal or principal plus a premium depending on the terms of each debt instrument.

In the evaluation of indefinite-lived intangible assets, an impairment charge is recorded for the excess of the carrying value of indefinite-lived intangible assets over their fair value. We base our measurement of fair value of indefinite-lived intangible assets, which primarily consist of trade name

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

and trademarks, using the relief-from-royalty method. This method assumes that the trade name and trademarks have value to the extent that their owner is relieved of the obligation to pay royalties for the benefits received from them.

Recoverability of Intangible Assets with Definite Lives and Other Long-Lived Assets

Intangible assets with definite lives and other long-lived assets are carried at cost and are amortized on a straight-line basis over their estimated useful lives of two to twelve years. We review the carrying value of long-lived assets or asset groups, including property and equipment, to be used in operations whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Factors that would necessitate an impairment assessment include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset, or a significant decline in the observable market value of an asset, among others. If such facts indicate a potential impairment, we would assess the recoverability of an asset group by determining if the carrying value of the asset group exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the assets over the remaining economic life of the primary asset in the asset group. If the recoverability test indicates that the carrying value of the asset group is not recoverable, we will estimate the fair value of the asset group using appropriate valuation methodologies which would typically include an estimate of discounted cash flows. Any impairment would be measured as the difference between the asset groups carrying amount and its estimated fair value. See Note 5—Goodwill and Intangible Assets, Net for discussion of impairment of other long-lived assets in 2008.

Assets held for sale, to the extent we have any, are reported at the lower of cost or fair value less costs to sell.

Long-term Investments

We record investments using the equity method when we have the ability to exercise significant influence over the investee. We periodically evaluate the recoverability of investments and record a write-down to fair value if a decline in value is determined to be other-than-temporary.

Income Taxes

We record income taxes under the liability method. Deferred tax assets and liabilities reflect our estimation of the future tax consequences of temporary differences between the carrying amounts of assets and liabilities for book and tax purposes. We determine deferred income taxes based on the differences in accounting methods and timing between financial statement and income tax reporting. Accordingly, we determine the deferred tax asset or liability for each temporary difference based on the enacted tax rates expected to be in effect when we realize the underlying items of income and expense. We consider many factors when assessing the likelihood of future realization of our deferred tax assets, including our recent earnings experience by jurisdiction, expectations of future taxable income, and the carryforward periods available to us for tax reporting purposes, as well as other relevant factors. We may establish a valuation allowance to reduce deferred tax assets to the amount we believe is more likely than not to be realized. Due to inherent complexities arising from the nature of our businesses, future changes in income tax law, tax sharing agreements or variances between our actual and anticipated operating results, we make certain judgments and estimates. Therefore, actual income taxes could materially vary from these estimates.

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

On January 1, 2007, we adopted authoritative guidance issued by the FASB related to uncertain tax positions. This guidance relates to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and requires that we recognize in our financial statements the impact of a tax position, if that position is more likely than not to be sustained upon an examination, based on the technical merits of the position.

Occupancy Tax

Some states and localities impose a transient occupancy or accommodation tax on the use or occupancy of hotel accommodations. Generally, hotels charge taxes based on the room rate paid to the hotel and remit these taxes to the various tax authorities. When a customer books a room through one of our travel services, we collect a tax recovery charge from the customer which we pay to the hotel. We do not collect or remit occupancy taxes, nor do we pay occupancy taxes to the hotel operator on the portion of the customer payment we retain. Some jurisdictions have questioned our practice in this regard. While the applicable tax provisions vary among the jurisdictions, we generally believe that we are not required to collect and remit such occupancy taxes. We are engaged in discussions with tax authorities in various jurisdictions to resolve this issue. Some tax authorities have brought lawsuits or have levied assessments asserting that we are required to collect and remit occupancy tax. The ultimate resolution in all jurisdictions cannot be determined at this time. We have established a reserve for the potential settlement of issues related to hotel occupancy taxes when determined to be probable and estimable. See Note 14—Commitment and Contingencies for further discussion.

Presentation of Taxes in the Income Statement

We present taxes that we collect from customers and remit to government authorities on a net basis in our consolidated statements of operations.

Derivative Instruments

Derivative instruments are carried at fair value on our consolidated balance sheets. The fair values of the derivative financial instruments generally represent the estimated amounts we would expect to receive or pay upon termination of the contracts as of the reporting date.

At December 31, 2009 and 2008, our derivative instruments primarily consisted of foreign currency forward contracts. These instruments are typically short-term and, as they do not qualify for hedge accounting treatment, we classify the changes in their fair value in other, net. We do not hold or issue financial instruments for speculative or trading purposes.

Through the third quarter of 2008, we had designated cross currency swap agreements as cash flow hedges of certain inter-company loan agreements denominated in currencies other than the lending subsidiaries' functional currency (the "hedged items"). During the third quarter of 2008, we terminated our cross-currency swap agreements for a cost of \$17 million and concurrently capitalized the underlying intercompany loans. As a result of these transactions, we recognized a net gain of less than \$1 million. The fair values of our cross-currency swaps were determined using Level 2 valuation techniques and were based on the present value of net future cash payments and receipts, which fluctuated based on changes in market interest rates and the euro/U.S. dollar exchange rate, and the hedges were determined to be highly effective, at designation and up until settlement during the third quarter of 2008. As such, we recorded the total change in the fair value of the hedges in other comprehensive income ("OCI") each period, and concurrently reclassified a portion of the gain or loss

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

to other, net to perfectly offset gains or losses related to transactional remeasurement of the hedged items.

Foreign Currency Translation and Transaction Gains and Losses

Certain of our operations outside of the United States use the related local currency as their functional currency. We translate revenue and expense at average rates of exchange during the period. We translate assets and liabilities at the rates of exchange as of the consolidated balance sheet dates and include foreign currency translation gains and losses as a component of accumulated OCI. Due to the nature of our operations and our corporate structure, we also have subsidiaries that have significant transactions in foreign currencies other than their functional currency. We record transaction gains and losses in our consolidated statements of operations related to the recurring remeasurement and settlement of such transactions.

To the extent practicable, we attempt to minimize this exposure by maintaining natural hedges between our current assets and current liabilities of similarly denominated foreign currencies. Additionally, during 2008, we began using foreign currency forward contracts to economically hedge certain merchant revenue exposures and in lieu of holding certain foreign currency cash and accounts receivable for the purpose of economically hedging our foreign currency-denominated operating liabilities. Valuation of the foreign currency forward contracts is based on foreign currency exchange rates in active markets (a Level 2 input). As of December 31, 2009 and 2008, we had a net forward asset of less than \$1 million recorded in prepaid expenses and other current assets and a net forward liability of \$1 million recorded in accrued expenses and other current liabilities. We recorded \$32 million in net gains and \$56 million in net losses from foreign currency forward contracts during 2009 and 2008.

Debt Issuance Costs

We defer costs we incur to issue debt and amortize these costs to interest expense over the term of the debt or, when the debt can be redeemed at the option of the holders, over the term of the redemption option.

Marketing Promotions

We periodically provide incentive offers to our customers to encourage booking of travel products and services. Generally, our incentive offers are as follows:

Current Discount Offers. These promotions include dollar off discounts to be applied against current purchases. We record the discounts as reduction in revenue at the date we record the corresponding revenue transaction.

Inducement Offers. These promotions include discounts granted at the time of a current purchase to be applied against a future qualifying purchase. We treat inducement offers as a reduction to revenue based on estimated future redemption rates. We allocate the discount amount between the current purchase and the potential future purchase based on our expected relative value of the transactions. We estimate our redemption rates using our historical experience for similar inducement offers.

Concession Offers. These promotions include discounts to be applied against a future purchase to maintain customer satisfaction. Upon issuance, we record these concession offers as a reduction to

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

revenue based on estimated future redemption rates. We estimate our redemption rates using our historical experience for concession offers.

Loyalty and Points Based Offers. We offer certain internally administered traveler loyalty programs to our customers, such as our hotels.com welcomerewards program. Welcomerewards offers travelers one free night at any hotels.com partner property after that traveler stays 10 nights, subject to certain restrictions. As travelers accumulate points towards free travel products, we record a liability for the estimated future cost of redemptions. We determine the future redemption obligation based on judgment factors including: (i) the estimated cost of travel products to be redeemed, and (ii) an estimated redemption rate based on the overall accumulation and usage of points towards free travel products, which is determined through current and historical trends as well as statistical modeling techniques.

Advertising Expense

We incur advertising expense consisting of offline costs, including television and radio advertising, and online advertising expense to promote our brands. We expense the production costs associated with advertisements in the period in which the advertisement first takes place. We expense the costs of communicating the advertisement (e.g., television airtime) as incurred each time the advertisement is shown. For the years ended December 31, 2009, 2008 and 2007, our advertising expense was \$543 million, \$598 million and \$539 million. As of both December 31, 2009 and 2008, we had \$10 million of prepaid marketing expenses included in prepaid expenses and other current assets.

Stock-Based Compensation

We measure and amortize the fair value of stock options and restricted stock units ("RSUs") as follows:

Stock Options. We measure the value of stock options issued or modified, including unvested options assumed in acquisitions, on the grant date (or modification or acquisition dates, if applicable) at fair value, using the Black-Scholes option valuation model. The Black-Scholes model incorporates various assumptions including expected volatility, expected term and risk-free interest rates. The expected volatility is based on historical volatility of our common stock and other relevant factors. We base our expected term assumptions on our historical experience and on the terms and conditions of the stock awards granted to employees. We amortize the fair value, net of estimated forfeitures, over the remaining vesting term on a straight-line basis. The majority of our stock options vest over four years.

Restricted Stock Units. RSUs are stock awards that are granted to employees entitling the holder to shares of common stock as the award vests, typically over a five-year period. We measure the value of RSUs at fair value based on the number of shares granted and the quoted price of our common stock at the date of grant. We amortize the fair value, net of estimated forfeitures, as stock-based compensation expense over the vesting term on a straight-line basis. We record RSUs that may be settled by the holder in cash, rather than shares, as a liability and we remeasure these instruments at fair value at the end of each reporting period. Upon settlement of these awards, our total compensation expense recorded over the vesting period of the awards will equal the settlement amount, which is based on our stock price on the settlement date.

Performance-based RSUs vest upon achievement of certain company-based performance conditions. On the date of grant, we determine the fair value of the performance-based award based on

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

the fair value of our common stock at that time and we assess whether it is probable that the performance targets will be achieved. If assessed as probable, we record compensation expense for these awards over the estimated performance period using the accelerated method. At each reporting period, we reassess the probability of achieving the performance targets and the performance period required to meet those targets. The estimation of whether the performance targets will be achieved and of the performance period required to achieve the targets requires judgment, and to the extent actual results or updated estimates differ from our current estimates, the cumulative effect on current and prior periods of those changes will be recorded in the period estimates are revised, or the change in estimate will be applied prospectively depending on whether the change affects the estimate of total compensation cost to be recognized or merely affects the period over which compensation cost is to be recognized. The ultimate number of shares issued and the related compensation expense recognized will be based on a comparison of the final performance metrics to the specified targets.

Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive these awards, and subsequent events are not indicative of the reasonableness of our original estimates of fair value. In determining the estimated forfeiture rates for stock-based awards, we periodically conduct an assessment of the actual number of equity awards that have been forfeited to date as well as those expected to be forfeited in the future. We consider many factors when estimating expected forfeitures, including the type of award, the employee class and historical experience. The estimate of stock awards that will ultimately be forfeited requires significant judgment and to the extent that actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period such estimates are revised.

Earnings Per Share

We compute basic earnings per share by taking net income (loss) attributable to Expedia, Inc. available to common stockholders divided by the weighted average number of common and Class B common shares outstanding during the period excluding restricted stock and stock held in escrow. Diluted earnings per share include the potential dilution that could occur from stock-based awards and other stock-based commitments using the treasury stock or the as if converted methods, as applicable. For additional information on how we compute earnings per share, see Note 11—Earnings Per Share.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, restricted cash and cash equivalents and short-term investments reported on our consolidated balance sheets approximate fair value as we maintain them with various high-quality financial institutions. The accounts receivable are short-term in nature and are generally settled shortly after the sale.

Certain Risks and Concentrations

Our business is subject to certain risks and concentrations including dependence on relationships with travel suppliers, primarily airlines and hotels, dependence on third-party technology providers, exposure to risks associated with online commerce security and credit card fraud. We also rely on global distribution system partners and third-party service providers for certain fulfillment services, including one third-party service provider for which we accounted for approximately 36% of its total revenue for the year ended December 31, 2008 and approximately 43% of its total revenue for the nine months ended September 30, 2009.

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

Financial instruments, which potentially subject us to concentration of credit risk, consist primarily of cash and cash equivalents. We maintain some cash and cash equivalents balances with financial institutions that are in excess of Federal Deposit Insurance Corporation insurance limits. Our cash and cash equivalents are primarily composed of government and prime institutional money market funds as well as bank (both interest and non-interest bearing) account balances denominated in U.S. dollars, Canadian dollars, euros and British pound sterling.

Contingent Liabilities

We have a number of regulatory and legal matters outstanding, as discussed further in Note 14—Commitments and Contingencies. Periodically, we review the status of all significant outstanding matters to assess the potential financial exposure. When (i) it is probable that an asset has been impaired or a liability has been incurred and (ii) the amount of the loss can be reasonably estimated, we record the estimated loss in our consolidated statements of operations. We provide disclosure in the notes to the consolidated financial statements for loss contingencies that do not meet both these conditions if there is a reasonable possibility that a loss may have been incurred that would be material to the financial statements. Significant judgment is required to determine the probability that a liability has been incurred and whether such liability is reasonably estimable. We base accruals made on the best information available at the time which can be highly subjective. The final outcome of these matters could vary significantly from the amounts included in the accompanying consolidated financial statements.

New Accounting Pronouncements

In June 2009, the FASB issued guidance on the consolidation of variable interest entities, which is effective for fiscal years beginning after November 15, 2009. The new guidance requires revised evaluations of whether entities represent variable interest entities, ongoing assessments of control over such entities, and additional disclosures for variable interests. We are currently evaluating the impact the adoption of this guidance will have on our consolidated financial statements.

In October 2009, the FASB issued guidance on revenue recognition to require companies to allocate revenue in multiple-element arrangements based on an element's estimated selling price if vendor-specific or other third-party evidence of value is not available. This guidance is effective beginning January 1, 2011 with earlier application permitted. We are currently evaluating both the timing and the impact the adoption of this guidance will have on our consolidated financial statements.

In January 2010, the FASB issued guidance that requires reporting entities to make new disclosures about recurring or nonrecurring fair-value measurements including significant transfers into and out of Level 1 and Level 2 fair value measurements and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair value measurements. The guidance is effective for annual reporting periods beginning after December 15, 2009, except for Level 3 reconciliation disclosures that are effective for annual periods beginning after December 15, 2010. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

NOTE 3—Acquisitions and Other Investments

In 2009, we acquired a China-based metasearch company as well as a controlling interest in a company we initially invested in during 2007 (see additional disclosure below). The purchase price of these companies totaled \$42 million, which was paid in cash during the year. As a result of these

Expedia, Inc.**Notes to Consolidated Financial Statements (Continued)**

acquisitions, we acquired \$7 million in cash and minimal net assets and recorded \$52 million in goodwill, \$24 million of intangible assets with definite lives with a weighted average amortization life of 6.6 years, and \$15 million in noncontrolling interest. In addition, during 2009, we paid \$10 million of contingent purchase consideration under prior acquisitions as well as other acquisition related-costs.

The purchase price allocation of these acquisitions is preliminary for up to 12 months after the acquisition dates and subject to revision, and any change to the fair value of net assets acquired will lead to a corresponding change to the purchase price allocable to goodwill on a retroactive basis. The results of operations of each of the acquired businesses have been included in our consolidated results from each transaction closing date forward; their effect on consolidated revenue and operating income during 2009 was not significant.

In 2008, we acquired four online travel media content companies, one corporate travel company and two online travel product and service companies, which includes Venere, an online travel provider based in Italy that focuses on hotel reservations under an agency model. The purchase price of these companies as well as contingent purchase consideration under prior acquisitions and other acquisition-related costs totaled \$475 million, of which \$465 million was paid in cash and \$10 million was accrued as of December 31, 2008. The results of operations of each of the acquired businesses have been included in our consolidated results from each transaction closing date forward; their effect on consolidated revenue and operating loss during 2008 was not significant. The following table summarizes the allocation of the purchase price for all acquisitions made in 2008, in thousands:

Goodwill	\$ 328,449
Intangible assets with definite lives(1)	112,968
Intangible assets with indefinite lives	47,641
Net liabilities and non-controlling interests acquired, which includes \$21,480 of cash acquired	(14,486)
Total	\$ 474,572

- (1) Acquired intangible assets primarily consist of supplier relationship assets with a weighted average life of 10.6 years and technology assets with a weighted average life of 3 years. In total, the weighted average life of acquired intangible assets was 8.3 years.

In one of the 2008 transactions, we acquired a 74% controlling interest with certain rights whereby we may acquire, and the minority shareholders may sell to us, the additional shares of the company at fair value at various times through 2011. In another of the 2008 transactions, we acquired an 86% controlling interest with certain rights whereby we may acquire, and the minority shareholders may sell to us, the additional shares of the company at fair value, or at an adjusted fair value at our option, during a 30-day period beginning October 1, 2012. Future changes in fair value of the shares for which the minority holders may sell to us above the initial noncontrolling interest basis will be recorded to the noncontrolling interest, classified in other long-term liabilities, and as charges or credits to retained earnings (or additional paid-in capital in the absence of retained earnings). During 2009, we recorded \$8 million related to the change in fair value of redeemable noncontrolling interests. The fair value was determined based on various valuation techniques, including market comparables and discounted cash flow projections (Level 3 inputs).

In 2007, we acquired three travel-related companies. The purchase price of these and other acquisition related costs totaled \$152 million, \$60 million of which we paid in cash and \$92 million of which was accrued at December 31, 2007 as a result of the financial performance of one of the

Expedia, Inc.**Notes to Consolidated Financial Statements (Continued)**

acquired companies during 2007. As a result of these acquisitions, we recorded \$126 million in goodwill and \$18 million of intangible assets with definite lives. The results of operations of each of the acquired businesses have been included in our consolidated results from each transaction closing date forward; their effect on consolidated net revenue and operating income during 2007 was not significant. The December 31, 2007 accrued purchase consideration represented \$92 million of \$100 million total additional purchase price that could be achieved based on the annual results of 2007 or 2008, or the two periods combined. Based on the 2007 and 2008 annual results of the acquiree, we ultimately paid the total additional achievable purchase price of \$100 million, \$93 million of which was paid in 2008 and \$7 million of which was paid in 2009.

During 2007, we also acquired a 50% ownership interest in a travel company for \$26 million in cash. We included this investment in long-term investments and other assets and accounted for it under the equity-method. In 2009, we acquired an additional interest for \$3 million in cash, which was included within the 2009 total purchase price above, and resulted in a 60% majority ownership interest and our consolidation of this entity. In conjunction with our acquisition of additional interest, we remeasured our previously held equity interest to fair value and recognized a loss of \$5 million in other, net during the period. The fair value of the 40% noncontrolling interest in the company was estimated to be \$15 million at the time of acquisition. Both fair value assessments were determined based on various valuation techniques, including market comparables and discounted cash flow projections (Level 3 inputs). Our investment agreement contains certain rights, whereby we may acquire and the investee may sell to us the additional shares of the company, at fair value or at established multiples of future earnings at our discretion, during the first quarter of 2011 and 2013. As the noncontrolling interest is redeemable at the option of the minority holders, we classified the balance as an other long-term liability.

NOTE 4—Property and Equipment, Net

Our property and equipment consists of the following:

	December 31,	
	2009	2008
	(In thousands)	
Capitalized software development	\$ 355,088	\$ 286,935
Computer equipment	100,451	103,866
Furniture and other equipment	65,098	57,423
Leasehold improvements	68,832	64,620
	<u>589,469</u>	<u>512,844</u>
Less: accumulated depreciation	(372,050)	(292,650)
Projects in progress	19,401	27,760
Property and equipment, net	<u>\$ 236,820</u>	<u>\$ 247,954</u>

As of December 31, 2009 and 2008, our recorded capitalized software development costs, net of accumulated amortization, were \$125 million and \$122 million. For the years ended December 31, 2009, 2008, and 2007, we recorded amortization of capitalized software development costs of \$63 million, \$47 million and \$36 million, most of which is included in technology and content expenses.

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

NOTE 5—Goodwill and Intangible Assets, Net

The following table presents our goodwill and intangible assets as of December 31, 2009 and 2008:

	December 31,	
	2009	2008
	(In thousands)	
Goodwill	\$ 3,603,994	\$ 3,538,569
Intangible assets with indefinite lives	690,028	689,541
Intangible assets with definite lives, net	133,003	143,878
	<u>\$ 4,427,025</u>	<u>\$ 4,371,988</u>

Impairment Assessments. We perform our annual assessment of possible impairment of goodwill and indefinite-lived intangible assets as of October 1, or more frequently if events and circumstances indicate that impairment may have occurred. As of October 1, 2009, we had no impairments.

For 2008, we performed our annual impairment assessment for goodwill and indefinite-lived intangible assets as of October 1, 2008 and determined we had no impairment as of that date. However, during the fourth quarter of 2008, we experienced a significant decline in our stock price and operating results in part due to an increased negative impact of foreign exchange rates and the continued weakness in the macroeconomic environment. Based on these and other contributing factors, we concluded that sufficient indicators existed to require us to perform an interim assessment of goodwill and indefinite-lived intangible assets as of December 1, 2008. Accordingly, we performed an interim first step of our impairment assessment for each of our reporting units and determined there was a potential impairment of goodwill in certain reporting units. Therefore, we performed the second step of the assessment in which we compared the implied fair value of those reporting unit's goodwill to the book value of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the estimated fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including both recognized and unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the estimated fair value of the reporting unit was the purchase price paid. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that unit's goodwill, an impairment loss is recognized in an amount equal to that excess.

We measured the fair value of each of our reporting units and both our indefinite-lived and definite lived intangible assets using accepted valuation techniques as described above in Note 2—Significant Accounting Policies. The significant estimates used included our weighted average cost of capital, long-term rate of growth and profitability of our business, and working capital effects. Our assumptions were based on the actual historical performance of each of the reporting units and take into account the recent weakening of operating results and implied risk premiums based on market prices of our equity and debt as of the assessment date. To validate the reasonableness of the reporting unit fair values, we reconciled the aggregate fair values of the reporting units determined in step one to the enterprise market capitalization. Enterprise market capitalization includes, among other factors, the fully diluted market capitalization of our stock, an acquisition premium based on historical data from acquisitions within the same or similar industries and the appropriate redemption values of our debt. In performing the reconciliation we may, depending on the volatility of the market value of our stock price, use either the stock price on the valuation date or the average stock price over a range of dates around that date and consider such other quantitative and qualitative factors we consider relevant, which may change depending on the date for which the assessment is made. This assessment resulted in

Expedia, Inc.**Notes to Consolidated Financial Statements (Continued)**

the recognition in the fourth quarter of 2008 of a loss on impairment of long-term assets of approximately \$3 billion, which consists of \$2.8 billion of goodwill and \$223 million of indefinite-lived trade names. A deferred tax benefit of \$189 million was recognized as a result of these charges. Of the \$2.8 billion goodwill impairment charge in 2008, \$2.0 billion related to our North America segment, \$759 million to our Europe segment and \$21 million in our Asia Pacific segment based on our segments for the year ended December 31, 2008. Based on our new segments for 2009, \$2.5 billion of the goodwill impairment would have related to our Leisure segment and \$282 million to our TripAdvisor Media Network segment. Of the \$223 million indefinite-lived trade name impairment charge in 2008, \$128 million related to trade names in our North America segment, \$73 million in our Europe segment and \$22 million in our Asia Pacific segment based on our segments for the year ended December 31, 2008. Based on our new segments for 2009, all such impairments would have related to our Leisure segment.

We determined that the adverse change in the business climate discussed above was also an indicator requiring the testing of our long-lived assets for recoverability and performed this test as of December 1, 2008. We tested the long-lived assets of our reporting units for recoverability based on a comparison of the respective aggregate values of their undiscounted cash flows to the respective carrying values. The results of the evaluation indicated that the carrying values of the related assets were recoverable. In addition to the above impairment analysis, during the fourth quarter of 2008, we wrote off \$11 million related to capitalized software costs based on the abandonment of the related project.

Goodwill. The following table presents the changes in goodwill by reportable segment:

	<u>Leisure</u>	<u>TripAdvisor Media Network</u>	<u>Egencia</u>	<u>Total</u>
	(In thousands)			
Balance as of January 1, 2009	\$ 2,790,678	\$ 704,749	\$ 43,142	\$ 3,538,569
Additions	23,781	29,505	—	53,286
Foreign exchange translation	8,849	1,002	2,288	12,139
Balance as of December 31, 2009	<u>\$ 2,823,308</u>	<u>\$ 735,256</u>	<u>\$ 45,430</u>	<u>\$ 3,603,994</u>

In 2009, the additions to goodwill relate primarily to our acquisitions as described in Note 3—Acquisitions and Other Investments.

Indefinite-lived Intangible Assets. Our indefinite-lived intangible assets relate principally to trade names and trademarks acquired in various acquisitions.

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

Intangible Assets with Definite Lives. The following table presents the components of our intangible assets with definite lives as of December 31, 2009 and 2008:

	December 31, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
	(In thousands)					
Supplier relationships	\$ 287,469	\$ (230,732)	\$ 56,737	\$ 280,484	\$ (220,612)	\$ 59,872
Technology	228,645	(202,997)	25,648	221,166	(195,941)	25,225
Distribution agreements	177,426	(177,426)	—	177,426	(177,155)	271
Affiliate agreements	34,782	(22,243)	12,539	34,782	(18,381)	16,401
Customer lists	28,259	(22,475)	5,784	26,540	(21,895)	4,645
Domain names	11,770	(10,599)	1,171	11,678	(8,500)	3,178
Other	92,902	(61,778)	31,124	81,659	(47,373)	34,286
Total	<u>\$ 861,253</u>	<u>\$ (728,250)</u>	<u>\$ 133,003</u>	<u>\$ 833,735</u>	<u>\$ (689,857)</u>	<u>\$ 143,878</u>

Amortization expense was \$38 million, \$69 million and \$78 million for the years ended December 31, 2009, 2008 and 2007. The estimated future amortization expense related to intangible assets with definite lives as of December 31, 2009, assuming no subsequent impairment of the underlying assets, is as follows, in thousands:

2010	\$ 32,843
2011	24,723
2012	19,180
2013	13,686
2014	9,207
2015 and thereafter	33,364
Total	<u>\$ 133,003</u>

NOTE 6—Debt

The following table sets forth our outstanding debt:

	December 31, 2009	December 31, 2008
	(In thousands)	
8.5% senior notes due 2016, net of discount	\$ 395,086	\$ 394,548
7.456% senior notes due 2018	500,000	500,000
Long-term debt	895,086	894,548
Credit facility	—	650,000
Total long-term indebtedness	<u>\$ 895,086</u>	<u>\$ 1,544,548</u>

Long-term Debt

Our \$400 million of senior unsecured notes outstanding at December 31, 2009 are due in July 2016 and bear interest at 8.5% (the "8.5% Notes"). The 8.5% Notes were issued at 98.572% of par resulting in a discount, which is being amortized over their life. Interest is payable semi-annually in January and

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

July of each year. The 8.5% Notes include covenants that limit our ability to (i) incur additional indebtedness, (ii) pay dividends or make restricted payments, (iii) dispose of assets, (iv) create or incur liens, (v) enter into sale/leaseback transactions and (vi) merge or consolidate with or into another entity. Certain of these covenants in the 8.5% Notes, including the covenants limiting our ability to incur additional indebtedness, pay dividends or make restricted payments and dispose of assets, will be suspended during any time that the 8.5% Notes have an investment grade rating from both Standard and Poor's and Moody's and no default exists under the 8.5% Note indenture. The 8.5% Notes are repayable in whole or in part upon the occurrence of a change of control, at the option of the holders, at a purchase price in cash equal to 101% of the principal plus accrued interest. Prior to July 1, 2011, in the event of a qualified equity offering, we may redeem up to 35% of the 8.5% Notes at a redemption price of 108.5% of the principal plus accrued interest. Additionally, we may redeem the 8.5% Notes prior to July 1, 2012 in whole or in part at a redemption price of 100% of the principal plus accrued interest, plus a "make-whole" premium. On or after July 1, 2012, we may redeem the 8.5% Notes in whole or in part at specified prices ranging from 104.250% to 100% of the principal plus accrued interest.

Our \$500 million in registered senior unsecured notes outstanding at December 31, 2009 are due in August 2018 and bear interest at 7.456% (the "7.456% Notes"). Interest is payable semi-annually in February and August of each year. The 7.456% Notes include covenants that limit our ability (i) to enter into sale/leaseback transactions, (ii) to create or incur liens and (iii) to merge or consolidate with or into another entity. The 7.456% Notes are repayable in whole or in part on August 15, 2013, at the option of the holders of such 7.456% Notes, at 100% of the principal amount plus accrued interest. We may redeem the 7.456% Notes in accordance with the terms of the agreement, in whole or in part at any time at our option.

Based on quoted market prices, the fair value of our 7.456% Notes was approximately \$546 million and \$365 million as of December 31, 2009 and 2008, and the fair value of the 8.5% Notes was approximately \$431 million and \$280 million as of December 31, 2009 and 2008.

The 7.456% and 8.5% Notes are senior unsecured obligations guaranteed by certain domestic Expedia subsidiaries and rank equally in right of payment with all of our existing and future unsecured and unsubordinated obligations. For further information, see Note 19—Guarantor and Non-Guarantor Supplemental Financial Information. Accrued interest related to the 7.456% and 8.5% Notes was \$31 million and \$32 million as of December 31, 2009 and 2008.

Credit Facility

As of December 31, 2009, Expedia, Inc. maintained a \$1 billion unsecured revolving credit facility with a group of lenders, which was unconditionally guaranteed by certain Expedia subsidiaries and was expected to expire in August 2010. There were no amounts outstanding as of December 31, 2009. As of December 31, 2008, the \$650 million carrying amount of the borrowing approximated its fair value. The facility bore interest based on market interest rates plus a spread, which was determined based on our financial leverage. The interest rate was 1.34% as of December 31, 2008. During 2009, we amended our credit facility to replace a tangible net worth covenant with a minimum interest coverage covenant, among other changes. As part of this amendment, our leverage ratio was tightened, pricing on our borrowings increased by 200 basis points and we paid approximately \$6 million in fees. The annual fee to maintain the facility ranged from 0.4% to 0.5% on the unused portion of the facility, or approximately \$4 million to \$5 million if all of the facility was unused. In addition to the minimum interest coverage covenant, the facility also contained a leverage ratio financial covenant.

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

The amount of stand-by letters of credit ("LOC") issued under the facility reduced the amount available to us. As of December 31, 2009 and 2008, there were \$42 million and \$58 million of outstanding stand-by LOCs issued under the facility.

In February 2010, we reached agreement on a new \$750 million, three-year unsecured revolving credit facility, replacing our prior credit facility. Pricing is based on the Company's credit ratings, with drawn amounts bearing interest at LIBOR plus 300 basis points, and undrawn amounts bearing interest at 50 basis points. Financial covenants remain the same under the new facility. We incurred approximately \$8 million in fees, which will be amortized over the life of the credit facility. As of February 11, 2010, we had no borrowings outstanding under the facility.

NOTE 7—Employee Benefit Plans

Our U.S. employees are generally eligible to participate in a retirement and savings plan that qualifies under Section 401(k) of the Internal Revenue Code. Participating employees may contribute up to 50% of their pretax salary, but not more than statutory limits. We contribute fifty cents for each dollar a participant contributes in this plan, with a maximum contribution of 3% of a participant's earnings. Our contribution vests with the employee after the employee completes two years of service. Participating employees have the option to invest in our common stock, but there is no requirement for participating employees to invest their contribution or our matching contribution in our common stock. We also have various defined contribution plans for our international employees. Our contributions to these benefit plans were \$11 million, \$12 million and \$9 million for the years ended December 31, 2009, 2008 and 2007.

NOTE 8—Stock-Based Awards and Other Equity Instruments

Pursuant to the Amended and Restated Expedia, Inc. 2005 Stock and Annual Incentive Plan, we may grant restricted stock, restricted stock awards, RSUs, stock options and other stock-based awards to directors, officers, employees and consultants. As of December 31, 2009, we had approximately 31 million shares of common stock reserved for new stock-based awards under the 2005 Stock and Annual Incentive Plan. We issue new shares to satisfy the exercise or release of stock-based awards.

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

The following table presents a summary of our stock option activity:

	<u>Options</u> <u>(In thousands)</u>	<u>Weighted</u> <u>Average</u> <u>Exercise Price</u>	<u>Remaining</u> <u>Contractual Life</u> <u>(In years)</u>	<u>Aggregate</u> <u>Intrinsic Value</u> <u>(In thousands)</u>
Balance as of January 1, 2007	23,133	\$ 16.52		
Exercised	(13,242)	10.30		
Cancelled	(216)	29.61		
Balance as of December 31, 2007	9,675	24.74		
Granted	1,275	8.14		
Exercised	(618)	10.14		
Cancelled	(498)	29.14		
Balance as of December 31, 2008	9,834	23.29		
Granted	10,324	7.83		
Exercised	(879)	17.88		
Cancelled	(1,278)	16.46		
Balance as of December 31, 2009	18,001	15.17	5.3	\$ 216,564
Exercisable as of December 31, 2009	3,446	19.21	1.6	24,707
Vested and expected to vest after December 31, 2009	15,610	16.29	5.1	171,683

The aggregate intrinsic value of outstanding options shown in the stock option activity table above represents the total pretax intrinsic value at December 31, 2009, based on our closing stock price of \$25.73 as of the last trading date. The total intrinsic value of stock options exercised was \$6 million, \$7 million and \$299 million for the years ended December 31, 2009, 2008 and 2007.

During 2009, we awarded stock options as our primary form of stock-based compensation. During 2008, we also granted stock options to certain key employees. The fair value of stock options granted during the year ended December 31, 2009 and 2008 was estimated at the date of grant using the Black-Scholes option-pricing model, assuming no dividends and the following weighted average assumptions:

	<u>2009</u>	<u>2008</u>
Risk-free interest rate	1.75%	2.18%
Expected volatility	49.96%	45.63%
Expected life (in years)	4.72	4.54
Weighted-average estimated fair value of options granted during the year	\$ 3.31	\$ 3.38

In 2007, our Chairman and Senior Executive exercised options to purchase 9.5 million shares. 2.3 million shares were withheld and concurrently cancelled by the Company to cover the exercise price of \$8.59 per share and 3.5 million shares were withheld and concurrently cancelled to cover tax obligations, with a net delivery of 3.7 million shares.

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

The following table presents a summary of our stock options outstanding and exercisable at December 31, 2009:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Shares (In thousands)	Weighted-Average Price Per Share	Remaining Contractual Life (In years)	Shares (In thousands)	Weighted-Average Exercise Price
\$ 0.01 - \$ 5.00	160	\$ 4.09	3.0	160	\$ 4.09
5.01 - 8.00	9,069	7.38	6.3	66	7.41
8.01 - 12.00	1,622	9.12	6.7	160	9.59
12.01 - 18.00	854	14.98	3.0	668	14.90
18.01 - 25.00	2,074	19.68	1.1	1,970	20.55
25.01 - 35.00	2,728	28.39	5.1	328	27.66
35.01 - 45.00	1,481	38.43	5.2	81	39.72
45.01 - 97.00	13	60.50	0.1	13	60.50
0.01 - 97.00	<u>18,001</u>	<u>15.17</u>	<u>5.3</u>	<u>3,446</u>	<u>19.21</u>

RSUs, which are stock awards that are granted to employees entitling the holder to shares of our common stock as the award vests, were our primary form of stock-based award prior to 2009. We record RSUs that will settle in cash as a liability and we remeasure them to fair value at the end of each reporting period. These awards that settle in cash and the resulting liability are insignificant. Our RSUs generally vest over five years, but may accelerate in certain circumstances, including certain changes in control.

The following table presents a summary of RSU activity:

	RSU's (In thousands)	Weighted Average Grant-Date Fair Value
Balance as of January 1, 2007	7,521	\$ 20.72
Granted	3,768	22.92
Vested and released	(1,538)	21.72
Cancelled	(1,489)	21.20
Balance as of December 31, 2007	<u>8,262</u>	<u>21.43</u>
Granted	4,123	21.78
Vested and released	(1,846)	21.76
Cancelled	(1,493)	22.20
Balance as of December 31, 2008	<u>9,046</u>	<u>21.41</u>
Granted	988	9.10
Vested and released	(2,362)	21.69
Cancelled	(1,107)	21.01
Balance as of December 31, 2009	<u>6,565</u>	<u>19.50</u>

The total fair value of shares vested and released during the years ended December 31, 2009, 2008 and 2007 was \$27 million, \$42 million and \$37 million. Included in RSUs outstanding at December 31, 2009 are 800,000 of RSUs awarded to our Chief Executive Officer, for which vesting is tied to achievement of performance targets.

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Notes to Consolidated Financial Statements (Continued)

In 2009, 2008 and 2007, we recognized total stock-based compensation expense of \$62 million, \$61 million and \$63 million. The total income tax benefit related to stock-based compensation expense was \$20 million, \$21 million and \$22 million for 2009, 2008 and 2007.

Cash received from stock-based award exercises for the years ended December 31, 2009 and 2008 was \$16 million and \$6 million. Our employees that held IAC vested stock options prior to the Spin-Off received vested stock options in both Expedia and IAC. As these stock options are exercised, we receive a tax deduction. Total current income tax benefits during the years ended December 31, 2009 and 2008 associated with the exercise of IAC and Expedia stock-based awards held by our employees were \$10 million and \$19 million, of which we recorded less than \$1 million in 2009 and approximately \$2 million in 2008 as a reduction of goodwill.

As of December 31, 2009, there was approximately \$98 million of unrecognized stock-based compensation expense, net of estimated forfeitures, related to unvested stock-based awards, which is expected to be recognized in expense over a weighted-average period of 2.67 years.

We have fully vested stock warrants with expiration dates through May 2012 outstanding. Each stock warrant is exercisable for a certain number of shares of our common stock or a fraction thereof. We also had certain warrants which were traded on the NASDAQ under the symbols "EXPEW" and "EXPEZ" until their expiration on February 4, 2009.

The following table presents a summary of our stock warrants (equivalent shares) from December 31, 2008 through December 31, 2009:

<u>Expiration Date</u>	<u>Outstanding Warrants at December 31, 2008</u>	<u>(In thousands, except per warrant data)</u>		<u>Outstanding Warrants at December 31, 2009</u>	<u>Weighted Average Exercise Price</u>
		<u>Exercised</u>	<u>Cancelled</u>		
May 2012	16,094	—	—	16,094	\$ 25.56
February 2009	7,295	—	(7,295)	—	—
February 2009	11,080	—	(11,080)	—	—
November 2009 to May 2010	163	(122)	(38)	3	13.75
	<u>34,632</u>	<u>(122)</u>	<u>(18,413)</u>	<u>16,097</u>	

NOTE 9—Income Taxes

The following table presents a summary of our U.S. and foreign income (loss) before income taxes:

	<u>Year Ended December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<u>(In thousands)</u>		
U.S	\$ 431,599	\$ (2,442,297)	\$ 500,624
Foreign	26,424	(72,407)	(3,640)
Total	<u>\$ 458,023</u>	<u>\$ (2,514,704)</u>	<u>\$ 496,984</u>

Expedia, Inc.**Notes to Consolidated Financial Statements (Continued)**

The following table presents a summary of our income tax expense components:

	Year Ended December 31,		
	2009	2008	2007
	(In thousands)		
Current income tax expense:			
Federal	\$ 127,386	\$ 196,072	\$ 182,960
State	15,604	16,029	16,837
Foreign	24,030	2,907	4,900
Current income tax expense	<u>167,020</u>	<u>215,008</u>	<u>204,697</u>
Deferred income tax (benefit) expense:			
Federal	(7,468)	(188,901)	(8,041)
State	(1,590)	(7,841)	7,062
Foreign	(3,562)	(12,300)	(604)
Deferred income tax benefit:	<u>(12,620)</u>	<u>(209,042)</u>	<u>(1,583)</u>
Income tax expense	<u>\$ 154,400</u>	<u>\$ 5,966</u>	<u>\$ 203,114</u>

For all periods presented, we have computed current and deferred tax expense using our stand-alone effective tax rate. As of December 31, 2009, our current income tax payable represents amounts that we will pay to the Internal Revenue Service ("IRS") and other tax authorities based on our taxable income.

We reduced our current income tax payable by \$10 million, \$19 million and \$121 million for the years ended December 31, 2009, 2008 and 2007, for tax deductions attributable to stock-based compensation. We recorded less than \$1 million for 2009, \$2 million for 2008 and \$9 million for 2007 of the related income tax benefits of this stock-based compensation as a reduction of goodwill.

Expedia, Inc.**Notes to Consolidated Financial Statements (Continued)**

The tax effect of cumulative temporary differences and net operating losses that give rise to our deferred tax assets and deferred tax liabilities as of December 31, 2009 and 2008 are as follows:

	December 31,	
	2009	2008
	(In thousands)	
Deferred tax assets:		
Provision for accrued expenses	\$ 56,824	\$ 26,395
Deferred revenue	16,620	16,646
Net operating loss and tax credit carryforwards	36,243	31,536
Capitalized R&D expenditures	7,121	10,779
Stock-based compensation	45,210	48,110
Investment impairment	8,572	8,586
Other	13,560	10,360
Total deferred tax assets	184,150	152,412
Less valuation allowance	(45,715)	(32,085)
Net deferred tax assets	\$ 138,435	\$ 120,327
Deferred tax liabilities:		
Prepaid merchant bookings and prepaid expenses	\$ (53,854)	\$ (44,647)
Intangible assets	(222,313)	(220,379)
Investment in subsidiaries	(8,421)	(10,449)
Unrealized gains	(14,480)	(12,946)
Property and equipment	(41,849)	(25,848)
Total deferred tax liabilities	\$ (340,917)	\$ (314,269)
Net deferred tax liability	\$ (202,482)	\$ (193,942)

At December 31, 2009, we had federal, state and foreign net operating loss carryforwards ("NOLs") of approximately \$8 million, \$23 million and \$88 million. If not utilized, the federal and state NOLs will expire at various times between 2010 and 2029, \$81 million foreign NOLs can be carried forward indefinitely, and \$7 million foreign NOLs will expire at various times between 2010 and 2029.

At December 31, 2009, we had a valuation allowance of approximately \$46 million related to the portion of net operating loss carryforwards and other items for which it is more likely than not that the tax benefit will not be realized. This amount represented an increase of approximately \$14 million over the amount recorded as of December 31, 2008 and was primarily attributable to an increase in foreign operating losses.

We have not provided deferred U.S. income taxes on undistributed earnings of certain foreign subsidiaries that we intend to reinvest permanently outside of the United States; the total amount of such earnings as of December 31, 2009 was \$72 million. Should we distribute earnings of foreign subsidiaries in the form of dividends or otherwise, we may be subject to U.S. income taxes. Due to complexities in tax laws and various assumptions that would have to be made, it is not practicable to estimate the amount of unrecognized deferred U.S. taxes on these earnings.

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

A reconciliation of total income tax expense to the amounts computed by applying the statutory federal income tax rate to income before income taxes is as follows:

	Year Ended December 31,		
	2009	2008	2007
	(In thousands)		
Income tax (benefit) expense at the federal statutory rate of 35%	\$ 160,308	\$ (880,146)	\$ 173,944
Non-deductible goodwill impairment	—	855,550	—
Worthless stock deduction	(23,124)	—	—
State income taxes, net of effect of federal tax benefit	7,089	11,317	9,844
Unrecognized tax benefits and related interest	3,923	12,525	4,211
Other, net	6,204	6,720	15,115
Income tax expense	\$ 154,400	\$ 5,966	\$ 203,114

During 2009, we recorded a tax benefit of \$23 million related to a worthless stock deduction associated with the closure of a foreign subsidiary.

By virtue of the previously filed separate company and consolidated income tax returns filed with IAC, we are routinely under audit by federal, state, local and foreign authorities. These audits include questioning the timing and the amount of income and deductions and the allocation of income among various tax jurisdictions. Annual tax provisions include amounts considered sufficient to pay assessments that may result from the examination of prior year returns. We are no longer subject to tax examinations by tax authorities for years prior to 1998.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows, in thousands:

Balance at January 1, 2008	\$ 173,593
Increases to tax positions related to the current year	15,883
Decreases to tax positions related to the prior year	(22,520)
Audit settlements paid during 2008	(4,911)
Interest and penalties	17,794
Balance at December 31, 2008	179,839
Increases to tax positions related to the current year	2,117
Increases to tax positions related to the prior year	21,911
Decreases to tax positions related to the prior year	(11,560)
Audit settlements paid during 2009	(4,351)
Interest and penalties	2,752
Balance at December 31, 2009(1)	<u>\$ 190,708</u>

- (1) As of December 31, 2009, we had \$191 million of unrecognized tax benefits, of which \$190 million is classified as long-term and included in other long-term liabilities.

Included in the balance at December 31, 2009 and 2008 were \$46 million and \$68 million of liabilities for uncertain tax positions that, if recognized, would decrease our provision for income taxes. Also included in the balance at December 31, 2009 were \$128 million, of which \$6 million and

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

\$3 million was added in 2009 and 2008, of excess tax benefits that resulted from our Chairman and Senior Executive's exercises of stock options during 2007 and 2005. If the IRS were to make a final determination that IAC and not Expedia were entitled to such deductions, then under the terms of our tax sharing agreement, IAC would pay to Expedia an amount equal to any such tax benefit at such time as it were actually realized by IAC. Therefore, an unfavorable outcome related to this position would not materially impact our cash flows.

We recognize interest and penalties related to our liabilities for uncertain tax positions in income tax expense. As of December 31, 2009 and 2008, we had approximately \$24 million accrued for both periods for the potential payment of estimated interest and penalties. During the years ended December 31, 2009, 2008 and 2007, we recognized approximately \$(1) million, \$12 million and \$4 million of interest (income) expense, net of federal benefit and penalties, related to our liabilities for uncertain tax positions.

NOTE 10—Stockholders' Equity

Common Stock and Class B Common Stock

Our authorized common stock consists of 1.6 billion shares of common stock with par value of \$0.001 per share, and 400 million shares of Class B common stock with par value of \$0.001 per share. Both classes of common stock qualify for and share equally in dividends, if declared by our Board of Directors, and generally vote together on all matters. Common stock is entitled to one vote per share and Class B common stock is entitled to 10 votes per share. Holders of common stock, voting as a single, separate class are entitled to elect 25% of the total number of directors. Class B common stockholders may, at any time, convert their shares into common stock, on a one for one share basis. Upon conversion, the Class B common stock is retired and is not available for reissue. In the event of liquidation, dissolution, distribution of assets or winding-up of Expedia, Inc., the holders of both classes of common stock have equal rights to receive all the assets of Expedia, Inc. after the rights of the holders of the preferred stock have been satisfied.

Preferred Stock

Our preferred stock has a face value of \$22.23 per share; each share is entitled to an annual dividend of 1.99%. Each preferred stockholder is entitled to two votes per share. Preferred stockholders may, at certain times through 2017, elect to have their shares redeemed or elect to convert their shares into common stock based upon formulas described in the related Certificate of Designations of Series A Cumulative Convertible Preferred Stock of Expedia, Inc. Beginning February 4, 2012, we may redeem the preferred stock for cash or common stock. On February 4, 2022, all outstanding shares of preferred stock automatically convert into common stock.

Share Repurchases

During 2007, we completed two tender offers pursuant to which we acquired 30 million tendered shares of our common stock at a purchase price of \$22.00 per share and 25 million tendered shares of our common stock at \$29.00 per share, for a total cost of \$1.4 billion plus fees and expenses relating to the tender offers.

We currently have authorization, for which there is no fixed termination date, from our Board of Directors to repurchase up to 20 million outstanding shares of our common stock; no such repurchases have been made under this authorization as of February 11, 2010. The number of shares we may repurchase under this authorization is subject to certain of our debt covenants.

Expedia, Inc.**Notes to Consolidated Financial Statements (Continued)*****Dividends on our Common Stock***

On February 10, 2010, the Executive Committee, acting on behalf of the Board of Directors, declared a quarterly cash dividend of \$0.07 per share of outstanding common stock, the first dividend in our history. Future declarations of dividends are subject to final determination of our Board of Directors.

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss), net of tax for 2009 and 2008 is comprised of accumulated foreign currency translation adjustments.

Other Comprehensive Income (Loss)

The following table presents the changes in the components of other comprehensive income (loss), net of tax:

	For the Year Ended December 31,		
	2009	2008	2007
	(In thousands)		
Net income (loss)	\$ 303,623	\$ (2,520,670)	\$ 293,870
Other comprehensive income (loss)			
Currency translation adjustments	19,635	(36,088)	16,768
Unrealized gains (losses) on derivatives, net of taxes:			
Unrealized holding gains (losses), net of tax effect of \$(2,058) in 2008 and \$2,078 in 2007	—	3,614	(5,545)
Less: reclassification adjustment for net (gains) losses recognized during the period, net of tax effect of \$2,255 in 2008 and \$(3,210) in 2007	—	(3,953)	8,563
Comprehensive income (loss)	<u>323,258</u>	<u>(2,557,097)</u>	<u>313,656</u>
Less: Comprehensive income attributable to non-controlling interests	(4,351)	(364)	(2,571)
Comprehensive income (loss) attributable to Expedia, Inc.	<u>\$ 318,907</u>	<u>\$ (2,557,461)</u>	<u>\$ 311,085</u>

NOTE 11—Earnings Per Share***Basic Earnings Per Share***

Basic earnings per share was calculated for the years ended December 31, 2009, 2008 and 2007 using the weighted average number of common and Class B common shares outstanding during the period excluding restricted stock and stock held in escrow. As of December 31, 2009 and 2008, we had 751 shares of preferred stock outstanding, the impact of which on our earnings per share calculation is immaterial.

Diluted Earnings Per Share

For the years ended December 31, 2009, 2008 and 2007, we computed diluted earnings per share using (i) the number of shares of common stock and Class B common stock used in the basic earnings per share calculation as indicated above (ii) if dilutive, the incremental common stock that we would

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

issue upon the assumed exercise of stock options and stock warrants and the vesting of RSUs using the treasury stock method, and (iii) other stock-based commitments.

The following table presents our basic and diluted net income (loss) per share:

	Year Ended December 31,		
	2009	2008	2007
	(In thousands, except per share data)		
Net income (loss) attributable to Expedia, Inc.	\$ 299,526	\$ (2,517,763)	\$ 295,864
Earnings per share attributable to Expedia, Inc. available to common stockholders:			
Basic	\$ 1.04	\$ (8.80)	\$ 1.00
Diluted	1.03	(8.80)	0.94
Weighted average number of shares outstanding:			
Basic	288,214	286,167	296,640
Dilutive effect of:			
Options to purchase common stock	2,842	—	7,384
Warrants to purchase common stock	92	—	7,574
Other dilutive securities	993	—	2,635
Diluted	<u>292,141</u>	<u>286,167</u>	<u>314,233</u>

As we recorded a net loss for 2008, we have revised our diluted earnings per share amounts for that period to exclude the impacts of common stock equivalents, as they are antidilutive. Thus, basic and diluted earnings per share for 2008 are equal.

The earnings per share amounts are the same for common stock and Class B common stock because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

NOTE 12—Restructuring Charges

In conjunction with the reorganization of our business around our global brands, and the resulting centralization of locations and brand management, marketing and administrative personnel as well as certain customer operations centers, we recognized \$34 million in restructuring charges during the year ended December 31, 2009. Restructuring charges related to our brand reorganization were substantially completed by the end of 2009.

The following table summarizes the restructuring activity for the year ended December 31, 2009:

	Employee Severance and Benefits		Other	Total
	(In thousands)			
Accrued liability as of January 1, 2009	\$ —	\$ —	\$ —	\$ —
Charges	31,018	3,150	34,168	34,168
Payments	(11,859)	(1,203)	(13,062)	(13,062)
Non-cash items	(103)	(629)	(732)	(732)
Accrued liability as of December 31, 2009	<u>\$ 19,056</u>	<u>\$ 1,318</u>	<u>\$ 20,374</u>	<u>\$ 20,374</u>

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

NOTE 13—Other Income (Expense)

Other, net

The following table presents the components of other, net:

	For the Year Ended December 31,		
	2009	2008	2007
	(In thousands)		
Foreign exchange rate losses, net	\$ (29,900)	\$ (47,129)	\$ (22,047)
Equity gain (loss) of unconsolidated affiliates	1,185	(979)	(2,614)
Noncontrolling investment basis adjustment	(5,158)	—	—
Gain (loss) on derivative instruments assumed at Spin-Off	(38)	4,600	(5,748)
Federal excise tax refunds	—	—	12,058
Other	(1,453)	(670)	(256)
Total	<u>\$ (35,364)</u>	<u>\$ (44,178)</u>	<u>\$ (18,607)</u>

In 2009, in conjunction with the acquisition of additional interest in one of our equity method investments, we remeasured our previously held equity interest to fair value and recognized the resulting loss of \$5 million.

In 2008, in connection with the closing of an acquisition and the related holding of euros to economically hedge the purchase price, we recognized a net loss of \$21 million, included in foreign exchange rate losses, net.

As a result of the Spin-Off, we assumed certain obligations of IAC related to IAC's Ask Jeeves Notes. When holders of the Ask Jeeves Notes converted their notes, they received shares of both IAC and Expedia common stock. Under the terms of the Spin-Off, we were obligated to issue shares of our common stock to IAC for delivery to the holders of the Ask Jeeves Notes, or pay cash in equal value, in lieu of issuing such shares, at our option. This obligation represented a derivative liability on our consolidated balance sheet because it was not indexed solely to shares of our common stock. We recorded the fair value of this derivative obligation on our consolidated balance sheets with any changes in fair value recorded in our consolidated statements of operations in other, net. The estimated fair value of this liability fluctuated primarily based on changes in the price of our common stock. In 2008, the remainder of these notes converted and we released approximately 0.5 million shares of our common stock with a fair value of \$11 million to satisfy the final conversion requirements. In 2008 and 2007, we recognized net gains (losses) of \$4 million and \$(5) million related to these Ask Jeeves Notes. As of June 1, 2008, we had no further obligations related to the Ask Jeeves Notes.

In 2007, we recorded refunds based on notification from the IRS totaling \$15 million related to Federal Excise Tax ("FET") taxes remitted to the IRS but not collected from customers for airline ticket sales by one of our subsidiaries in the third quarter of 2001 through the third quarter of 2004, plus accrued interest thereon. We recorded \$3 million to revenue as that amount relates to taxes remitted on airline ticket sales subsequent to our acquisition of the subsidiary. We recorded \$12 million to other, net for taxes remitted on airline ticket sales prior to the acquisition and total interest earned on all underlying tax remittances.

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

NOTE 14—Commitments and Contingencies

Letters of Credit, Purchase Obligations and Guarantees

We have commitments and obligations that include purchase obligations, guarantees and LOCs, which could potentially require our payment in the event of demands by third parties or contingent events. The following table presents these commitments and obligations as of December 31, 2009:

	Total	By Period			
		Less than 1 year	1 to 3 years (In thousands)	3 to 5 years	More than 5 years
Purchase obligations	\$ 58,392	\$ 32,255	\$ 26,137	\$ —	\$ —
Guarantees	64,998	64,962	36	—	—
Letters of credit	42,033	42,033	—	—	—
	<u>\$ 165,423</u>	<u>\$ 139,250</u>	<u>\$ 26,173</u>	<u>\$ —</u>	<u>\$ —</u>

Our purchase obligations represent the minimum obligations we have under agreements with certain of our vendors. These minimum obligations are less than our projected use for those periods. Payments may be more than the minimum obligations based on actual use.

We have guarantees primarily related to a specific country aviation authority for the potential non-delivery, by us, of packaged travel sold in that country. The authority also requires that a portion of the total amount of packaged travel sold be bonded.

Our LOCs consist of stand-by LOCs, underwritten by a group of lenders, which we primarily issue to certain hotel properties to secure our payment for hotel room transactions. The contractual expiration dates of these LOCs are shown in the table above. There were no claims made against any stand-by LOCs during the years ended December 31, 2009, 2008 and 2007.

Lease Commitments

We have contractual obligations in the form of operating leases for office space and related office equipment for which we record the related expense on a monthly basis. Certain leases contain periodic rent escalation adjustments and renewal options. Rent expense related to such leases is recorded on a straight-line basis. Operating lease obligations expire at various dates with the latest maturity in 2018. For the years ended December 31, 2009, 2008 and 2007, we recorded rental expense of \$50 million, \$49 million and \$33 million.

The following table presents our estimated future minimum rental payments under operating leases with noncancelable lease terms that expire after December 31, 2009, in thousands:

2010	\$ 37,960
2011	35,082
2012	33,779
2013	29,132
2014	25,515
2015 and thereafter	69,121
	<u>\$ 230,589</u>

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

Legal Proceedings

In the ordinary course of business, we are a party to various lawsuits. Management does not expect these lawsuits to have a material impact on the liquidity, results of operations, or financial condition of Expedia. We also evaluate other potential contingent matters, including value-added tax, federal excise tax, transient occupancy or accommodation tax and similar matters. We do not believe that the aggregate amount of liability that could be reasonably possible with respect to these matters would have a material adverse effect on our financial results.

Securities Related Class Action Litigations. While we are not a party to the securities litigation filed against IAC, under the terms of our separation agreement with IAC, we have generally agreed to bear a portion of the costs and liabilities, if any, associated with any securities law litigation relating to conduct prior to the Spin-Off of the businesses or entities that comprise Expedia following the Spin-Off. This case arises out of IAC's August 4, 2004, announcement of its earnings for the second quarter of 2004.

Litigation relating to the IAC/hotels.com merger agreement announced April 10, 2003, is pending in Delaware. The principal claim in these actions is that the defendants breached their fiduciary duty to the plaintiffs by entering into or approving the merger agreement.

Litigation Relating to Hotel Occupancy Taxes. Fifty-five lawsuits have been filed by cities and counties involving hotel occupancy taxes. In addition, there are five pending consumer lawsuits relating to taxes or fees. The municipality and consumer lawsuits are in various stages ranging from responding to the complaint to discovery. We continue to defend these lawsuits vigorously. To date, eighteen of the municipality lawsuits have been dismissed. Most of these dismissals have been without prejudice and, generally, allow the municipality to seek administrative remedies prior to pursuing further litigation. Seven dismissals (Pitt County, North Carolina; City of Madison, Wisconsin; City of Orange, Texas; Fayetteville, Arkansas; Houston, Texas; Louisville, Kentucky; and Township of Lyndhurst, New Jersey) were based on a finding that the defendants were not subject to the local hotel occupancy tax ordinance. As a result of this litigation and other attempts by certain jurisdictions to levy such taxes, we have established a reserve for the potential settlement of issues related to hotel occupancy taxes in the amount of \$21 million and \$20 million at December 31, 2009 and 2008, respectively. Our reserve is based on our best estimate and the ultimate resolution of these issues may be greater or less than the liabilities recorded.

In connection with various occupancy tax audits and assessments, certain jurisdictions may assert that taxpayers are required to pay any assessed taxes prior to being allowed to contest or litigate the applicability of the ordinances, which is referred to as "pay-to-play." These jurisdictions may attempt to require that we pay any assessed taxes prior to being allowed to contest or litigate the applicability of similar tax ordinances. Payment of these amounts is not an admission that we believe we are subject to such taxes and, even when such payments are made, we will continue to defend our position vigorously. During 2009, we expensed and paid approximately \$48 million to the City of San Francisco for amounts assessed for hotel occupancy tax, including penalties and interest, from January 2000 to March 2009. We paid such amounts in order to be allowed to pursue litigation challenging whether we are required to pay hotel occupancy tax on the portion of the customer payment we retain as compensation and, if so, the actual amounts owed. We do not believe that the amounts we retain as compensation are subject to the city's hotel occupancy tax ordinance. If we prevail in the litigation, the city will be required to repay these amounts, plus interest. During the first quarter of 2009, the California Superior Court for Orange County determined we are not required to make a payment in order to litigate in Anaheim, California.

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

Class Action Lawsuit. We are a defendant in a class action lawsuit filed in Seattle, Washington alleging that certain practices related to our service fees breached our Terms of Use and violated Washington's Consumer Protection Act from 2001 through 2008. In May 2009, the court granted the plaintiffs' motion for summary judgment on their breach of contract claim, without the benefit of an actual trial on the merits, and denied the plaintiffs' motion for summary judgment on their Consumer Protection Act claim. The court concluded that the damages for the alleged breach were approximately \$185 million. We have entered into a Settlement Agreement providing for the settlement of all claims alleged in the lawsuit. The Settlement Agreement was approved by the court on December 1, 2009. The court's order approving the Settlement Agreement has been appealed by third parties. We have denied and continue to deny all of the allegations and claims asserted in the lawsuit, including claims that the plaintiffs have suffered any harm or damages. We do not admit liability or the truth of any of the allegations in the lawsuit and are settling the case to avoid costly and time-consuming litigation. We have estimated the range of possible loss associated with the settlement to be \$19 million to \$134 million and have \$19 million accrued as of December 31, 2009, our best estimate of the low end of the range of the probable costs associated with the settlement. The terms of the Settlement Agreement provided the class members the option to elect settlement in cash. For those not electing cash, amounts will be settled in coupons. The period during which to make this election ended on January 1, 2010. The \$19 million settlement liability includes an estimated coupon redemption rate. Any difference between our estimated redemption rate and the actual redemption rate we experience will impact the final settlement amount; however, we do not expect this difference to be material.

NOTE 15—Related Party Transactions

In connection with the Spin-Off, we entered into various agreements with IAC, a related party due to common ownership, to provide for an orderly transition and to govern our ongoing relationships with IAC. These agreements include, among others, a separation agreement, a tax sharing agreement, an employee matters agreement and a transition services agreement.

In addition, in conjunction with the Spin-Off, we entered into a joint ownership and cost sharing agreement with IAC, under which IAC transferred to us 50% ownership in an airplane, which is available for use by both companies. We share equally in capital costs; operating costs are pro-rated based on actual usage. In May 2006, the airplane was placed in service and is being depreciated over 10 years. As of December 31, 2009 and 2008, the net basis in our ownership interest was \$17 million and \$18 million recorded in long-term investments and other assets. In 2009 and 2008, operating and maintenance costs paid directly to the jointly-owned subsidiary for the airplane were nominal.

On August 20, 2008, IAC completed its plan to separate into five publicly traded companies. With this separation, our related party transactions with the newly constituted IAC have been immaterial and we expect this trend to continue on a go-forward basis.

NOTE 16—Segment Information

Beginning in the first quarter of 2009, we have three reportable segments: Leisure, the TripAdvisor Media Network and Egencia. The change from two reportable segments, North America and Europe, was a result of the reorganization of our business around our global brands. We determined our segments based on how our chief operating decision makers manage our business, make operating decisions and evaluate operating performance. Our primary operating metric for evaluating segment performance is Operating Income Before Amortization ("OIBA"). OIBA for our Leisure and Egencia segments includes allocations of certain expenses, primarily cost of revenue and facilities, and our Leisure segment includes the total costs of our Partner Services Group. We base the allocations

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

primarily on transaction volumes and other usage metrics; this methodology is periodically evaluated and may change. We do not allocate certain shared expenses such as accounting, human resources, information technology and legal to our reportable segments. We include these expenses in Corporate and Eliminations.

Our Leisure segment provides a full range of travel and advertising services to our worldwide customers through a variety of brands including: Expedia.com and hotels.com in the United States and localized Expedia and hotels.com websites throughout the world, Expedia Affiliate Network, Hotwire.com, Venere, eLong and Classic Vacations. Our TripAdvisor Media Network segment provides advertising services to travel suppliers on its websites, which aggregate traveler opinions and unbiased travel articles about cities, hotels, restaurants and activities in a variety of destinations through tripadvisor.com and its localized international versions, as well as through its various travel media content properties within the TripAdvisor Media Network. Our Egencia segment provides managed travel services to corporate customers in North America, Europe, and the Asia Pacific region.

Concurrent with the change to three reportable segments, we have expanded our segment disclosure to include intersegment revenues, which primarily consist of advertising and media services provided by our TripAdvisor Media Network segment to our Leisure segment. These intersegment transactions are recorded by each segment at estimated fair value as if the transactions were with third parties and, therefore, impact segment performance. However, the revenue and corresponding expense are eliminated in consolidation. The elimination of such intersegment transactions is included within "Corporate and Eliminations" in the table below.

Corporate and Eliminations also includes unallocated corporate functions and expenses. In addition, we record amortization of intangible assets and any related impairment, as well as stock-based compensation expense, restructuring charges and other items excluded from segment operating performance in Corporate and Eliminations. Such amounts are detailed in our segment reconciliation below.

The following tables present our segment information for the years ended December 31, 2009, 2008 and 2007. As a significant portion of our property and equipment is not allocated to our operating

Expedia, Inc.**Notes to Consolidated Financial Statements (Continued)**

segments, we do not report the assets or related depreciation expense as it would not be meaningful, nor do we regularly provide such information to our chief operating decision makers.

	Year ended December 31, 2009				Total
	Leisure	TripAdvisor Media Network	Egencia	Corporate & Eliminations	
	(In thousands)				
Third-party revenue	\$ 2,634,766	\$ 212,375	\$ 108,285	\$ —	\$ 2,955,426
Intersegment revenue	—	139,714	—	(139,714)	—
Revenue	<u>\$ 2,634,766</u>	<u>\$ 352,089</u>	<u>\$ 108,285</u>	<u>\$ (139,714)</u>	<u>\$ 2,955,426</u>
Operating Income Before Amortization	<u>\$ 856,967</u>	<u>\$ 195,933</u>	<u>\$ 1,350</u>	<u>\$ (292,718)</u>	<u>\$ 761,532</u>
Amortization of intangible assets	—	—	—	(37,681)	(37,681)
Stock-based compensation	—	—	—	(61,661)	(61,661)
Restructuring charges	—	—	—	(34,168)	(34,168)
Occupancy tax assessments and legal reserves	—	—	—	(67,658)	(67,658)
Realized loss on revenue hedges	—	—	—	11,050	11,050
Operating income (loss)	<u>\$ 856,967</u>	<u>\$ 195,933</u>	<u>\$ 1,350</u>	<u>\$ (482,836)</u>	<u>571,414</u>
Other expense, net					(113,391)
Income before income taxes					458,023
Provision for income taxes					(154,400)
Net income					303,623
Net income attributable to noncontrolling interests					(4,097)
Net income attributable to Expedia, Inc.					<u>\$ 299,526</u>

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

	Year ended December 31, 2008				Total
	Leisure	TripAdvisor Media Network	Egencia (In thousands)	Corporate & Eliminations	
Third-party revenue	\$ 2,626,814	\$ 200,578	\$ 109,621	\$ —	\$ 2,937,013
Intersegment revenue	—	97,668	—	(97,668)	—
Revenue	<u>\$ 2,626,814</u>	<u>\$ 298,246</u>	<u>\$ 109,621</u>	<u>\$ (97,668)</u>	<u>\$ 2,937,013</u>
Operating Income Before Amortization	\$ 844,546	\$ 150,036	\$ 4,763	\$ (301,571)	\$ 697,774
Amortization of intangible assets	—	—	—	(69,436)	(69,436)
Impairment of goodwill	—	—	—	(2,762,100)	(2,762,100)
Impairment of intangible and other long-lived assets	—	—	—	(233,900)	(233,900)
Stock-based compensation	—	—	—	(61,291)	(61,291)
Operating income (loss)	<u>\$ 844,546</u>	<u>\$ 150,036</u>	<u>\$ 4,763</u>	<u>\$ (3,428,298)</u>	<u>(2,428,953)</u>
Other expense, net					(85,751)
Loss before income taxes					(2,514,704)
Provision for income taxes					(5,966)
Net loss					(2,520,670)
Net loss attributable to noncontrolling interests					2,907
Net loss attributable to Expedia, Inc.					<u>\$ (2,517,763)</u>

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

	Year ended December 31, 2007				Total
	Leisure	TripAdvisor	Egencia	Corporate & Eliminations	
		Media Network			
(In thousands)					
Third-party revenue	\$ 2,448,851	\$ 125,211	\$ 91,270	\$ —	\$ 2,665,332
Intersegment revenue	—	77,180	—	(77,180)	—
Revenue	<u>\$ 2,448,851</u>	<u>\$ 202,391</u>	<u>\$ 91,270</u>	<u>\$ (77,180)</u>	<u>\$ 2,665,332</u>
Operating Income Before Amortization	\$ 842,302	\$ 103,939	\$ 2,732	\$ (279,486)	\$ 669,487
Amortization of intangible assets	—	—	—	(77,569)	(77,569)
Stock-based compensation	—	—	—	(62,849)	(62,849)
Operating income (loss)	<u>\$ 842,302</u>	<u>\$ 103,939</u>	<u>\$ 2,732</u>	<u>\$ (419,904)</u>	<u>529,069</u>
Other expense, net					(32,085)
Income before income taxes					496,984
Provision for income taxes					(203,114)
Net income					293,870
Net loss attributable to noncontrolling interests					1,994
Net income attributable to Expedia, Inc.					<u>\$ 295,864</u>

Geographic Information

The following table presents revenue by geographic area, the United States and all other countries, for the years ended December 31, 2009, 2008 and 2007:

	Year Ended December 31,		
	2009	2008	2007
	(In thousands)		
Revenue			
United States	\$ 1,865,996	\$ 1,937,068	\$ 1,811,922
All other countries	1,089,430	999,945	853,410
	<u>\$ 2,955,426</u>	<u>\$ 2,937,013</u>	<u>\$ 2,665,332</u>

The following table presents property and equipment, net for the United States and all other countries, as of December 31, 2009 and 2008:

	As of December 31,	
	2009	2008
	(In thousands)	
Property and equipment, net		
United States	\$ 208,190	\$ 219,543
All other countries	28,630	28,411
	<u>\$ 236,820</u>	<u>\$ 247,954</u>

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

NOTE 17—Valuation and Qualifying Accounts

The following table presents the changes in our valuation and qualifying accounts. Other reserves primarily include our accrual of the cost associated with purchases made on our website related to the use of fraudulent credit cards "charged-back" due to payment disputes and cancellation fees.

<u>Description</u>	<u>Balance of Beginning of Period</u>	<u>Charges to Earnings</u>	<u>Charges to Other Accounts</u>	<u>Deductions</u>	<u>Balance at End of Period</u>
	(In thousands)				
2009					
Allowance for doubtful accounts	\$ 12,584	\$ 4,879	\$ 629	\$ (3,530)	\$ 14,562
Other reserves	5,842				6,599
2008					
Allowance for doubtful accounts	\$ 6,081	\$ 6,121	\$ 1,974	\$ (1,592)	\$ 12,584
Other reserves	6,300				5,842
2007					
Allowance for doubtful accounts	\$ 4,874	\$ 4,289	\$ 395	\$ (3,477)	\$ 6,081
Other reserves	6,046				6,300

NOTE 18—Quarterly Financial Information (Unaudited)

	<u>Three Months Ended</u>			
	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>
	(In thousands, except per share data)			
Year ended December 31, 2009				
Revenue	\$ 635,712	\$ 769,768	\$ 852,428	\$ 697,518
Operating income	92,947	114,642	222,974	140,851
Net income attributable to Expedia, Inc.	39,384	40,902	117,014	102,226
Basic earnings per share(1)	\$ 0.14	\$ 0.14	\$ 0.41	\$ 0.35
Diluted earnings per share(1)	0.14	0.14	0.40	0.35
Year ended December 31, 2008				
Revenue	\$ 687,817	\$ 795,048	\$ 833,337	\$ 620,811
Operating income (loss)(2)	89,998	170,541	199,586	(2,889,078)
Net income (loss) attributable to Expedia, Inc.(2)	51,306	96,089	94,824	(2,759,982)
Basic earnings per share(1)	\$ 0.18	\$ 0.34	\$ 0.33	\$ (9.62)
Diluted earnings per share(1)	0.17	0.33	0.33	(9.62)

- (1) Earnings per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly earnings per share may not equal the total computed for the year. As we recorded a net loss for the fourth quarter of 2008, we have revised our diluted earnings per share amounts for that period to exclude the impacts of common stock equivalents, as they are antidilutive. Thus, basic and diluted earnings per share for the fourth quarter of 2008 are equal.
- (2) Included as part of operating loss and net loss attributable to Expedia, Inc. for the fourth quarter of 2008 is an approximately \$3 billion impairment charge related to goodwill, intangible and other long-lived assets. In addition, the fourth quarter of 2008 was impacted by a \$7 million adjustment related to intangible amortization which should have been included in prior quarterly periods of 2008.

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

NOTE 19—Guarantor and Non-Guarantor Supplemental Financial Information

Condensed consolidating financial information of Expedia, Inc. (the "Parent"), our subsidiaries that are guarantors of our debt facility and instruments (the "Guarantor Subsidiaries"), and our subsidiaries that are not guarantors of our debt facility and instruments (the "Non-Guarantor Subsidiaries") is shown below. The debt facility and instruments are guaranteed by certain of our wholly-owned domestic subsidiaries and rank equally in right of payment with all of our existing and future unsecured and unsubordinated obligations. The guarantees are full, unconditional, joint and several. In this financial information, the Parent and Guarantor Subsidiaries account for investments in their wholly-owned subsidiaries using the equity method.

CONDENSED CONSOLIDATING STATEMENT OF INCOME
Year Ended December 31, 2009

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Eliminations	Consolidated
Revenue	\$ —	\$ 2,512,127	\$ 844,657	\$ (401,358)	\$ 2,955,426
Costs and expenses:					
Cost of revenue	—	498,963	112,545	(4,257)	607,251
Selling and marketing	—	1,012,265	411,697	(396,900)	1,027,062
Technology and content	—	253,386	66,340	(18)	319,708
General and administrative	—	179,014	111,653	(183)	290,484
Amortization of intangible assets	—	10,599	27,082	—	37,681
Occupancy tax assessments and legal reserves	—	67,658	—	—	67,658
Restructuring charges	—	8,761	25,407	—	34,168
Operating income	—	481,481	89,933	—	571,414
Other income (expense):					
Equity in pre-tax earnings of consolidated subsidiaries	347,786	21,715	—	(369,501)	—
Other, net	(72,780)	(5,129)	(35,482)	—	(113,391)
Total other income (expense), net	275,006	16,586	(35,482)	(369,501)	(113,391)
Income before income taxes	275,006	498,067	54,451	(369,501)	458,023
Provision for income taxes	24,520	(147,124)	(31,796)	—	(154,400)
Net income	299,526	350,943	22,655	(369,501)	303,623
Net income attributable to noncontrolling interests	—	—	(4,097)	—	(4,097)
Net income attributable to Expedia, Inc.	\$ 299,526	\$ 350,943	\$ 18,558	\$ (369,501)	\$ 299,526

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME
Year Ended December 31, 2008

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u> (In thousands)	<u>Eliminations</u>	<u>Consolidated</u>
Revenue	\$ —	\$ 2,618,064	\$ 740,027	\$ (421,078)	\$ 2,937,013
Costs and expenses:					
Cost of revenue	—	534,330	108,928	(4,549)	638,709
Selling and marketing	—	1,080,596	441,189	(416,448)	1,105,337
Technology and content	—	234,444	53,103	216	287,763
General and administrative	—	174,935	94,083	(297)	268,721
Amortization of intangible assets	—	52,928	16,508	—	69,436
Impairment of goodwill	—	2,592,672	169,428	—	2,762,100
Impairment of intangible and other long-lived assets	—	198,541	35,359	—	233,900
Operating loss	—	(2,250,382)	(178,571)	—	(2,428,953)
Other income (expense):					
Equity in pre-tax earnings of consolidated subsidiaries	(2,490,324)	(138,939)	—	2,629,263	—
Other, net	(50,648)	(13,719)	(21,384)	—	(85,751)
Total other expense, net	(2,540,972)	(152,658)	(21,384)	2,629,263	(85,751)
Loss before income taxes	(2,540,972)	(2,403,040)	(199,955)	2,629,263	(2,514,704)
Provision for income taxes	23,209	(83,849)	54,674	—	(5,966)
Net loss	(2,517,763)	(2,486,889)	(145,281)	2,629,263	(2,520,670)
Net loss attributable to noncontrolling interests	—	—	2,907	—	2,907
Net loss attributable to Expedia, Inc.	\$ (2,517,763)	\$ (2,486,889)	\$ (142,374)	\$ 2,629,263	\$ (2,517,763)

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME
Year Ended December 31, 2007

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Eliminations	Consolidated
Revenue	\$ —	\$ 2,439,218	\$ 598,594	\$ (372,480)	\$ 2,665,332
Operating expenses:					
Cost of revenue	—	474,500	95,449	(4,893)	565,056
Selling and marketing	—	998,769	364,213	(367,767)	995,215
Technology and content	—	205,721	40,362	(20)	246,063
General and administrative	—	173,928	78,232	200	252,360
Amortization of intangible assets	—	69,828	7,741	—	77,569
Operating income	—	516,472	12,597	—	529,069
Other income (expense):					
Equity in pre-tax earnings of consolidated subsidiaries	326,003	8,230	—	(334,233)	—
Other, net	(44,080)	12,448	(462)	9	(32,085)
Total other income (expense), net	281,923	20,678	(462)	(334,224)	(32,085)
Income before income taxes	281,923	537,150	12,135	(334,224)	496,984
Provision for income taxes	13,941	(207,877)	(9,178)	—	(203,114)
Net income	295,864	329,273	2,957	(334,224)	293,870
Net loss attributable to noncontrolling interests	—	—	1,994	—	1,994
Net income attributable to Expedia, Inc.	\$ 295,864	\$ 329,273	\$ 4,951	\$ (334,224)	\$ 295,864

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET

December 31, 2009

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Eliminations	Consolidated
ASSETS					
Total current assets	\$ 95,846	\$ 1,643,085	\$ 420,379	\$ (934,261)	\$ 1,225,049
Investment in subsidiaries	4,163,845	590,536	—	(4,754,381)	—
Intangible assets, net	—	684,367	138,664	—	823,031
Goodwill	—	3,057,942	546,052	—	3,603,994
Other assets, net	3,128	199,838	82,116	—	285,082
TOTAL ASSETS	\$ 4,262,819	\$ 6,175,768	\$ 1,187,211	\$ (5,688,642)	\$ 5,937,156
LIABILITIES AND STOCKHOLDERS' EQUITY					
Total current liabilities	\$ 618,007	\$ 1,621,449	\$ 529,862	\$ (934,261)	\$ 1,835,057
Long-term debt	895,086	—	—	—	895,086
Other liabilities	—	377,821	79,466	—	457,287
Stockholders' equity	2,749,726	4,176,498	577,883	(4,754,381)	2,749,726
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,262,819	\$ 6,175,768	\$ 1,187,211	\$ (5,688,642)	\$ 5,937,156

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2008

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Eliminations	Consolidated
ASSETS					
Total current assets	\$ 42,084	\$ 1,784,614	\$ 348,496	\$ (976,480)	\$ 1,198,714
Investment in subsidiaries	3,799,986	545,401	—	(4,345,387)	—
Intangible assets, net	—	687,786	145,633	—	833,419
Goodwill	—	3,015,958	522,611	—	3,538,569
Other assets, net	4,063	214,663	104,821	—	323,547
TOTAL ASSETS	<u>\$ 3,846,133</u>	<u>\$ 6,248,422</u>	<u>\$ 1,121,561</u>	<u>\$ (5,321,867)</u>	<u>\$ 5,894,249</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Total current liabilities	\$ 570,621	\$ 1,433,356	\$ 538,671	\$ (976,480)	\$ 1,566,168
Long-term debt	894,548	—	—	—	894,548
Credit facility	—	650,000	—	—	650,000
Other liabilities	—	355,561	47,008	—	402,569
Stockholders' equity	2,380,964	3,809,505	535,882	(4,345,387)	2,380,964
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 3,846,133</u>	<u>\$ 6,248,422</u>	<u>\$ 1,121,561</u>	<u>\$ (5,321,867)</u>	<u>\$ 5,894,249</u>

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2009

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
	(In thousands)			
Operating activities:				
Net cash provided by operating activities	\$ —	\$ 586,275	\$ 89,729	\$ 676,004
Investing activities:				
Capital expenditures, including internal-use software and website development	—	(74,015)	(18,002)	(92,017)
Purchase of short-term investments	—	—	(45,903)	(45,903)
Maturities of short-term investments	—	—	93,092	93,092
Acquisitions, net of cash acquired	—	—	(45,007)	(45,007)
Other, net	—	49,339	(7,323)	42,016
Net cash used in investing activities	—	(24,676)	(23,143)	(47,819)
Financing activities:				
Credit facility repayments	—	(650,000)	—	(650,000)
Transfers (to) from related parties	(9,149)	1,178	7,971	—
Other, net	9,149	(10,213)	(9,268)	(10,332)
Net cash used in financing activities	—	(659,035)	(1,297)	(660,332)
Effect of exchange rate changes on cash and cash equivalents	—	(22,050)	31,329	9,279
Net increase (decrease) in cash and cash equivalents	—	(119,486)	96,618	(22,868)
Cash and cash equivalents at beginning of year	—	538,341	127,071	665,412
Cash and cash equivalents at end of year	\$ —	\$ 418,855	\$ 223,689	\$ 642,544

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2008

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
	(In thousands)			
Operating activities:				
Net cash provided by operating activities	\$ —	\$ 241,282	\$ 279,406	\$ 520,688
Investing activities:				
Capital expenditures, including internal-use software and website development	—	(133,842)	(25,985)	(159,827)
Acquisitions, net of cash acquired	—	—	(538,439)	(538,439)
Purchase of short-term investments	—	—	(92,923)	(92,923)
Net settlement of foreign currency forwards	—	(55,175)	—	(55,175)
Reclassification of Reserve Primary Fund holdings	—	(80,360)	—	(80,360)
Distribution from Reserve Primary Fund	—	64,387	—	64,387
Other, net	—	(157)	2,936	2,779
Net cash used in investing activities	—	(205,147)	(654,411)	(859,558)
Financing activities:				
Credit facility borrowings	—	740,000	—	740,000
Credit facility repayments	—	(675,000)	—	(675,000)
Proceeds from issuance of long-term debt, net of issuance costs	392,348	—	—	392,348
Transfers (to) from related parties	(386,108)	115,955	270,153	—
Other, net	(6,240)	12,035	1,658	7,453
Net cash provided by financing activities	—	192,990	271,811	464,801
Effect of exchange rate changes on cash and cash equivalents	—	(69,983)	(7,922)	(77,905)
Net increase (decrease) in cash and cash equivalents	—	159,142	(111,116)	48,026
Cash and cash equivalents at beginning of year	—	379,199	238,187	617,386
Cash and cash equivalents at end of year	\$ —	\$ 538,341	\$ 127,071	\$ 665,412

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2007

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
	(In thousands)			
Operating activities:				
Net cash provided by operating activities	\$ —	\$ 610,105	\$ 101,964	\$ 712,069
Investing activities:				
Capital expenditures, including internal-use software and website development	—	(72,263)	(14,395)	(86,658)
Other, net	—	(39,695)	(53,153)	(92,848)
Net cash used in investing activities	—	(111,958)	(67,548)	(179,506)
Financing activities:				
Borrowings on credit facility	—	755,000	—	755,000
Repayments on credit facility	—	(170,000)	—	(170,000)
Treasury stock activity	(1,397,173)	—	—	(1,397,173)
Transfers (to) from related parties	1,399,386	(1,399,386)	—	—
Excess tax benefit on equity awards	95,702	—	—	95,702
Withholding taxes for stock option exercises	(121,208)	—	—	(121,208)
Other, net	23,293	14,798	9,609	47,700
Net cash provided by (used in) financing activities	—	(799,588)	9,609	(789,979)
Effect of exchange rate changes on cash and cash equivalents	—	22,100	(572)	21,528
Net increase (decrease) in cash and cash equivalents	—	(279,341)	43,453	(235,888)
Cash and cash equivalents at beginning of year	—	658,540	194,734	853,274
Cash and cash equivalents at end of year	\$ —	\$ 379,199	\$ 238,187	\$ 617,386

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LIBERTY MEDIA CORPORATION

Dated: February 25, 2010

By: /s/ GREGORY B. MAFFEI

Gregory B. Maffei
Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ JOHN C. MALONE</u> John C. Malone	Chairman of the Board and Director	February 25, 2010
<u>/s/ GREGORY B. MAFFEI</u> Gregory B. Maffei	Director, Chief Executive Officer and President	February 25, 2010
<u>/s/ ROBERT R. BENNETT</u> Robert R. Bennett	Director	February 25, 2010
<u>/s/ DONNE F. FISHER</u> Donne F. Fisher	Director	February 25, 2010
<u>/s/ M. IAN G. GILCHRIST</u> M. Ian G. Gilchrist	Director	February 25, 2010
<u>/s/ EVAN D. MALONE</u> Evan D. Malone	Director	February 25, 2010
<u>/s/ DAVID E. RAPLEY</u> David E. Rapley	Director	February 25, 2010
<u>/s/ M. LAVOY ROBISON</u> M. LaVoy Robison	Director	February 25, 2010
<u>/s/ LARRY E. ROMRELL</u> Larry E. Romrell	Director	February 25, 2010
<u>/s/ DAVID J.A. FLOWERS</u> David J.A. Flowers	Senior Vice President and Treasurer (Principal Financial Officer)	February 25, 2010
<u>/s/ CHRISTOPHER W. SHEAN</u> Christopher W. Shean	Senior Vice President and Controller (Principal Accounting Officer)	February 25, 2010

EXHIBIT INDEX

Listed below are the exhibits which are filed as a part of this Report (according to the number assigned to them in Item 601 of Regulation S-K):

2—Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession:

- 2.1 Agreement and Plan of Merger, dated as of May 3, 2009, by and among Liberty, Liberty Entertainment, Inc. ("LEI"), The DIRECTV Group, Inc. ("Old DTV"), DIRECTV, DTVG One, Inc., and DTVG Two, Inc. (incorporated by reference to Exhibit 10.1 to Old DTV's Current Report of Form 8-K (File No: 001-31945) as filed on May 4, 2009 (the "Old DTV 8-K")).
- 2.2 Amendment No. 1 to the Agreement and Plan of Merger, dated as of July 29, 2009, by and among Liberty, LEI, Old DTV, DIRECTV, DTVG One, Inc., and DTVG Two, Inc. (incorporated by reference to Exhibit 2.1 to Liberty's Current Report on Form 8-K (File No: 001-33982) as filed on July 30, 2009 (the "July 2009 8-K")).
- 2.3 Amendment No. 2 to the Agreement and Plan of Merger, dated as of October 2, 2009, by and among Liberty, LEI, Old DTV, DIRECTV, DTVG One, Inc., and DTVG Two, Inc. (incorporated by reference to Exhibit 2.1 to Liberty's Current Report on Form 8-K (File No: 001-33982) as filed on October 2, 2009 (the "October 2009 8-K")).

3—Articles of Incorporation and Bylaws:

- 3.1 Restated Certificate of Incorporation of the Company, dated November 19, 2009 ((incorporated by reference to Exhibit 3.1 to Liberty's Current Report on Form 8-K (File No: 001-33982) as filed on November 20, 2009).
- 3.2 Bylaws of the Company (as amended and restated August 12, 2008) (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-33982) as filed on August 14, 2008).

4—Instruments Defining the Rights of Securities Holders, including Indentures:

- 4.1 Specimen certificate for shares of the Registrant's Liberty Interactive Series A common stock, par value \$.01 per share (incorporated by reference to Exhibit 4.3 to Liberty's Registration Statement on Form S-4 (File No. 333-145936) as filed on September 7, 2007 (the "September 2007 S-4")).
 - 4.2 Specimen certificate for shares of the Registrant's Liberty Interactive Series B common stock, par value \$.01 per share (incorporated by reference to Exhibit 4.4 to the September 2007 S-4).
 - 4.3 Specimen certificate for shares of the Registrant's Liberty Capital Series A common stock, par value \$.01 per share (incorporated by reference to Exhibit 4.1 to the September 2007 S-4).
 - 4.4 Specimen certificate for shares of the Registrant's Liberty Capital Series B common stock, par value \$.01 per share (incorporated by reference to Exhibit 4.2 to the September 2007 S-4).
 - 4.5 Specimen certificate for shares of the Registrant's Series A Liberty Starz common stock, par value \$.01 per share ((incorporated by reference to Exhibit 4.1 to Amendment No. 2 to Liberty's Registration Statement on Form 8-A (File No: 001-33982) as filed on November 20, 2009 (the "Starz Form 8-A/A")).
 - 4.6 Specimen certificate for shares of the Registrant's Series B Liberty Starz common stock, par value \$.01 per share ((incorporated by reference to Exhibit 4.2 to the Starz Form 8-A/A).
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- 4.7 The Registrant undertakes to furnish to the Securities and Exchange Commission, upon request, a copy of all instruments with respect to long-term debt not filed herewith.

10—Material Contracts:

- 10.1 Tax Sharing Agreement dated as of March 9, 1999, by and among AT&T Corp., Liberty Media LLC ("Old Liberty"), 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.*
- 10.2 First Amendment to Tax Sharing Agreement dated as of May 28, 1999, by and among AT&T Corp., Old Liberty, 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.*
- 10.3 Second Amendment to Tax Sharing Agreement dated as of September 24, 1999, by and among AT&T Corp., Old Liberty, 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.*
- 10.4 Third Amendment to Tax Sharing Agreement dated as of October 20, 1999, by and among AT&T Corp., Old Liberty, 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.*
- 10.5 Fourth Amendment to Tax Sharing Agreement dated as of October 28, 1999, by and among AT&T Corp., Old Liberty, 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.*
- 10.6 Fifth Amendment to Tax Sharing Agreement dated as of December 6, 1999, by and among AT&T Corp., Old Liberty, 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.*
- 10.7 Sixth Amendment to Tax Sharing Agreement dated as of December 10, 1999, by and among AT&T Corp., Old Liberty, 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.*
- 10.8 Seventh Amendment to Tax Sharing Agreement dated as of December 30, 1999, by and among AT&T Corp., Old Liberty, 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.*
- 10.9 Eighth Amendment to Tax Sharing Agreement dated as of July 25, 2000, by and among AT&T Corp., Old Liberty, 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.*
- 10.10 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., Old Liberty, 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.*
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- 10.11 Restated and Amended Employment Agreement dated November 1, 1992, between Tele-Communications, Inc. and John C. Malone (assumed by Old Liberty as of March 9, 1999), and the amendment thereto dated June 30, 1999 and effective as of March 9, 1999, between Old Liberty and John C. Malone (collectively, the "Malone Employment Agreement").*
 - 10.12 Second Amendment to Malone Employment Agreement effective January 1, 2003.*
 - 10.13 Third Amendment to Malone Employment Agreement effective January 1, 2007 (incorporated by reference to Exhibit 10.13 to Liberty'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 2008 10-K").
 - 10.14 Fourth Amendment to Malone Employment Agreement effective January 1, 2009 (incorporated by reference to Exhibit 10.14 to the Liberty 2008 10-K).
 - 10.15 Liberty Media Corporation 2000 Incentive Plan (As Amended and Restated Effective February 22, 2007) (the "2000 Incentive Plan").*
 - 10.16 Liberty Media Corporation 2007 Incentive Plan (the "2007 Incentive Plan").*
 - 10.17 Form of Non-Qualified Stock Option Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan [for certain designated award recipients].*
 - 10.18 Form of Non-Qualified Stock Option Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan [for all other award recipients].*
 - 10.19 Form of Restricted Stock Award Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan [for certain designated award recipients].*
 - 10.20 Form of Stock Appreciation Rights Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan.*
 - 10.21 Liberty Media Corporation 2002 Nonemployee Director Incentive Plan (As Amended and Restated Effective August 15, 2007) (the "Director Plan").*
 - 10.22 Form of Stock Appreciation Rights Agreement under the Director Plan.*
 - 10.23 Liberty Media Corporation 2006 Deferred Compensation Plan (incorporated by reference to Exhibit 99.1 to Liberty's Current Report on Form 8-K (File No. 000-51990) as filed on January 5, 2007).
 - 10.24 Termination Agreement, dated as of March 27, 2009, between Old Liberty and Robert R. Bennett.*
 - 10.25 Letter Agreement regarding personal use of Liberty's aircraft, dated as of February 22, 2008, between Gregory B. Maffei and Liberty (incorporated by reference to Exhibit 10.38 to Liberty's Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 000-51990) as filed on February 29, 2008).
 - 10.26 Call Agreement, dated as of February 9, 1998 (the "Call Agreement"), between Liberty (as successor of Old Liberty which was the assignee of Tele-Communications, Inc.) and the Malone Group (incorporated by reference to Exhibit 10.26 to the Liberty 2008 10-K).
 - 10.27 Letter, dated as of March 5, 1999, from Tele-Communications, Inc. and Old Liberty addressed to Mr. Malone and Leslie Malone relating to the Call Agreement.*
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- 10.28 Credit Agreement, dated as of October 4, 2006, as amended and restated as of June 16, 2009, among QVC, Inc., Wachovia Bank, N.A., as administrative agent, J.P. Morgan Securities Inc. and Bank of America, N.A., as syndication agents, Wachovia Capital Markets, LLC and J.P. Morgan Securities Inc., as joint lead arrangers and joint bookrunners, Royal Bank of Scotland PLC, Fortis Bank SA/NV, New York Branch and Bank of Tokyo-Mitsubishi UFJ, Ltd., as documentation agents, and the lenders party thereto from time to time (incorporated by reference to Exhibit 99.2 to Liberty's Current Report on Form 8-K (File No: 001-33982) as filed on June 19, 2009 (the "Liberty June 2009 8-K")).
 - 10.29 Credit Agreement, dated as of March 3, 2006, as amended and restated as of June 16, 2009, among QVC, Inc., JP Morgan Chase Bank, N.A., as administrative agent, Wachovia Capital Markets, LLC as syndication agent, and JP Morgan Securities Inc. and Wachovia Capital Markets, LLC, as joint lead arrangers and joint bookrunners, Mizuho Corporate Bank, Ltd., Calyon New York Branch and Royal Bank of Scotland PLC, as documentation agents, and the lenders party thereto from time to time (incorporated by reference to Exhibit 99.3 to the Liberty June 2009 8-K).
 - 10.30 Form of Indemnification Agreement between Liberty and its executive officers/directors (incorporated by reference to Exhibit 10.37 to Liberty's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 000-51990) as filed on March 1, 2007) (the "Liberty 2006 10-K").
 - 10.31 Share Exchange Agreement, dated as of December 22, 2006, by and between News Corporation and Liberty (the "News Agreement") (incorporated by reference to Exhibit 10.38 to the Liberty 2006 10-K).
 - 10.32 Tax Matters Agreement, dated as of December 22, 2006, by and between News Corporation and Liberty (which is Exhibit A-I to the News Agreement) (incorporated by reference to Exhibit 10.39 to the Liberty 2006 10-K).
 - 10.33 Voting and Right of First Refusal Agreement, dated as of May 3, 2009, by and among LEI, Old DTV, DIRECTV, John C. Malone, Leslie Malone, The Tracy L. Neal Trust A, and The Evan D. Malone Trust A, as amended on July 29, 2009 (incorporated by reference to Exhibit 10.3 to the Old DTV 8-K).
 - 10.34 Amendment No. 1 to the Voting and Right of First Refusal Agreement, dated as of July 29, 2009, by and among LEI, Old DTV, DIRECTV, John C. Malone, Leslie Malone, The Tracy L. Neal Trust A, and The Evan D. Malone Trust A (incorporated by reference to Exhibit 99.1 to the Liberty July 2009 8-K).
 - 10.35 Amendment No. 2 to the Voting and Right of First Refusal Agreement, dated as of October 2, 2009, by and among LEI, Old DTV, DIRECTV, John C. Malone, Leslie Malone, The Tracy L. Neal Trust A, and The Evan D. Malone Trust A (incorporated by reference to Exhibit 99.1 to the Liberty October 2009 8-K).
 - 10.36 Voting, Standstill, Non-Competition and Non-Solicitation Agreement, dated as of May 3, 2009, by and among Liberty, LEI, Old DTV, DIRECTV, Greenlady Corporation, and Greenlady II, LLC (incorporated by reference to Exhibit 10.2 to Old DTV 8-K).
 - 10.37 Tax Sharing Agreement, dated as of November 19, 2009, by and between Liberty and 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).
 - 21 Subsidiaries of Liberty Media Corporation.*
 - 23.1 Consent of KPMG LLP.*
 - 23.2 Consent of Ernst & Young LLP.*
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31.1	Rule 13a-14(a)/15d-14(a) Certification.*
31.2	Rule 13a-14(a)/15d-14(a) Certification.*
31.3	Rule 13a-14(a)/15d-14(a) Certification.*
32	Section 1350 Certification.**
99.1	Unaudited Attributed Financial Information for Tracking Stock Groups.*
99.2	Reconciliation of Liberty Media Corporation Net Assets and Net Earnings to Liberty Media LLC Net Assets and Net Earnings.**
101.INS	XBRL Instance Document.**
101.SCH	XBRL Taxonomy Extension Schema Document.**
101.CAL	XBRL Taxonomy Calculation Linkbase Document.**
101.LAB	XBRL Taxonomy Label Linkbase Document.**
101.PRE	XBRL Taxonomy Presentation Linkbase Document.**
101.DEF	XBRL Taxonomy Definition Document.**

* Filed herewith.

** Furnished herewith.

TAX SHARING AGREEMENT

by and among

AT&T CORP.,

LIBERTY MEDIA CORPORATION,
for itself and each member of the Liberty Group,

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 hereof,

dated as of March 9, 1999

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TAX SHARING AGREEMENT

TAX SHARING AGREEMENT (the "Agreement") entered into as of March 9, 1999, by and among AT&T Corp., a New York corporation ("AT&T"), Liberty Media Corporation, a Delaware corporation ("Liberty"), for itself and on behalf of each member of the Liberty Group (as defined below), Tele-Communications, Inc., a Delaware corporation ("TCI"), Liberty Ventures Group LLC, a Delaware limited liability company, Liberty Media Group LLC, a Delaware limited liability company ("Liberty Group LLC"), TCI Starz, Inc., a Colorado corporation, TCI CT Holdings, Inc., a Delaware corporation, each Covered Entity listed on the signature pages hereof, and any entities which become parties hereto pursuant to Section 23 hereof.

WHEREAS, AT&T, Italy Merger Corp. ("Merger Sub") and TCI are parties to an Agreement and Plan of Restructuring and Merger dated as of June 23, 1998 (the "Merger Agreement") pursuant to which, among other things, subject to the terms and conditions contained in the Merger Agreement, and concurrent with the execution hereof, Merger Sub shall be merged with and into TCI with TCI surviving as a wholly owned subsidiary of AT&T (the "Merger");

WHEREAS Liberty desires to be included, and desires that the Subsidiaries in the Liberty Group (as defined below) be included to the extent permitted by applicable law, in the filing of consolidated federal income tax returns on behalf of the AT&T Affiliated Group (as defined below);

WHEREAS AT&T and Liberty wish to allocate and settle among themselves in an equitable manner the consolidated federal income tax liability of the AT&T Affiliated Group;

WHEREAS Liberty desires, to the extent required or permitted by applicable state, local or foreign law to be included, and that the Subsidiaries in the Liberty Group be included, in combined, consolidated and unitary state, local and foreign tax returns on behalf of the AT&T Affiliated Group; and

WHEREAS AT&T and Liberty wish to allocate and settle among themselves in an equitable manner the state, local or foreign tax liability in connection with such combined, consolidated and unitary state, local and foreign income tax returns;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereby amend and restate in its entirety the 1995 TCI Tax Sharing Agreement and the 1997 TCI Tax Sharing Agreement (each as defined below) and agree as follows:

1. *Definitions.* Any terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Merger Agreement. For purposes of this Agreement, the following terms shall be defined as follows:

- (a) "*Advance*" shall have the meaning set forth in Section 9(d).
- (b) "*Arbiter*" shall have the meaning set forth in Section 3(d)(vii).
- (c) "*AT&T*" shall have the meaning set forth in the first paragraph hereof.

(d) "*AT&T Affiliated Group*" shall mean (i) the affiliated group, within the meaning of Section 1504(a) of the Code, consisting of AT&T and certain of its Subsidiaries, (ii) any combined,

consolidated or unitary group for state, local or foreign Tax purposes that files Joint Returns and (iii) any True Legal Entity that files Joint Returns.

(e) "*AT&T Charter*" shall mean the Certificate of Incorporation of AT&T, as amended and in effect on the date hereof, after adoption of the AT&T Charter Amendment (as defined in the Inter-Group Agreement).

(f) "*AT&T Common Stock*" shall have the meaning given to such term in the Proxy Statement.

(g) "*Code*" shall mean the Internal Revenue Code of 1986, as amended.

(h) "*Common Stock Group*" shall mean AT&T, each of the other Legal Entities that is or was at any time owned directly or indirectly by AT&T and any Legal Entity tracked at any time by the TCI Group Tracking Stock; *provided, however*, that the Common Stock Group shall not include any Legal Entity for such period as and to the extent that such Legal Entity is a member of the Liberty Group.

(i) "*Common Stock Indemnitee*" shall have the meaning set forth in Section 8(a) hereof.

(j) "*Consolidated Return Regulations*" shall mean the Treasury Regulations promulgated under Chapter 6 of Subtitle A of the Code, including, as applicable, any predecessors or successors thereto.

(k) "*Contested Liberty Group Item*" shall have the meaning set forth in Section 9(d).

(l) "*Contribution Agreement*" shall have the meaning ascribed to such term in the Proxy Statement.

(m) "*Corresponding Item*" shall have the meaning set forth in the definition of Timing Item.

(n) "*Covered Entities*" shall have the meaning ascribed to such term in the Inter-Group Agreement.

(o) "*Designated Rate*" shall mean the underpayment rate applicable to large corporate underpayments under the Code.

(p) "*DIT*" shall mean any "deferred intercompany transaction" or "intercompany transaction" within the meaning of the Treasury Regulations (or predecessors thereto).

(q) "*Excess Basis*" shall have the meaning set forth in Section 5(e).

(r) "*Exhibit D DIT*" shall mean any DIT listed on Exhibit D hereto.

(s) "*Federal Tax Allocation Agreement*" shall mean the Federal Tax Allocation Agreement dated as of February 1, 1996 by and among AT&T and each of its subsidiaries.

(t) "*Final Determination*" shall mean a closing agreement with the Internal Revenue Service or the relevant state, local or foreign Taxing authorities, an agreement contained in Internal Revenue Service Form 870AD or other comparable form, an agreement that constitutes a determination under Section 1313(a)(4) of the Code, a claim for refund which has been allowed, a deficiency notice with respect to which the period for filing a petition with the Tax Court or the relevant state, local or foreign tribunal has expired or a

decision of any court of competent jurisdiction that is not subject to appeal or as to which the time for appeal has expired.

(u) "*GT*" shall have the meaning ascribed to such term in the Inter-Group Agreement.

(v) "*Governmental Authority*" shall have the meaning set forth in the definition of "*Tax*."

(w) "*Group*" shall mean either the Common Stock Group or the Liberty Group.

(x) "*Hypothetical Legal Entity*" shall have the meaning set forth in Section 2.

(y) "*Intercompany Account*" shall have the meaning set forth in Section 3(d)(iv).

(z) "*Inter-Group Agreement*" shall mean the Inter-Group Agreement by and among AT&T, Liberty and others dated as of the date hereof.

(aa) "*Joint Return*" shall mean any Tax Return that includes at least two Legal Entities, of which one Legal Entity is a member of the Liberty Group and the other Legal Entity is a member of (A) the TCI Group for taxable periods ending on or prior to the Closing Date or (B) the Common Stock Group for taxable periods ending after the Closing Date.

(bb) "*Legal Entity*" shall mean a True Legal Entity or a Hypothetical Legal Entity.

(cc) "*Letter Agreement*" shall have the meaning set forth in Section 3(d)(ii).

(dd) "*Liberty*" shall have the meaning set forth in the first paragraph hereof.

(ee) "*Liberty Group*" shall mean the Legal Entities that own or owned the assets, and are or were primarily responsible for the liabilities, tracked at any time by the TCI Ventures Group Tracking Stock, the Liberty Media Group Tracking Stock or the New Liberty Media Group Tracking Stock; *provided, however*, that (x) the Liberty Group shall not include any such Legal Entity for such period as and to the extent that the Legal Entity or its assets or liabilities are tracked by the AT&T Common Stock or the TCI Group Tracking Stock, (y) except for purposes of determining the amount of the Intercompany Account, the Liberty Group shall not include for any period the Legal Entities listed on Exhibit A hereto, and (z) the Liberty Group shall include the Legal Entities listed on Exhibit B hereto beginning on the day following the Closing Date.

(ff) "*Liberty Group LLC*" shall mean Liberty Media Group LLC, a Delaware limited liability company.

(gg) "*Liberty Indemnitee*" shall have the meaning set forth in Section 8(b) hereof.

(hh) "*Liberty Media Group Tracking Stock*" shall have the meaning ascribed to such term in the Proxy Statement.

(ii) "*Liberty SRLY NOL*" shall have the meaning set forth in Section 3(d)(vii).

(jj) "*Losses*" shall mean costs, expenses, fees, liabilities, obligations and losses.

(kk) "*Merger*" shall have the meaning set forth in the recitals hereto.

(ll) "*Merger Agreement*" shall have the meaning set forth in the recitals hereto.

(mm) "*Merger Sub*" shall have the meaning set forth in the recitals hereto.

(nn) "*New Liberty Media Group Tracking Stock*" shall have the meaning ascribed to such term in the Proxy Statement.

(oo) "*1995 TCI Tax Sharing Agreement*" shall mean the Tax Sharing Agreement dated as of July 1, 1995, as amended, by and among TCI, Liberty, Tele-Communications International, Inc., TCI Technology Ventures, Inc., TCI Communications, Inc. and TCI Cable Investments, Inc. and certain subsidiaries thereof.

(pp) "*1997 TCI Tax Sharing Agreement*" shall mean the Tax Sharing Agreement dated as of October 1, 1997, as amended, by and among TCI, TCI Communications, Inc., Liberty and TCI Ventures Group L.L.C. and certain subsidiaries thereof.

(qq) "*Old TCI Tax Sharing Agreements*" shall mean the 1995 TCI Tax Sharing Agreement and the 1997 TCI Tax Sharing Agreement.

(rr) "*Package Position*" shall have the meaning set forth in Section 9(c).

(ss) "*Package Preparer*" shall have the meaning set forth in Section 9(c).

(tt) "*Person*" means any individual or corporation, company, partnership, trust, incorporated or unincorporated association, joint venture or other entity of any kind.

(uu) "*Phantom NOL*" shall mean, in the case of any Redetermination, the excess of the TCI Affiliated Group NOL determined without regard to such Redetermination (but with regard to any prior Redeterminations) over the TCI Affiliated Group NOL.

(vv) "*Pre-Closing Group*" shall mean, for taxable periods ending on or prior to the Closing Date, the Liberty Group or the TCI Group.

(ww) "*Pre-Closing Taxable Period*" for any Legal Entity shall mean any taxable period that ends on or prior to the Closing Date with respect to such entity.

(xx) "*Proxy Statement*" shall mean the Proxy Statement/Prospectus of AT&T and TCI dated January 8, 1999.

(yy) "*Reasonably Expected*" shall have the meaning set forth in Section 3(d)(vii).

(zz) "*Redetermination*" shall mean any redetermination as the result of an audit by the Internal Revenue Service (or the relevant state, local or foreign Governmental Authority), a claim for refund, an amended Tax Return or otherwise.

(aaa) "*Separate Return*" shall mean any Tax Return that is not a Joint Return.

(bbb) "*Settlement Advisor*" shall have the meaning set forth in Section 9(d).

(ccc) "*Settlement Overpayment*" shall have the meaning set forth in Section 9(d).

(ddd) "*Sprint DIT*" shall have the meaning set forth in Section 3(d)(ii).

(eee) "*State and Local Income Tax Allocation Agreement*" shall mean the State and Local Income Tax Allocation Agreement dated as of the first day of the combined return Taxable year beginning January 1, 1995 by and among AT&T and each of its subsidiaries.

(fff) "*Subsidiary*" means, as to any Person, any other Person of which at least (i) 50% of the equity and (ii) 50% of the voting interests are owned, directly or indirectly, by such first Person.

(ggg) "*Tax*" shall mean any tax, wherever created or imposed, and whether of the United States or elsewhere, and whether imposed by a local, municipal, governmental, state, foreign, federation or other body (a "Governmental Authority"), and, without limiting the generality of the foregoing, shall include income, gross receipts, property, sales, use, license, excise, franchise, employment, payroll, unemployment insurance, social security, stamp, environmental, value added, alternative or added minimum, ad valorem, trade, recording, withholding, occupation or transfer tax, custom or duty or other like governmental assessment or charge of any kind whatsoever, together with any related interest, penalties and additions imposed by any Governmental Authority.

(hhh) "*Tax Item*" shall mean any item of income, gain, loss, deduction, credit, recapture of credit or any other item which increases or decreases Taxes paid or payable, including an adjustment under Code Section 481 resulting from a change in accounting method.

(iii) "*Tax Proceeding*" shall mean any Tax audit, examination, controversy or litigation.

(jjj) "*Tax Return*" shall mean any Tax report, return or other information (including any attached schedules or any amendments to such report, return or other information) required to be supplied to or filed with a Governmental Authority, including an information return, claim for refund, amended return or declaration or estimated Tax return.

(kkk) "*Tentative Settlement Overpayment*" shall have the meaning set forth in Section 9(d).

(lll) "*TCT*" shall have the meaning set forth in the first paragraph hereof.

(mmm) "*TCI Affiliated Group*" shall mean for taxable periods ending on or prior to the Closing Date: (i) the affiliated group, within the meaning of Section 1504(a) of the Code, consisting of TCI and certain of its Subsidiaries, (ii) any combined, consolidated or unitary group, for state, local or foreign Tax purposes that files Joint Returns that include solely members of the TCI Group and the Liberty Group, and (iii) any True Legal Entity that files Joint Returns that include solely members of the TCI Group and Liberty Group.

(nnn) "*TCI Affiliated Group NOL*" shall mean the unexpired regular Tax net operating loss for federal income Tax purposes of the TCI Affiliated Group, if any, as of the last day of the last taxable year ending on or prior to the Closing Date, after giving effect to income, loss, audit adjustments, and the effects of acts occurring in connection with the Merger Agreement.

(ooo) "*TCI Affiliated Group Non-NOL Carryover*" shall mean any alternative minimum Tax credit carryover or other carryover of the TCI Affiliated Group as of the last day of the last taxable year of the TCI Affiliated Group ending on or prior to the Closing Date, after giving effect to income, loss, audit adjustments and the effects of acts occurring in connection with the Merger Agreement; *provided, however*, that the TCI Affiliated Group Non-NOL Carryover shall not include (i) the TCI Affiliated Group NOL, (ii) any foreign tax credit or charitable contribution carryovers allocable under the Consolidated Return Regulations to

Legal Entities in the Liberty Group and (iii) any net operating losses reportable on a Separate Return of a Legal Entity in the Liberty Group.

(ppp) "*TCI Group*" shall mean such subset of the group of Legal Entities that are members of the Common Stock Group as consists of TCI and each of the Legal Entities that is or was at any time owned directly or indirectly by TCI and owned or owns the assets and are or were primarily responsible for the liabilities tracked by the TCI Group Tracking Stock; *provided, however*, that the TCI Group shall not include any Legal Entity for such period as and to the extent that such Legal Entity is a member of the Liberty Group.

(qqq) "*TCI Group Tracking Stock*" shall have the meaning given to such term in the Proxy Statement.

(rrr) "*TCI Pre-AT&T Merger Restructuring Plan*" shall mean the TCI Pre-AT&T Merger Restructuring Plan that is attached hereto as Exhibit C.

(sss) "*TCI SRLY NOL*" shall have the meaning set forth in Section 3(d)(vii).

(ttt) "*TCI Ventures Group Tracking Stock*" shall have the meaning ascribed to such term in the Proxy Statement.

(uuu) "*Tentative Settlement Overpayment*" shall have the meaning set forth in Section 9(d).

(vvv) "*Timing Item*" shall mean a Tax Item, the adjustment of which in one taxable year results or may result in an increase in deduction, loss or credit or a decrease in income, gain or recapture (a "*Corresponding Item*") in another year.

(www) "*Treasury Regulations*" shall mean the Treasury Regulations promulgated under the Code.

(xxx) "*True Legal Entity*" shall mean a corporation, partnership, limited liability company or other legal entity under the corporation, partnership, limited liability company or other organizational laws of a state or other jurisdiction.

(yyy) "*Unfiled Return*" shall mean any Joint Return with respect to a taxable period ending on or before the Closing Date that is not yet filed as of the Closing Date.

(zzz) "*Unpaid NOL*" shall have the meaning given to such term in Section 3(d).

(aaaa) "*Unused TCI Affiliated Group NOL*" shall mean the TCI Affiliated Group NOL reduced by any portion thereof that has previously been used to compute the reduction in the Liberty Group's payment obligations under Section 3(d) or been used to compute AT&T's payment obligation to Liberty upon deconsolidation under Section 3(d).

(bbbb) "*Warrants*" shall have the meaning ascribed to such term in the Inter-Group Agreement.

2. *Treatment of Legal Entities That Would be Members of Both Groups.* In the event that a True Legal Entity owns assets or is primarily responsible for liabilities tracked at once by both the TCI Group Tracking Stock or AT&T Common Stock, on the one hand, and the TCI Ventures Group Tracking Stock, Liberty Media Group Tracking Stock or New Liberty Media Group Tracking Stock, on the other hand,

each of the assets, liabilities and Tax attributes of the True Legal Entity shall be treated at such time as divided between two hypothetical corporations, partnerships, limited liability companies or other legal entities ("Hypothetical Legal Entities"), each of which shall be treated at such time as owning the assets, being primarily responsible for the liabilities, and having the Tax attributes of, and Tax and legal personality comparable to those of, the True Legal Entity associated with the business or investments of such Group. In the event that a Tax attribute cannot be associated with the business or investments of a single Group, it shall be reasonably allocated between the Hypothetical Legal Entities taking into account the nature of the Tax attribute.

3. *Tax Sharing Payments.*

(a) *Federal Income Taxes.* With respect to consolidated federal income Taxes, no later than five days prior to the due date (including extensions) of any consolidated federal income Tax Return of the AT&T Affiliated Group if such Tax Return is for a taxable period ending after the Closing Date:

(i) Liberty shall pay to AT&T the excess, if any, of (A) the sum of (I) the aggregate amount of any Tax that would not have been incurred by the AT&T Affiliated Group but for the inclusion of any Legal Entity that is a member of the Liberty Group in the AT&T Affiliated Group and (II) the aggregate amount of any Tax refund, credit or other Tax benefit that would have been realized or received with respect to such Tax Return (or any other Tax Return that has been or could have been filed) by the AT&T Affiliated Group but for the inclusion of any Legal Entity that is a member of the Liberty Group in the AT&T Affiliated Group over (B) the aggregate amount previously paid by Liberty pursuant to this clause (i); and

(ii) AT&T shall pay Liberty the excess, if any, of (A) the sum of (I) the aggregate amount of any Tax that would have been incurred by the AT&T Affiliated Group but for the inclusion of any Legal Entity that is a member of the Liberty Group in the AT&T Affiliated Group and (II) the aggregate amount of any Tax refund, credit or other Tax benefit realized or received with respect to such Tax Return that would not have been realized or received by the AT&T Affiliated Group but for the inclusion of any Legal Entity that is a member of the Liberty Group in the AT&T Affiliated Group over (B) the aggregate amount previously paid by AT&T pursuant to this clause (ii);

provided, however, that the Consolidated Return Regulations and the consolidated federal income Tax Returns filed by the AT&T Affiliated Group or the TCI Affiliated Group pursuant to this Agreement or the Old TCI Tax Sharing Agreements, respectively, shall determine the timing of the recognition of Tax Items with respect to DITS and the determination of which Group (and which member thereof) shall bear the Tax benefit or burden of such Tax Items, and each Group shall be responsible for the Tax Items recognized by its respective members with respect to any DITS; *provided, further, however,* that, solely for purposes of determining the timing of the recognition of Tax Items resulting from intercompany transactions for the "without" Liberty Group calculation, in the case of any Tax Item of a member of the Common Stock Group arising from or relating to any DIT in which a member of the Common Stock Group is the "seller" and a member of the Liberty Group is the "buyer" (each within the meaning of the Consolidated Return Regulations), until such time, if any, as the "buyer" is not in fact a member of the AT&T Affiliated Group, the amounts referred to in Sections 3(a)(i)(A) and 3(a)(ii)(A) shall be calculated by treating the buyer as if it is a member of the AT&T Affiliated Group.

(b) *Consolidated State, Local and Foreign Taxes.* With respect to consolidated, combined, unitary or other Joint Return Taxes, other than consolidated federal income Taxes, no later than five days prior to the due date (including extensions) of any Joint Return of the AT&T Affiliated Group if such Joint Return is for a taxable period ending after the Closing Date:

(i) Liberty shall pay to AT&T the excess, if any, of (A) the sum of (I) the aggregate amount of any Tax that would not have been incurred by the AT&T Affiliated Group but for the inclusion of any Legal Entity that is a member of the Liberty Group in the AT&T Affiliated Group and (II) the aggregate amount of any Tax refund, credit or other Tax benefit that would have been realized or received with respect to such Tax Return (or any other Tax Return that has been or could have been filed) by the AT&T Affiliated Group but for the inclusion of any Legal Entity that is a member of the Liberty Group in the AT&T Affiliated Group over (B) the aggregate amount previously paid by Liberty pursuant to this clause (i); and

(ii) AT&T shall pay Liberty the excess, if any, of (A) the sum of (I) the aggregate amount of any Tax that would have been incurred by the AT&T Affiliated Group but for the inclusion of any Legal Entity that is a member of the Liberty Group in the AT&T Affiliated Group and (II) the aggregate amount of any Tax refund, credit or other Tax benefit realized or received with respect to such Tax Return that would not have been realized or received by the AT&T Affiliated Group but for the inclusion of any Legal Entity that is a member of the Liberty Group in the AT&T Affiliated Group over (B) the aggregate amount previously paid by AT&T pursuant to this clause (ii);

provided, however, that (x) solely for purposes of determining the timing of the recognition of Tax Items resulting from intercompany transactions for the "without" Liberty Group calculation, in the case of any Tax Item of a member of the Common Stock Group arising from or relating to any DIT in which a member of the Common Stock Group is the "seller" and a member of the Liberty Group is the "buyer" (each within the meaning of the Consolidated Return Regulations or comparable provision of state, local or foreign law), until such time, if any, as the "buyer" is not in fact a member of the AT&T Affiliated Group, the amounts referred to in Sections 3(b)(i)(A) and 3(b)(ii)(A) shall be calculated by treating the buyer as if it is a member of the AT&T Affiliated Group and for all other purposes, the Consolidated Return Regulations (or comparable provisions of state, local or foreign law) shall govern the timing of the recognition of Tax Items for the members of the AT&T Affiliated Group and (y) all calculations required to be made for purposes of clauses (b)(i) and (ii) above (including the "without" Liberty Group calculations) shall be made using the apportionment factors applicable to the Joint Return on a combined, consolidated or unitary basis that includes all entities (including the members of the Liberty Group) that are included in such Joint Return. In the case of any Joint Return of the TCI Affiliated Group with respect to a taxable period that includes but does not end on the Closing Date, such taxable period shall, for purposes of this Agreement, be treated as consisting of one taxable period of the TCI Affiliated Group ending on the Closing Date and another taxable period of the AT&T Affiliated Group beginning on the day after the Closing Date, based on an interim closing of the books as of the end of the day on the Closing Date.

(c) *Certain Pre-Closing Taxes of the TCI Affiliated Group*

(i) In the case of any Unfiled Return of the TCI Affiliated Group for consolidated federal income Taxes for any period ending on or prior to the Closing Date, if such Tax Return as originally filed reflects a regular federal income Tax liability, then Liberty shall pay AT&T the portion of such Tax attributable to the Tax Items of the Liberty Group on a proportionate basis no later than five days prior to the due date (including extensions) of such Tax Return.

(ii) For each taxable period ending on or prior to the Closing Date, the liability of each Pre-Closing Group with respect to unitary, consolidated, nexus combination or other state or local income and franchise Taxes required to be filed on Joint Returns shall be equal to the product of: (x) the sum of the state and local income and franchise Taxes attributable to those jurisdictions in which the TCI Affiliated Group is liable for state or local income or franchise Taxes with respect to

the operations of any Legal Entity that is a member of such Pre-Closing Group on a unitary, consolidated, nexus combination or other Joint Return basis, multiplied by (y) a fraction, (I) the numerator of which is the aggregate amount of such Tax that is attributable to such Pre-Closing Group in such jurisdictions, determined without regard to the other Pre-Closing Group, as though such Pre-Closing Group were required to file either a unitary, consolidated, nexus combination or other Joint Return corporate income or franchise Tax Return (for this purpose, each limited liability company that is wholly owned directly by TCI shall be treated as if it were a corporation) in such jurisdictions for such taxable year or portion thereof, and (II) the denominator of which is the sum of all such amounts determined with respect to both Pre-Closing Groups. For each Tax Return that is the subject of this Section 3(c)(ii), if a member of the Common Stock Group is required under the law to file the applicable TCI Affiliated Group Joint Return, then Liberty shall pay AT&T or TCI the amount for which the Liberty Group is responsible (based on the fraction referred to in clause (y) above) with respect to such Tax Return no later than five days prior to the due date (including extensions) of such Tax Return, and if a member of the Liberty Group is required under the law to file the applicable TCI Affiliated Group Joint Return, then AT&T or TCI shall pay Liberty the amount for which the Common Stock Group is responsible (based on the fraction referred to in clause (y) above) with respect to such Tax Return no later than five days prior to the due date (including extensions) of such Tax Return.

(iii) For each taxable period ending on or prior to the Closing Date, the liability of each Pre-Closing Group with respect to foreign Taxes required to be filed on Joint Returns shall be determined under the principles of Section 3(c)(ii) above.

(iv) The Consolidated Return Regulations shall govern the timing of the recognition of Tax Items of the members of the TCI Affiliated Group.

(d) *Special Rules.* Notwithstanding any other provision of this Agreement:

(i) *Certain Items for Liberty's Account.* Any Tax Item arising from or relating to (A) TCI Wireless Holdings Inc. or any of its direct or indirect assets or subsidiaries, (B) the disposition of certain assets in exchange for stock of GI or the subsequent disposition of such stock, or (C) except as provided below in this Section 3(d)(i), the deemed, constructive or actual disposition (except for the Exhibit D DITS) of the shares or other interests in any Liberty Group Legal Entity, or measured by reference to the difference between the value of such shares or interests and the holder's basis therein, shall be for the account of the Liberty Group, and Liberty shall pay AT&T any Tax (or any reduction in any Tax refund, credit or other benefit) attributable thereto. AT&T and Liberty agree that any federal income Tax or Joint Return Tax liability (including any reduction in the TCI Affiliated Group NOL) arising from or relating to the federal income tax characterization or treatment of any class of tracking stock of TCI or AT&T under the federal income tax law on the date hereof will be equitably apportioned between the TCI Group or Common Stock Group, on the one hand, and the Liberty Group, on the other hand. AT&T agrees that (i) any Tax liability (or reduction in Tax benefit attributable to the Liberty Group under this Agreement) that results from the breach of AT&T's covenant in the Inter-Group Agreement that it will not issue any New Liberty Media Group Tracking Stock after a Tax Law Change (as defined in the Inter-Group Agreement), and (ii) any Tax liability (or reduction in Tax benefit attributable to the Liberty Group under this Agreement) incurred as a result of the settlement of a Tracking Stock Obligation (as defined in the Inter-Group Agreement) incurred after the Merger without the approval of Liberty, shall be for the account of AT&T for purposes of this Agreement. Liberty agrees that, except as set forth in the preceding sentence, any Tax liability (or any reduction in a Tax benefit attributable to the Common Stock Group under this Agreement) incurred as a result of the Tax Law Change (including as a result

of the settlement of a Tracking Stock Obligation existing at the time of the Merger (or incurred after the Merger with the approval of Liberty) satisfied, as directed by Liberty) shall be for the account of Liberty for purposes of this Agreement.

(ii) *Responsibility for DITS.* (A) Except for the Exhibit D DITS, any DITS created in any taxable period ending on or prior to the Closing Date, any DITS created pursuant to the TCI Pre-AT&T Merger Restructuring Plan, and any DIT created pursuant to the transactions contemplated by the Letter Agreement (the "Letter Agreement") dated February 11, 1999 among AT&T, TCI and Liberty (a "Sprint DIT"), in each case, brought into income as the result of any deconsolidation of the Liberty Group or the liquidation of Encore Media Group LLC, a Colorado limited liability company, or other entity conducting the Encore/Starz business shall be for the account of the Liberty Group, and Liberty shall pay AT&T any Tax (or any reduction in any Tax refund, credit or other benefit) attributable thereto; (B) any Exhibit D DITS shall be for the account of the Common Stock Group; and (C) except as otherwise provided in clause (A) or (B) above, any DIT created in any taxable period ending after the Closing Date that is brought into income as the result of the deconsolidation of the Liberty Group shall be the obligation of the Group that includes the Legal Entity that is the selling member (within the meaning of the Consolidated Return Regulations), unless otherwise agreed upon by AT&T and Liberty.

(iii) *No Acceleration of DITS.* Without the prior written consent of AT&T, unless the Liberty Group agrees to assume the Tax burden thereof, the Liberty Group shall not take any action (inadvertent or otherwise) that would cause an acceleration of income arising from any DIT that is disclosed in Part 2 of Section 5.10(b) of the Company Disclosure Statement or from any Exhibit D DIT or from any Sprint DIT; *provided, however,* that restoral of income or gain from a DIT that occurs as a result of depreciation or amortization deductions taken by the Liberty Group shall not be considered an acceleration of any DIT.

(iv) *Accounts Under Old TCI Tax Sharing Agreements.* The intercompany accounts reflecting the obligation of the Liberty Group (approximately \$237 million as of the date of this Agreement) for periods on or prior to the Closing Date under the 1995 TCI Tax Sharing Agreement (the "Intercompany Account") shall be paid by Liberty at such time, if any, that the Liberty Group deconsolidates from the AT&T Affiliated Group for federal income Tax purposes; *provided, however,* that (A) the amount of the Intercompany Account shall be determined pursuant to the provisions of the 1995 TCI Tax Sharing Agreement and without regard to clause 3(d)(v) below; (B) the Legal Entities listed on Exhibit A shall be treated as Liberty Group members for all relevant periods for purposes of calculating the Intercompany Account and (C) the amount of the Intercompany Account shall be reduced by an amount equal to the product of 20 percent and the amount of any income or gain arising from the exercise, and the sale of assets pursuant thereto, of the option that was granted pursuant to the Option Agreement, dated June 24, 1997, among RET Corporation, Southern Satellite Systems, Inc., et. al., to purchase certain assets of Southern Satellite Systems, Inc., LMC Satcom, Inc., and Royal Communications, Inc.. All "Benefit Tracking Accounts" and "AMT/Regular Tax Adjustments" under the 1997 TCI Tax Sharing Agreement shall be eliminated as of the Closing Date without any obligation or payment with respect thereto and no rights or obligations shall subsequently arise with respect thereto;

(v) *Pre-Closing Losses; Pre-Closing Alternative Minimum Tax.* For taxable periods ending on or prior to the Closing Date: (A) net operating loss carryovers, current losses and other Tax attributes available to the TCI Affiliated Group may be used by any member of the TCI Affiliated Group without compensation to the Group generating such attributes, (B) if the TCI Affiliated Group has only actual alternative minimum Tax liability in a Taxing jurisdiction, Liberty

shall pay AT&T for any alternative minimum Tax losses with respect to such jurisdiction generated by the Legal Entities in the TCI Affiliated Group that are not in the Liberty Group that reduce such liability with respect to such jurisdiction, and AT&T shall pay Liberty for any alternative minimum Tax losses generated by the Liberty Group that reduce such liability with respect to such jurisdiction, and (C) if the TCI Affiliated Group has only actual alternative minimum Tax liability in a Taxing jurisdiction, except as provided in clause (B) above, Liberty shall not be required to pay its share;

(vi) *TCI Affiliated Group Non-NOL Carryover.* For taxable periods beginning after the Closing Date, any TCI Affiliated Group Non-NOL Carryover shall be treated as a Tax Item of the Common Stock Group;

(vii) *The Unused TCI Affiliated Group NOL.* The Unused TCI Affiliated Group NOL shall be available to offset any payment obligation incurred by the Liberty Group pursuant to Section 3(a)(i) hereof at the applicable federal income tax rate for the taxable period with respect to which such payment obligation of the Liberty Group is incurred (without regard to whether the AT&T Affiliated Group is subject to separate return limitation year, Section 382 or other restrictions, in each case, arising by reason of the Merger, on the utilization of the Unused TCI Affiliated Group NOL in a taxable period, or portion thereof, beginning after the Closing Date); *provided, however,* that to the extent that the Unused TCI Affiliated Group NOL is a TCI SRLY NOL or a Liberty SRLY NOL it shall only be utilized as set forth in this paragraph below. In the case of any portion of the Unused TCI Affiliated Group NOL arising in a member of the Liberty Group which is subject to separate return limitation year, Section 382 or other restrictions arising prior to the Merger Date (a "Liberty SRLY NOL"), such Liberty SRLY NOL shall be available to reduce the Liberty Group's payment obligation only to the extent such Liberty SRLY NOL is actually utilized by the AT&T Affiliated Group. In the case of any portion of the Unused TCI Affiliated Group NOL arising in a member of the TCI Group which is subject to separate return limitation year, Section 382 or other restrictions arising prior to the Merger Date (a "TCI SRLY NOL"), such TCI SRLY NOL shall be available to reduce the Liberty Group's payment obligation only when an amount of the TCI Affiliated Group NOL in excess of the sum of the Liberty SRLY NOL and the TCI SRLY NOL has previously offset such payment obligation and then only as, when and to the extent that the AT&T Affiliated Group has actually utilized such TCI SRLY NOL or can be Reasonably Expected to so utilize such TCI SRLY NOL. For these purposes, the AT&T Affiliated Group shall be "*Reasonably Expected*" to utilize a TCI SRLY NOL if and to the extent, through use of its reasonable best efforts, such NOL could have been utilized. Such reasonable best efforts shall not require the aggregate cost or expense to AT&T (including AT&T's share of the costs and expenses of the Arbiter) in excess of 12.5 million dollars, it being agreed and understood that AT&T will continue to use its reasonable best efforts at the Liberty Group's reasonable request and at the Liberty Group's expense to utilize such NOL. Within six weeks of the date hereof the parties shall designate a mutually acceptable neutral arbiter (the "Arbiter") to resolve any disputes with respect to the calculation of the Reasonably Expected utilization of such TCI SRLY NOL and also with respect to when or whether AT&T has incurred aggregate cost or expense in excess of 12.5 million dollars. The costs and expenses of the Arbiter shall be shared equally between AT&T and Liberty;

(viii) *Payment for NOL.* Upon any deconsolidation of Liberty from the AT&T Affiliated Group for federal income Tax purposes, AT&T shall pay Liberty an amount equal to the product of (A) the Unused TCI Affiliated Group NOL (reduced by any Liberty SRLY NOL not utilized by the AT&T Affiliated Group and, without duplication, any portion of the Unused TCI Affiliated Group NOL that will become a Tax Item of Liberty or its Affiliates under the law upon such deconsolidation) that has been, or is reasonably expected to be (or, in the case of the TCI SRLY NOL, that has been or is Reasonably Expected to be), utilized by the AT&T Affiliated Group for

federal income tax purposes and (B) 35 percent. AT&T agrees to provide written notice to Liberty of the amount that will be paid pursuant to this Section 3(d)(viii) thirty days prior to the anticipated deconsolidation date of the Liberty Group. If any amount of the Unused TCI Affiliated Group NOL as of the date of deconsolidation is actually utilized by the AT&T Affiliated Group after the deconsolidation date of the Liberty Group, and Liberty has not been paid for such Unused TCI Affiliated Group NOL pursuant to this Section (such amount shall be referred to as the "Unpaid NOL"), AT&T shall pay Liberty, within 5 business days after the Tax Return utilizing the Unpaid NOL has been filed, an amount equal to the product of (C) the Unpaid NOL that has been utilized and (D) 35 percent. If any TCI Affiliated Group NOL for which Liberty has been paid pursuant to this Section 3(d)(viii) expires unutilized (whether by reason of any separate return limitation year or Section 382 restriction or otherwise), Liberty shall repay AT&T the amount of the payment in respect of such expired TCI Affiliated Group NOL, plus interest at 6.5 percent, compounded annually, from the date of deconsolidation. AT&T (subject, in the case of the TCI SRLY NOL, to the provisions of clause (vii) above) and TCI each agree to use reasonable efforts to have the TCI Affiliated Group NOL utilized by the AT&T Affiliated Group;

(ix) *Post-Closing Compensation Deductions.* Each Group shall be entitled to the deductions arising after the Closing Date from the exercise by, or settlement of, any stock options or other equity-linked incentives, including stock appreciation rights, "phantom" stock rights and similar equity-linked instruments (A) by any person who is an officer, employee or consultant of such Group at the time of such exercise or settlement and (B) by any person who is no longer an officer, employee or consultant of either Group at the time of such exercise or settlement but who was an officer, employee or consultant of such Group on the date of such person's last employment by either Group, in each case, regardless of whether the stock underlying the option or equity-linked incentive tracks the Common Stock Group or the Liberty Group. Each Group shall be entitled to the deductions arising after the Closing Date from the payment of other compensation to the extent that such Group bears the cost of such compensation; and

(x) *Warrants.* The parties agree that Liberty's basis in the Warrants equals \$8.25 per Warrant, which is the fair market value of the Warrants as agreed by AT&T and Liberty and the purchase price paid for the Warrants by Liberty in a closing transaction, and that they shall take no action inconsistent with such basis (including in connection with filing Tax Returns), unless required pursuant to a Final Determination.

4. *Subsidiary Payments.* Each of the Subsidiaries of the Liberty Group agrees to pay to Liberty or at Liberty's discretion, to AT&T its share of each of the payments for which Liberty is responsible hereunder no later than one business day prior to the date upon which the relevant payment by Liberty is required to be made hereunder.

5. *Adjustments.*

(a) In the event of any Redetermination of any Joint Return for any taxable period, the amounts required to be paid pursuant to Section 3 shall be recomputed for such taxable period to take into account such Redetermination, and payments pursuant to Section 3 hereof shall be appropriately adjusted. Liberty shall pay AT&T or AT&T shall pay Liberty an amount equal to the difference between the payment or payments previously made between the parties in respect of such redetermined Tax Return and the amount that would have been paid pursuant to this Agreement in respect of such redetermined Tax Return if such redetermined Tax Return had been filed on the basis of the Redetermination, plus interest at the statutory rate and applicable penalties.

(b) In the event of any Redetermination that reduces the amount of the TCI Affiliated Group NOL, Liberty shall pay AT&T the sum of (A) the amount by which Liberty's tax sharing obligations were reduced in reliance on the Phantom NOL pursuant to Section 3(d)(vii), (B) the amount that AT&T paid Liberty pursuant to Section 3(d)(viii) hereof in reliance on the Phantom NOL and (C) interest at the statutory rate from the date or dates of such reductions in tax sharing obligations and payments by AT&T and applicable penalties, and AT&T shall have no obligation to pay Liberty the amount of any benefit to AT&T arising as a result of any Redetermination that reduces the amount of the TCI Affiliated Group NOL. In the event of any Redetermination that reduces the amount of any Tax Item of the Liberty Group that is a loss, deduction or credit that was carried back or carried forward and for which Liberty received a payment hereunder from AT&T (or Liberty's payments hereunder to AT&T were reduced), Liberty shall pay AT&T the amount of such payment hereunder from AT&T (or reduction in a payment hereunder by Liberty) plus interest at the statutory rate and applicable penalties and AT&T shall have no obligation to pay Liberty the amount of any benefit to AT&T arising as a result of such Redetermination.

(c) Any regular consolidated federal income Tax liability of the TCI Affiliated Group arising from any Redeterminations of Tax Items of the TCI Affiliated Group for one or more taxable periods ending on or before the Closing Date shall be borne by the Common Stock Group and the Liberty Group, respectively, in proportion to the amount that the sum of all Redeterminations of Tax Items attributable to the Tax Items of the TCI Group or the Tax Items of the Liberty Group, respectively, for all such periods bears to the sum of all Redeterminations of Tax Items attributable to the TCI Affiliated Group for all such periods.

(d) Any alternative minimum consolidated federal tax liability of the TCI Affiliated Group arising from any Redetermination of Tax Items of the TCI Affiliated Group for one or more taxable periods ending on or before the Closing Date shall be borne by the Common Stock Group to the extent that AT&T reasonably expects to utilize the credit arising from payment of such liability and any such remaining alternative minimum consolidated federal tax liability shall be borne by the Group generating such alternative minimum tax liability; *provided, however*, that (A) in the event that AT&T utilizes any credit arising from the alternative minimum tax liability that would otherwise be borne by Liberty, AT&T shall repay Liberty the amount paid by Liberty to AT&T in respect of such alternative minimum tax liability and (B) in the event that AT&T reasonably expects to utilize a credit but is not able to utilize such credit, whether by reason of expiration, Redetermination or otherwise, Liberty shall pay AT&T the amount that Liberty would have paid AT&T had AT&T not reasonably expected to utilize such credit.

(e) Notwithstanding any other provision of this Agreement, in the event of a Final Determination with respect to the Warrants that results in an increase in basis to Liberty over \$8.25 per Warrant (or other property received in exchange for such Warrant) or over the sum of \$8.25 plus the exercise price in the stock underlying each Warrant (or other property received in exchange for such stock) ("Excess Basis"), Liberty shall pay to AT&T the amount of any Tax benefit received by Liberty resulting from such basis increase; *provided, however*, that (I) in the event of a deconsolidation of the Liberty Group after such Final Determination, Liberty shall pay AT&T on the date of deconsolidation an amount equal to the product of (A) 35 percent and (B) the amount of any Excess Basis for which AT&T has not previously been paid and (II) in the event of such a Final Determination after a deconsolidation of the Liberty Group, Liberty shall pay AT&T within seven days after the date of such Final Determination an amount equal to the product of 35 percent and the Excess Basis, plus interest at 6.5 percent, compounded annually, from the date of deconsolidation.

(f) Any payment by Liberty or AT&T required by any Redetermination shall be paid within seven days after the date of a Final Determination with respect to such Redetermination.

6. *Separate Returns.* Any Separate Return that includes only a member or members of the Liberty Group and any Taxes with respect to such Separate Return shall be the responsibility of the Liberty

Group *provided* that the Liberty Group timely files such Separate Returns and pays the Taxes due with respect thereto. In the event that the Liberty Group does not so file such a Separate Return or does not pay the Taxes due with respect thereto, Liberty shall indemnify AT&T with respect to such Separate Return as provided in Section 8 and, notwithstanding any other provision hereof, AT&T shall be entitled to file such Separate Return in any manner it chooses so long as it files such Separate Return in good faith.

7. *Interest on Unpaid Amounts.* In the event that any party fails to pay any amount owed pursuant to this Agreement on the date when due, interest shall accrue on any unpaid amount at the Designated Rate from the due date until such amounts are fully paid.

8. *Indemnification.*

(a) From and after the Closing Date, each Legal Entity that is a member of the Liberty Group shall indemnify and hold harmless each Legal Entity that is a member of the Common Stock Group and their respective directors, officers, employees, affiliates, agents, successors and assigns (the "Common Stock Indemnitees") from and against (i) any Taxes which such member of the Liberty Group is required to pay to a Governmental Authority (without any right of reimbursement from AT&T) or in respect of which Liberty is required to make a payment hereunder to AT&T and (ii) any Losses incurred by any Common Stock Indemnitee by reason of a breach by any member of the Liberty Group of its obligations or covenants hereunder.

(b) From and after the Closing Date, each Legal Entity that is a member of the Common Stock Group shall indemnify and hold harmless each Legal Entity that is a member of the Liberty Group and their respective directors, officers, employees, affiliates, agents, successors and assigns (the "Liberty Indemnitees") from and against (i) any Taxes which such member of the Common Stock Group is required to pay to a Governmental Authority (without any right of reimbursement from Liberty) or in respect of which AT&T is required to make a payment hereunder to Liberty and (ii) any Losses incurred by any Liberty Indemnitee by reason of a breach by any member of the Common Stock Group of its obligations or covenants hereunder.

9. *Liberty Contests and Filing of Returns.*

(a) Tax Returns of the TCI Affiliated Group for taxable periods ending on or prior to the Closing Date shall be prepared by the TCI Affiliated Group and approved (which approval shall not be unreasonably withheld) by Liberty, and shall be forwarded to AT&T for its review and approval (which approval shall not be unreasonably withheld) prior to filing. Such Tax Returns shall be prepared on a basis consistent with prior periods except insofar as changes in law require a change in reporting.

(b) From and after the Closing Date, Liberty shall have the right to control in all respects all Tax Proceedings with respect to any member of the TCI Affiliated Group with respect to any Pre-Closing Taxable Period; *provided, however*, that (i) AT&T shall be entitled to participate in any such Tax Proceeding at its expense, (ii) Liberty shall keep AT&T updated and informed and shall consult with AT&T with respect to any contested Tax Item, (iii) Liberty shall act in good faith with a view to the merits in connection with the Tax Proceeding and (iv) any proposed settlement shall require the consent of AT&T, which consent shall not be unreasonably withheld.

(c) With respect to any Joint Return for any taxable year ending after the Closing Date, Liberty shall provide a Tax package for the Liberty Group, prepared at Liberty's sole cost and expense, to AT&T relating to the Liberty Group's activities no later than the date (provided that Liberty is given reasonable notice of such date) required by AT&T of its Significant Subsidiaries. Such packages shall (A) be prepared by

a nationally recognized accounting firm (the "Package Preparer") mutually reasonably satisfactory to AT&T and Liberty, (B) take no position with a likelihood of success under the law that is less than 33¹/₃ percent and include an opinion of the Package Preparer to such effect and (C) include a list prepared by the Package Preparer of all positions taken that are not more likely than not to succeed under the law and an analysis of the issues raised by each such position. The Joint Return of the AT&T Affiliated Group (including its consolidated federal income Tax Return) shall be prepared on the basis of the applicable Tax package prepared in accordance with this Section 9(c); *provided, however*, that in the case of any position taken in any such Tax package (a "Package Position") with which AT&T disagrees, (I) a neutral mutually reasonably satisfactory nationally recognized law firm shall opine as to whether the Package Position has a likelihood of success under the law that is less than 33¹/₃ percent and (II) the AT&T Affiliated Group shall take the Package Position for such period in the applicable Joint Return if such law firm opines that such likelihood is at least 33¹/₃ percent and shall otherwise take any position that AT&T deems reasonable in lieu of the Package Position; *provided further, however*, that AT&T shall have sole discretion to make all decisions with respect to any election, accounting method or other position that, if applicable, would be required to apply to any member of the Common Stock Group (and in the case of any election that would not, if made, apply to any member of the Common Stock Group, AT&T shall make such election if requested in Liberty's Tax package and AT&T shall not make such election if not requested in Liberty's Tax package). All costs, fees and expenses incurred with respect to the procedures described in part I of this Section 9(c) shall be borne 75 percent by Liberty and 25 percent by AT&T.

(d) With respect to taxable years ending after the Closing Date, AT&T shall have the right to control in all respects (including settlement) all Tax Proceedings with respect to any member of the Liberty Group; *provided, however*, that (A) Liberty (and any other member of the Liberty Group to the extent such member's Tax Items are Contested Liberty Group Items in the Tax Proceeding) shall be entitled to participate in any such Tax Proceeding at their expense, insofar as the Tax liabilities of the Liberty Group are concerned, (B) AT&T shall keep Liberty updated and informed, and shall consult with Liberty, with respect to any Tax Item of the Liberty Group that is a subject of such Tax Proceeding (a "Contested Liberty Group Item"), (C) AT&T shall act in good faith with a view to the merits in connection with the Tax Proceeding and (D) without limiting in any respect AT&T's right to settle any such Tax Proceeding in its absolute discretion, in the event that Liberty objects to a settlement of a Contested Liberty Group Item that it has identified in a written notice to AT&T prior to settlement as an item to be subject to this clause (D), (x) a neutral nationally recognized accountant (the "Settlement Advisor") that is mutually reasonably satisfactory to the parties shall determine the extent, if any, to which the amount for which the Contested Liberty Group Item was settled exceeds the amount at which the Contested Liberty Group Item could reasonably have been expected to be settled (the "Tentative Settlement Overpayment"), (y) the Settlement Advisor shall reasonably reduce the Tentative Settlement Overpayment to take account of the settlement of any Contested Liberty Group Items (and the resolution of any items of the Liberty Group for the period settled that were not the subject of the Tax Proceeding but were specifically identified in a written notice to Liberty from AT&T and discussed with Liberty prior to settlement) at an amount lower than the amount at which such items could reasonably have been expected to be settled (the Tentative Overpayment after such reduction, if any, the "Settlement Overpayment") and (z) AT&T shall pay Liberty as a Tax sharing payment the excess of the aggregate Settlement Overpayments for a taxable jurisdiction for a taxable year over the lesser of (I) 25 percent of the amount at which the Contested Liberty Group Items could reasonably have been expected to be settled, as determined by the Settlement Advisor, and (II) \$10 million in the case of consolidated federal income Taxes (\$2 million in the case of all other Taxes). To the extent that any payment by AT&T pursuant to clause (z) above arises from an adjustment of a Timing Item (such payment, an "Advance"), amounts that would otherwise be payable by AT&T to Liberty with respect to the year that the Corresponding Item is realized shall be reduced (or amounts that would otherwise have been receivable by AT&T from Liberty shall be increased) by the amount of the Advance. Liberty shall pay AT&T the amount of any Advance that has not previously been so applied to reduce (or increase) payments at such time, if any, that the Liberty Group (or the member of the Liberty Group to which the Advance relates)

deconsolidates from the AT&T Affiliated Group. All costs, fees and expenses of the Settlement Advisor and the procedures described in Section 9(d)(D)(x) and (y) shall be borne 50 percent by Liberty and 50 percent by AT&T.

10. *Appointment of AT&T as Agent.* Liberty and each of the Subsidiaries in the Liberty Group hereby appoint AT&T as their agent for the purpose of filing consolidated federal income Tax Returns that are Joint Returns and for making any election (described in Section 9(c) of this Agreement) or application or taking any action in connection with any such Tax Return on behalf of Liberty and each such Subsidiary in the Liberty Group included in such return consistent with the terms of this Agreement. Liberty and each of the Subsidiaries in the Liberty Group hereby appoint AT&T as their agent for the purpose of filing any other Joint Returns, and for making any election (described in 9(c) of this Agreement) or application or taking any action in connection with any such Joint Return on behalf of Liberty and each Subsidiary in the Liberty Group consistent with the terms of this Agreement. Liberty and each of the Subsidiaries in the Liberty Group hereby consent to the filing of such consolidated federal income Tax Returns and combined, consolidated or unitary state, local or foreign Tax Returns, and to the making of such elections and applications. Liberty agrees that Liberty and each of the Subsidiaries in the Liberty Group will be included, to the extent permitted by applicable law, in the filing of consolidated federal income Tax Returns on behalf of the AT&T Affiliated Group for each taxable period ending after the Closing Date and will be included in any other Joint Return required or permitted by applicable law, which Joint Return AT&T elects or is required to file or cause to be filed.

11. *Cooperation.*

(a) The parties shall cooperate with one another in all matters relating to Taxes. The Liberty Group shall each provide AT&T with such cooperation and information as is necessary in order to enable AT&T to satisfy its tax, accounting and other legitimate requirements. Such cooperation and information by the members of the Liberty Group shall include making their respective knowledgeable employees available during normal business hours, providing the information required by reasonable AT&T Tax and accounting questionnaires (at the times and in the format required by AT&T of its Significant Subsidiaries), maintaining such books and records and providing such information as may be necessary or useful in the filing of Joint Returns and Separate Returns, and executing any documents and taking any actions which AT&T may reasonably request in connection therewith. AT&T shall provide Liberty, upon request, with copies of any Joint Returns filed by AT&T that include any member of the Liberty Group, promptly after such Joint Returns are filed and with copies of schedules and workpapers used to prepare such Joint Returns and to determine payments pursuant to this Agreement.

(b) AT&T, Liberty and the Covered Entities shall consult with and cooperate with one another with respect to any restructuring (including, without limitation, any incorporation, sale, transfer or exchange of assets and any liquidation, sale, transfer or reorganization of any entity (such a restructuring, a "Post-Closing Transaction")) of the assets or entities that were part of the transactions described in the TCI Pre-AT&T Merger Restructuring Plan or paragraph 1 of the Letter Agreement to the extent that such restructuring would reasonably be expected to adversely affect the Tax treatment of any of the steps listed in the TCI Pre-AT&T Merger Restructuring Plan or paragraph 1 of the Letter Agreement materially. If the Liberty Group has not given its approval to a Post-Closing Transaction effected by any member of the Common Stock Group, which approval shall not be unreasonably withheld (provided that reasonableness shall be based on risk, not dollars), and such Post-Closing Transaction affects the Tax treatment of any step in the TCI Pre-Merger Restructuring Plan or paragraph 1 of the Letter Agreement creating either a Tax liability or a DIT or a reduction in any Tax benefit that would otherwise be for Liberty's account under this Agreement, then (A) AT&T shall indemnify Liberty for (i) the amount of any reduction of the TCI Affiliated Group NOL that would not have arisen but for such Post-Closing Transaction, (ii) any Tax created from any DIT that would not have arisen but for such Post-Closing Transaction, and (iii) any other Tax liability (or reduction in any Tax benefit) that would

not have arisen but for such Post-Closing Transaction and (B) AT&T shall be entitled, notwithstanding any other provision of this Agreement, to control any Tax Proceeding to the extent it relates to any Tax liability, reduction in Tax benefit or reduction in the TCI Affiliated Group NOL arising from such Post-Closing Transaction. If AT&T has not given its approval to a Post-Closing Transaction effected by any member of the Liberty Group, which approval shall not be unreasonably withheld (provided that reasonableness shall be based on risk, not dollars), and such Post-Closing Transaction affects the Tax treatment of any step in the TCI Pre-Merger Restructuring Plan or paragraph 1 of the Letter Agreement creating either a Tax liability or a DIT or a reduction in any Tax benefit that would otherwise be for AT&T's account under this Agreement, then Liberty shall indemnify AT&T for (i) the amount of any reduction of any TCI Affiliated Group Non-NOL Carryover that would not have arisen but for such Post-Closing Transaction, (ii) any Tax created from any DIT that would not have arisen but for such Post-Closing Transaction, and (iii) any other Tax liability (or reduction in any Tax benefit) that would not have arisen but for such Post-Closing Transaction.

12. *Confidentiality.* Any information obtained by any party under this Agreement shall be kept confidential, except as may be necessary in connection with the filing of Tax Returns or claims for refund or in connection with an audit, dispute, proceeding, suit or action concerning any issues or matters addressed in this Agreement, or unless a party is compelled to disclose information by judicial or administrative process or, in the opinion of its counsel, by other requirements of law. This Section 12 shall not be construed to prevent the sharing of information by the parties with their respective legal advisors or accountants, the independent certified public accountants for purposes of performing the duties specified in Section 14 hereof, with the Settlement Advisor for purposes of performing the duties specified in Section 9(d) hereof or with the Arbitrator.

13. *Payment of Tax.* For each taxable period, AT&T shall timely pay or discharge, or cause to be timely paid or discharged, the consolidated federal income Tax liability of the AT&T Affiliated Group for such taxable period and the combined state, local or foreign Tax liability shown on any Joint Return that AT&T or any other member of the Common Stock Group elects or is required to file.

14. *Calculation of Tax Sharing Payments and Resolution of Disputes.* The independent certified public accountants for AT&T shall review each calculation of payments pursuant to this Agreement and provide a written certification to Liberty that such payments have been calculated and determined in accordance with the terms and provisions of this Agreement. Any dispute concerning the calculation or basis of determination of any payment provided for hereunder or the interpretation of any term or provision or any matter not contemplated by this Agreement that cannot be resolved in good faith by the parties shall be resolved by an independent certified public accounting firm that is mutually reasonably satisfactory to AT&T and Liberty in a manner that best conforms with the intent of the parties in drafting this Agreement, whose judgment shall be conclusive and binding upon the parties, in the absence of mathematical error. All costs, fees and expenses of the independent certified public accounting firms that are attributable to services rendered under this Section 14 shall be borne half by AT&T and half by Liberty.

15. *Binding Effect; Successors and Assigns.* This Agreement shall be binding upon AT&T, Liberty and each Subsidiary that is a signatory hereto and the Subsidiaries that become parties hereto pursuant to Section 23 hereof. This Agreement shall inure to the benefit of, and be binding upon, any successors or assigns of the parties hereto (including, without limitation, any Subsidiary that becomes a party hereto pursuant to Section 23). AT&T, Liberty and each other party hereto may assign their right to receive payments under this Agreement but may not assign or delegate their obligations hereunder; *provided, however*, that concurrently with the Liberty Media Corporation Contribution (as defined in the Contribution Agreement) which will occur as soon as practicable after the occurrence of a Triggering Event (as defined in the Contribution Agreement), Liberty Group LLC shall assume all the obligations of Liberty and each other member of the Liberty Group hereunder (and which obligations thereafter shall be exercisable against Liberty).

Group LLC, as well as Liberty and each other member of the Liberty Group, for all purposes of this Agreement), and Liberty shall assign all of the rights of Liberty under this Agreement to Liberty Group LLC (and which rights thereafter shall be exercisable by Liberty Group LLC for all purposes of this Agreement, on behalf of Liberty or otherwise), including, without limitation, Liberty's rights to tax sharing payments and indemnification from AT&T and Liberty's rights to file certain Tax Returns, to prepare Tax packages, to control or participate in Tax Proceedings, to object to settlements by AT&T, to cooperation from AT&T, and to procedures for the calculation of payments and resolution of disputes.

16. *Interpretation.* This Agreement is intended to calculate and allocate certain federal, state, local and foreign Tax liabilities of the members of the AT&T Affiliated Group, the Common Stock Group, and the Liberty Group, and any situation or circumstance concerning such calculation and allocation that is not specifically contemplated hereby or provided for herein shall be dealt with in a manner consistent with the underlying principles of calculation and allocation in this Agreement. This Agreement shall not be interpreted to require any payment by Liberty to AT&T that is duplicative of any gross proceeds retained by AT&T for taxes pursuant to part (a) of the definition of "Liberty Media Group Net Proceeds" found in Section 9, Part B, of Article Third of the AT&T Charter.

17. *Legal and Accounting Fees.* Unless otherwise specified herein, any fees or expenses for legal, accounting or other professional services rendered in connection with the preparation of a Joint Return or the conduct of any Tax Proceeding shall be allocated between AT&T and Liberty in a manner resulting in AT&T and Liberty, 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.

18. *Effect of the Agreement.* This Agreement shall determine the liability of AT&T, Liberty and the members of their respective Groups to each other as to the matters provided for herein, whether or not such determination is effective for purposes of the Code or of state, local or foreign Tax laws, or for financial reporting purposes or for any other purposes.

19. *Entire Agreement.*

(a) 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 (including the 1995 TCI Tax Sharing Agreement and the 1997 TCI Tax Sharing Agreement, each of which shall be of no further force or effect, and Exhibit C to the Merger Agreement), and no Person shall have any right, responsibility, obligation or liability thereunder. Any and all prior correspondence, conversations and memoranda (including the memorandum from AT&T and Liberty to Wachtell, Lipton, Rosen & Katz and Baker & Botts, L.L.P. dated March 4, 1999) 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. This Agreement, including this provision against oral modification, shall not be modified or terminated except by a writing duly signed by each of the parties hereto, and no waiver of any provisions of this Agreement shall be effective unless in a writing duly signed by the party sought to be bound.

(b) Notwithstanding Section 19(a), the Federal Tax Allocation Agreement, the State and Local Income Tax Allocation Agreement and the Tax Sharing Agreement by and among AT&T, Lucent Technologies Inc. and NCR Corporation dated as of February 1, 1996 shall each remain fully in effect; provided, however, that no Legal Entity included in the Liberty Group shall be considered a party to such agreements or subject to such agreements.

20. *Code References.* Any references to the Code or Treasury Regulations shall be deemed to refer to the relevant provisions of any successor statute or regulation and shall refer to such provisions as in effect from time to time.

21. *Notices.* Any payment, notice or communication required or permitted to be given under this Agreement shall be in writing (including telecopy communication) and mailed, telecopied or delivered:

If to AT&T or any member of the Common Stock Group:

AT&T Corp.
295 North Maple Avenue
Basking Ridge, New Jersey 07920
Attention: Vice President—Law
and Corporate Secretary
Facsimile: (908) 221-6618

with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd/ Street
New York, New York 10019
Attention: Richard D. Katcher, Esq.
Steven A. Rosenblum, Esq.
Facsimile: (212) 403-2000

If to Liberty or any member of the Liberty Group:

Liberty Media Corporation
8101 East Prentice Avenue, Suite 500
Englewood, Colorado 80111
Attention: Peter Zolintakis
Facsimile: (303) 488-3268

with a copy to:

Baker & Botts, L.L.P.
599 Lexington Avenue
New York, New York 10022
Attention: Elizabeth M. Markowski, Esq.
Frederick H. McGrath, Esq.
Facsimile: (212) 705-5125

or to any other address as AT&T or Liberty shall furnish in writing to one another. All such notices and communications shall be effective when received.

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

23. *New Members.* Each of the parties to this Agreement recognizes that from time to time, new Subsidiaries of Liberty may be added to the Liberty Group. Each of the parties agree that any new Subsidiary that is part of the Liberty Group shall, without the express written consent of the other parties, become a party to this Agreement for all purposes of this Agreement with respect to taxable periods ending after such Subsidiary was added to the Liberty Group.

24. *Nature of Obligations.* Each of AT&T and Liberty acknowledges and agrees that its respective obligations under this Agreement shall not be affected by any impossibility, illegality, impracticability, frustration of purpose, *force majeure*, act of government, bankruptcy or insolvency of any party to this Agreement, failure or refusal of any party to this Agreement to perform its obligations hereunder, dispute, setoff or counterclaim, change in amount, composition or terms of the assets, liabilities or equity of AT&T or Liberty or any other party to this Agreement, or any other defense or right which AT&T or Liberty has or may have that might have the effect of releasing AT&T or Liberty, as the case may be, from such obligations.

25. *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 met and such liabilities have been paid in full, whether by expiration of time, operation of law, or otherwise. The obligations and liabilities of each party are made for the benefit of, and shall be enforceable by, the other parties and their successors and permitted assigns.

26. *Liberty Representation.* Liberty represents that Liberty currently estimates based upon information as of the date hereof that was provided by TCI personnel to Liberty and evaluated by Liberty personnel in good faith, that with respect to 1998, for federal income tax purposes, the TCI Group will have \$165 million of alternative minimum taxable income (which reflects a \$70 million alternative minimum taxable loss of National Digital Television Center, Inc.) and the Liberty Group will have \$205 million of alternative minimum taxable income. It has been the general experience of Liberty that final federal income tax numbers may vary from such estimates by a considerable amount, as much as 100 percent or more, but, apart from such general experience, Liberty has no reason to believe that the numbers contained in the immediately preceding sentence are incorrect as of the date hereof.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed by its respective duly authorized officer as of the date first set forth above.

AT&T CORP.

By: /s/ Daniel E. Somers

Name: Daniel E. Somers
Title: Senior Executive Vice President and
Chief Financial Officer

LIBERTY MEDIA CORPORATION, for itself and for
each member of the Liberty Group

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

Each of the Covered Entities listed below on this page hereby executes this Agreement as a member of the Liberty Group to acknowledge that such Person is bound by this Agreement as a member of the Liberty Group:

TCI WIRELESS HOLDINGS, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

TCIP, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

TCI INTERACTIVE, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

SILVER SPUR LAND AND CATTLE CO.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

TELE-COMMUNICATIONS, INC.

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title: Executive Vice President

LIBERTY VENTURES GROUP LLC

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title: Executive Vice President

LIBERTY MEDIA GROUP LLC

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Vice President

TCI STARZ, INC.

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title: Vice President

TCI CT HOLDINGS, INC.

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title: Vice President

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FIRST AMENDMENT TO
TAX SHARING AGREEMENT

by and among

AT&T CORP.,

LIBERTY MEDIA CORPORATION,
for itself and each member of the Liberty Group,

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 hereof,

dated as of May 28, 1999

This First Amendment, dated as of May 28, 1999 (this "First Amendment"), to the Tax Sharing Agreement, dated as of March 9, 1999 (the "Agreement"), is entered into by and among AT&T Corp., a New York corporation ("AT&T"), Liberty Media Corporation, a Delaware corporation ("Liberty"), for itself and on behalf of each member of the Liberty Group, Tele-Communications, Inc., a Delaware corporation, Liberty Ventures Group LLC, a Delaware limited liability company, Liberty Media Group LLC, a Delaware limited liability company, TCI Starz, Inc., a Colorado corporation, TCI CT Holdings, Inc., a Delaware corporation, each Covered Entity listed on the signature pages hereof, and each entity which becomes a party to the Agreement pursuant to Section 23 thereto. Unless otherwise stated herein, capitalized terms used in this First Amendment shall have the meaning ascribed to such terms in the Agreement.

WHEREAS, the parties have entered into the Agreement which governs the sharing, allocation and reimbursement of federal, state, local and foreign taxes by the members of the Common Stock Group and the Liberty Group; and

WHEREAS, AT&T intends to acquire The Associated Group, Inc., a Delaware corporation ("AGI"), in a transaction qualifying as a tax-free reorganization under Section 368(a) of the Code (the "AGI Acquisition") pursuant to an Agreement and Plan of Merger dated as of May 28, 1999 (the "AGI Merger Agreement") for and on behalf of the Liberty Group; and

WHEREAS, certain members of the Liberty Media Group are negotiating a form of letter (in the form approved in writing by AT&T, the "Telewest Letter") to Microsoft Corporation ("Microsoft") relating to the interest currently held by MediaOne Group, Inc. in Telewest that calls for the negotiation, execution and delivery of certain agreements, instruments and other documents that give effect to the arrangements described therein (collectively, and including the obligations to which Microsoft would succeed pursuant to the second paragraph of the Telewest Letter, but in each case only to the extent approved in writing by AT&T, the "Microsoft/Telewest Arrangements"); and

WHEREAS, the parties intend that any Tax Items arising from or relating to the AGI Acquisition, including any Tax Items of AGI or any of its direct or indirect assets or subsidiaries, shall be considered Tax Items attributable to the Liberty Group except to the extent set forth herein; and

WHEREAS, the parties intend that any Tax Items arising from or relating to the Microsoft/Telewest Arrangements shall be considered Tax Items attributable to the Common Stock Group except to the extent set forth herein; and

WHEREAS, the parties now wish to amend the Agreement in certain respects to clarify the intent of the parties with respect to the sharing, allocation and reimbursement of federal, state, local and foreign taxes by the members of the Common Stock Group and the Liberty Group and to make such other amendments, as provided herein;

NOW, THEREFORE, the parties hereby agree as follows:

1. The Agreement is amended by inserting in Section 1(z) the words ", as amended" after the words "as of the date hereof" and before the period.
2. The Agreement is amended by deleting the first sentence of Section 3(d)(i) and adding in lieu thereof the following:

"Any Tax Item arising from or relating to (A) TCI Wireless Holdings Inc. or any of its direct or indirect assets or subsidiaries, (B) the disposition of certain assets in exchange for stock of GI or the subsequent disposition of such stock, (C) except as provided below in this Section 3(d)(i), the deemed, constructive or actual disposition (except for the Exhibit D DITS) of the shares or other interests in any Liberty Group Legal Entity, or measured by reference to the difference between the value of such shares or interests and

the holder's basis therein, or (D) AGI, A-Group Merger Corp. ("AGI Merger Sub"), Cayman LLC (as defined in the AGI Merger Agreement), Delaware LLC (as defined in the AGI Merger Agreement), Teligent, Inc., TruePosition, Inc., or any of their respective direct or indirect subsidiaries or affiliates (or any predecessor or successor of any of the foregoing under applicable corporate, limited liability company, partnership or other organizational law) (the "AGI Entities"); the status of any member of the Common Stock Group as the successor under Code Section 381 (or comparable provision of state, local or foreign Tax law) to any of the AGI Entities; any direct or indirect asset, liability, business, investment or operation of any of the AGI Entities; any AT&T Common Stock or New Liberty Media Group Tracking Stock held at any time directly or indirectly by any of the AGI Entities; the amendments made as of the closing date of the merger of AGI Merger Sub into AGI (the "AGI Merger") to the Contribution Agreement and to the Limited Liability Company Agreement of Liberty Media Group LLC and the transactions contemplated by such amendments (and only such amendments); the AGI Acquisition, the AGI Merger Agreement, the AGI Merger, any Pre-Merger Restructuring Transaction (as defined in the AGI Merger Agreement), any Post-Merger Restructuring Transaction (as defined in the AGI Merger Agreement), the issuance of AT&T Common Stock or New Liberty Media Group Tracking Stock in the AGI Merger or any other transaction contemplated by the AGI Merger Agreement, the First Supplement to Inter-Group Agreement dated May 28, 1999 (the "First Supplement") (other than Section 1.5 and the preamble paragraph relating to the Telewest Letter thereof), this Clause D of this First Amendment, or the Voting Agreement dated May 28, 1999 by and among AT&T, Liberty, and certain stockholders of AGI (the "Voting Agreement"), or any other document to which the Company, Liberty or any of their respective Subsidiaries (as defined in the AGI Merger Agreement) or Affiliates (as defined in the AGI Merger Agreement) is a party that is referred to in the AGI Merger Agreement, the First Supplement (other than Section 1.5 and the preamble paragraph relating to the Telewest Letter thereof), this Clause D of this First Amendment and the Voting Agreement or executed in connection therewith (any of the foregoing Tax Items specified in this Clause D shall be referred to hereinafter as a "Clause D Tax Item"), shall be for the account of the Liberty Group (except to the extent otherwise provided in this Section 3(d)(i) with respect to any Clause D Tax Item), and Liberty shall pay AT&T any Tax (or any reduction in any Tax refund, credit or other benefit) attributable thereto. Notwithstanding anything in the preceding sentence to the contrary, any Clause D Tax Item shall be for the account of AT&T if, and to the extent that, such Clause D Tax Item arises directly from and would not have arisen but for (i) any inaccuracy in any of the representations by AT&T or AGI Merger Sub in the Officer's Certificate dated as of the closing date of the AGI Merger delivered by AT&T and AGI Merger Sub in connection with the opinions to be delivered pursuant to Section 8.2(j), 8.3(h) and 8.4(h) of the AGI Merger Agreement, (ii) any breach by AT&T or AGI Merger Sub of any of their representations or covenants in Sections 3.6, 3.7, 3.11, 3.12, 3.13, 3.14, 5.4, 5.5, 7.7, 7.13, and 7.15 of the AGI Merger Agreement or (iii) any breach by AT&T of any representation or covenant in the Inter-Group Agreement (except in the case of clauses (i), (ii) and (iii), to the extent arising out of or relating to actions taken by AT&T at the request of Liberty as contemplated by Section 1.2(e) of the First Supplement or otherwise in writing), and AT&T shall pay to the applicable Governmental Authority or to Liberty any Tax, and shall pay to Liberty any reduction in any Tax refund, credit or other benefit that is for the account of Liberty hereunder, attributable thereto. Any Tax Item arising from or relating to the execution and delivery of, or the performance of the obligations of the Liberty Media Group (as defined in the Parent Charter) under, the Telewest Letter, the Microsoft/Telewest Arrangements, or any other transaction contemplated thereby or by Section 1.5 of the First Supplement, this sentence of this First Amendment, or any other document referred to in Section 1.5 of the First Supplement or this sentence of this First Amendment (any of the foregoing Tax Items specified in this sentence shall be referred to hereinafter as a "Telewest Tax Item"), shall be for the account of the Common Stock Group (except to the extent otherwise provided in this Section 3(d)(i) with respect to any Telewest Tax Item), and AT&T shall pay to the applicable Governmental Authority or to Liberty any Tax, and shall pay to Liberty any reduction in any Tax refund, credit or other benefit that is for the account of Liberty hereunder, attributable thereto. Notwithstanding anything in the preceding sentence to the contrary, any Telewest Tax Item shall be for the account of Liberty if, and to the extent that, such Telewest Tax Item arises directly from and would not have arisen but for (i) any breach by Liberty or any member of the Liberty Media Group (as defined in the Inter-Group Agreement) of any of its representations or covenants

in the Telewest Letter or the Microsoft/Telewest Arrangements or (ii) any breach by Liberty of any representation or covenant in the Inter-Group Agreement (except in the case of clauses (i) and (ii), to the extent arising out of or relating to actions taken by Liberty at the express written request of AT&T), and Liberty shall pay AT&T any Tax (or any reduction in any Tax refund, credit or other benefit that is for the account of AT&T hereunder) attributable thereto."

3. The Agreement is amended by inserting in Section 3(d)(ii) the words ", as amended," after the words "dated February 11, 1999" and before the words "among AT&T, TCI and Liberty."

4. The Agreement is amended by deleting Section 9(b) and adding in lieu thereof a new sentence as follows:

"From and after the Closing Date, Liberty shall have the right to control in all respects all Tax Proceedings with respect to (I) any member of the TCI Affiliated Group with respect to any Pre-Closing Taxable Period or (II) AGI for any taxable period ending on or prior to the date of the closing of the AGI Merger or any Subsidiary of AGI during any such period for such period; provided, however, that (i) AT&T shall be entitled to participate in any such Tax Proceeding at its expense, (ii) Liberty shall keep AT&T updated and informed and shall consult with AT&T with respect to any contested Tax Item, (iii) Liberty shall act in good faith with a view to the merits in connection with the Tax Proceeding and (iv) any proposed settlement shall require the consent of AT&T, which consent shall not be unreasonably withheld."

5. Except as otherwise expressly provided herein, the Agreement shall continue in full force and effect without modification.

IN WITNESS WHEREOF, each of the parties has caused this First Amendment to be executed by its respective duly authorized officer as of the date first set forth above.

AT&T CORP.

By: _____

Name:

Title:

LIBERTY MEDIA CORPORATION, for itself and for
each member of the Liberty Group

By: _____

Name:

Title:

Each of the Covered Entities listed below on this page hereby executes this First Amendment as a member of the Liberty Group to acknowledge that such Person is bound by this First Amendment as a member of the Liberty Group:

TCI WIRELESS HOLDINGS, INC.

By: _____
Name:
Title:

TCIP, INC.

By: _____
Name:
Title:

TCI INTERACTIVE, INC.

By: _____
Name:
Title:

SILVER SPUR LAND AND CATTLE CO.

By: _____
Name:
Title:

TELE-COMMUNICATIONS, INC.

By: _____
Name:
Title:

LIBERTY VENTURES GROUP LLC

By: _____
Name:
Title:

LIBERTY MEDIA GROUP LLC

By: _____
Name:
Title:

TCI STARZ, INC.

By: _____
Name:
Title:

TCI CT HOLDINGS, INC.

By: _____
Name:
Title:

QuickLinks

[EXHIBIT 10.2](#)

SECOND AMENDMENT TO THE TAX SHARING AGREEMENT

by and among

AT&T CORP.,

LIBERTY MEDIA CORPORATION,

for itself and each member of the Liberty Group,

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 hereof,

dated as of September 24, 1999

SECOND AMENDMENT TO THE TAX SHARING AGREEMENT

This Second Amendment, dated as of September 24, 1999 (this "Second Amendment"), to the Tax Sharing Agreement dated as of March 9, 1999, as amended by the First Amendment (the "First Amendment") to the Agreement dated as of May 28, 1999 (the "Agreement") is entered into by and among AT&T Corp., a New York corporation ("AT&T"), Liberty Media Corporation, a Delaware corporation ("Liberty"), for itself and on behalf of each member of the Liberty Group, Tele-Communications, Inc., a Delaware corporation, Liberty Ventures Group LLC, a Delaware limited liability company, Liberty Media Group LLC, a Delaware limited liability company, TCI Starz, Inc., a Colorado corporation, TCI CT Holdings, Inc., a Delaware corporation, each Covered Entity listed on the signature pages hereof, and any entities which become parties to the Agreement pursuant to Section 23 thereto. Unless otherwise stated herein, capitalized terms used in this Second Amendment shall have the meaning ascribed to such terms in the Agreement.

WHEREAS, the parties have entered into the Agreement, which governs the sharing, allocation and reimbursement of federal, state, local and foreign taxes by the members of the Common Stock Group and the Liberty Group;

WHEREAS, the Capital Stock Committee of the AT&T Board of Directors has adopted the resolutions attached as Exhibit A to the Second Supplement to the Inter-Group Agreement, dated as of September 24, 1999 (the "Second Supplement"), approving and authorizing the repurchase by AT&T from time to time of up to 135 million shares of Liberty Media Group Tracking Stock (as such number shall be adjusted from time to time to reflect stock splits, stock dividends, stock combinations and similar events affecting the Liberty Media Group Tracking Stock), in accordance with the terms and conditions set forth in the resolution of the Capital Stock Committee and the Second Supplement (the "Stock Repurchase Program");

WHEREAS, the parties intend that certain Tax Items arising from or related to the Stock Repurchase Program shall be considered Tax Items attributable to the Liberty Group; and

WHEREAS the parties now wish to amend the Agreement in certain respects to clarify the intent of the parties with respect to sharing, allocation and reimbursement of federal, state, local and foreign taxes by the members of the Common Stock Group and the Liberty Group and to make such other amendments, as provided herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereby amend the Tax Sharing Agreement and agree as follows:

1. The Agreement, as amended by the First Amendment, is amended by inserting in Section 1: "'Repurchase Transactions' shall have the meaning set forth in the Second Supplement."

2. The Agreement, as amended by the First Amendment, is amended by inserting in Section 3(d)(i) the words "the adoption by the Capital Stock Committee of the AT&T Board of Directors of the resolutions attached as Exhibit A to the Second Supplement or any action taken by AT&T or any other member of the Common Stock Group in good faith in accordance with the terms of the Second Supplement or Second Amendment in connection with the Stock Repurchase Program or any Repurchase Transaction or" after the words "(except in the case of clauses (i), (ii) and (iii), to the extent arising out of or relating to" and before the words "actions taken by AT&T at the request of Liberty...."

3. The Agreement, as amended by the First Amendment, is amended by inserting as Section 3(d)(xi):

"(xi) *Liberty Stock Repurchase Program*. Except as set forth in the second sentence of this Section 3(d)(xi) with respect to the Excluded Buyback Tax Items (as defined below) and in addition to (but without duplication of) any Tax Item for which Liberty is responsible (other than pursuant to this Section 3(d)(xi)) under this Agreement, any Tax Item (including, without limitation, any gain recognized under Code Section 311(b) and any fee or interest income) arising from or relating to: (I) any agreement required to be entered into by AT&T in connection with any Repurchase Transaction or the negotiation, review, execution or delivery of the Second Amendment or the Second Supplement; (II) any Repurchase Transaction entered into in accordance with the terms of the Second Supplement and the applicable Repurchase Notice (as defined in the Second Supplement); (III) any action taken in good faith by AT&T or any member of the Common Stock Group in accordance with the terms of the Second Supplement or the Second Amendment; (IV) AT&T's performance of its obligations under the Second Supplement (or the Second Amendment) relating to the Stock Repurchase Program in accordance with the terms of the Second Supplement (or the Second Amendment); (V) any transaction undertaken by any member of the Liberty Group in connection with the Stock Repurchase Program, any Repurchase Transaction or any transaction related thereto; (VI) any excess loss account in the stock of Liberty or any other member of the Liberty Group; and (VII) any excess loss account in the stock of any member of the Common Stock Group to the extent that such excess loss account would not have existed but for the creation or increase in the excess loss accounts, if any, in the stock of Liberty and the Covered Entities (to the extent such stock in the Covered Entities is held directly or indirectly by Liberty Ventures Group LLC or TCI), determined on a collective basis, shall be for the account of the Liberty Group, and Liberty shall pay AT&T any Tax (or any reduction in any Tax refund, credit or other benefit) attributable thereto. Any Tax Item arising from or relating to: (A) any excess loss account in the stock of any member of the Common Stock Group (except as provided in clause (VII) above of this Section 3(d)(xi)) or (B) the disposition by any member of the Common Stock Group in a Repurchase Transaction of Liberty Media Group Tracking Stock held for the account of the Common Stock Group (the foregoing Tax Items specified in this sentence shall be referred to as "Excluded Buyback Tax Items"), shall be for the account of AT&T.

4. The words "the date hereof" shall be deleted in each place that they appear in the Agreement and in lieu thereof shall be inserted the words "March 9, 1999."

5. Except as otherwise expressly provided herein, the Agreement shall continue in full force and effect without modification.

IN WITNESS WHEREOF, each of the parties has caused this Second Amendment to be executed by its respective duly authorized officer as of the date first set forth above.

AT&T CORP.

By: /s/ Marilyn J. Wasser

Name: Marilyn J. Wasser
Title:

LIBERTY MEDIA CORPORATION, for itself and for
each member of the Liberty Group

By: /s/ Gary S. Howard

Name: Gary S. Howard
Title: Executive Vice President

Each of the Covered Entities listed below on this page hereby executes this Second Amendment as a member of the Liberty Group to acknowledge that such Person is bound by this Second Amendment as a member of the Liberty Group:

LIBERTY SP, INC.

By: /s/ Gary S. Howard

Name: Gary S. Howard
Title: Executive Vice President

LIBERTY AGI, INC.

By: /s/ Gary S. Howard

Name: Gary S. Howard
Title: Executive Vice President

LMC INTERACTIVE, INC.

By: /s/ Gary S. Howard

Name: Gary S. Howard
Title: Executive Vice President

TELE-COMMUNICATIONS, INC.

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title:

LIBERTY VENTURES GROUP LLC

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title:

LIBERTY MEDIA GROUP LLC

By: /s/ Gary S. Howard

Name: Gary S. Howard
Title: Executive Vice President

TCI STARZ, INC.

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title:

TCI CT HOLDINGS, INC.

By: /s/ Gary S. Howard

Name: Gary S. Howard
Title: Vice President

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[EXHIBIT 10.3](#)

[SECOND AMENDMENT TO THE TAX SHARING AGREEMENT](#)

THIRD AMENDMENT TO
TAX SHARING AGREEMENT

by and among

AT&T CORP.,

LIBERTY MEDIA CORPORATION,
for itself and each member of the Liberty Group,

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 hereof,

dated as of October 20, 1999

This Third Amendment, dated as of October 20, 1999 (this "Third Amendment"), to the Tax Sharing Agreement dated as of March 9, 1999, as amended by the First Amendment (the "First Amendment") to the Tax Sharing Agreement dated as of May 28, 1999 and the Second Amendment (the "Second Amendment") to the Tax Sharing Agreement dated as of September 24, 1999 (the "Agreement"), is entered into by and among AT&T Corp., a New York corporation ("AT&T"), Liberty Media Corporation, a Delaware corporation ("Liberty"), for itself and on behalf of each member of the Liberty Group, Tele-Communications, Inc., a Delaware corporation, Liberty Ventures Group LLC, a Delaware limited liability company, Liberty Media Group LLC, a Delaware limited liability company, TCI Starz, Inc., a Colorado corporation, TCI CT Holdings, Inc., a Delaware corporation, each Covered Entity listed on the signature pages hereof, and each entity which becomes a party to the Agreement pursuant to Section 23 thereto. Unless otherwise stated herein, capitalized terms used in this Third Amendment shall have the meaning ascribed to such terms in the Agreement.

WHEREAS, the parties have entered into the Agreement which governs the sharing, allocation and reimbursement of federal, state, local and foreign taxes by the members of the Common Stock Group and the Liberty Group;

WHEREAS, AT&T intends to acquire Ascent Entertainment Group, Inc., a Delaware corporation ("Ascent"), in a transaction qualifying as a tax-free reorganization under Section 368(a) of the Code pursuant to an Agreement and Plan of Merger dated as of October 20, 1999 (the "Ascent Merger Agreement") for and on behalf of the Liberty Group;

WHEREAS, the parties intend that any Tax Items arising from or relating to the Ascent Merger (as defined below), including any Tax Items of Ascent or any of its direct or indirect assets or subsidiaries, shall be considered Tax Items attributable to the Liberty Group except to the extent set forth herein; and

WHEREAS, the parties now wish to amend the Agreement in certain respects to clarify the intent of the parties with respect to the sharing, allocation and reimbursement of federal, state, local and foreign taxes by the members of the Common Stock Group and the Liberty Group and to make such other amendments, as provided herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereby amend the Tax Sharing Agreement as follows:

1. The Agreement is amended by inserting as Section 3(d)(xii):

"(xii) *Ascent Merger*. Any Tax Item arising from or relating to Ascent, Ranger Acquisition Corp. ("Ascent Merger Sub"), On Command Corporation, COMSAT Corporation, or any of their respective direct or indirect subsidiaries or affiliates (or any predecessor or successor of any of the foregoing under applicable corporate, limited liability company, partnership or other organizational law) (the "Ascent Entities"); the status of any member of the Common Stock Group as the successor under Code Section 381 (or comparable provision of state, local or

foreign Tax law) to any of the Ascent Entities; any direct or indirect asset, liability, business, investment or operation of any of the Ascent Entities; the merger of Ascent Merger Sub with and into Ascent (the "Ascent Merger"), the Ascent Merger Agreement, the Post-Merger Restructuring Transactions (as defined in the Ascent Merger Agreement), the issuance of New Liberty Media Group Tracking Stock in the Ascent Merger or any other transaction contemplated by the Ascent Merger Agreement, the Third Supplement to Inter-Group Agreement dated October 20, 1999 (the "Third Supplement"), or this Third Amendment, or any other document to which the Company, Liberty or any of their respective Subsidiaries (as defined in the Ascent Merger Agreement) or Affiliates (as defined in the Ascent Merger Agreement) is a party that is referred to in the Ascent Merger Agreement, the Third Supplement, and this Third Amendment or executed in connection therewith (any of the foregoing Tax Items specified in this sentence shall be referred to hereinafter as an "Ascent Tax Item"), shall be for the account of the Liberty Group (except to the extent otherwise provided in this Section 3(d)(xii) with respect to any Ascent Tax Item), and Liberty shall pay AT&T any Tax (or any reduction in any Tax refund, credit or other benefit) attributable thereto. Notwithstanding anything in the preceding sentence to the contrary, any Ascent Tax Item shall be for the account of AT&T hereunder if, and to the extent that, such Ascent Tax Item arises directly from and would not have arisen but for (i) any inaccuracy in any of the representations by AT&T or Ascent Merger Sub in the Officer's Certificate dated as of the closing date of the Ascent Merger delivered by AT&T and Ascent Merger Sub in connection with the opinions to be delivered pursuant to Sections 8.2(h) and 8.3(e) of the Ascent Merger Agreement, (ii) any breach by AT&T or Ascent Merger Sub of any of their representations or covenants in Sections 3.9, 3.10, 3.11, 5.3, 7.7, 7.12, 7.13 of the Ascent Merger Agreement or (iii) any breach by AT&T of any representation or covenant in the Inter-Group Agreement (except in the case of clauses (i), (ii) and (iii), to the extent arising out of or relating to the adoption by the Capital Stock Committee of the AT&T Board of Directors of the resolutions attached as Exhibit A to the Second Supplement to the Inter-Group Agreement, dated as of September 24, 1999 (the "Second Supplement") or any action taken by AT&T or any other member of the Common Stock Group in good faith in accordance with the terms of the Second Supplement or Second Amendment in connection with the Stock Repurchase Program (as defined in the Second Supplement) or any Repurchase Transaction or actions taken by AT&T at the request of Liberty as contemplated by Section 1.2(d) of the Third Supplement or otherwise in writing), and AT&T shall pay to the applicable Governmental Authority or to Liberty any Tax, and shall pay to Liberty any reduction in any Tax refund, credit or other benefit that is for the account of Liberty hereunder, attributable thereto.

2. The Agreement is amended by (i) deleting in Section 9(b) the word "or" and inserting in lieu thereof ", " after the words "any Pre-Closing Taxable Period" and before the words "(II) AGI for any taxable period . . ." and (ii) inserting in Section 9(b) the words ", or (III) Ascent for any taxable period ending on or prior to the date of the closing of the Ascent Merger or any Subsidiary of Ascent during any such period for such period" after the words "or any Subsidiary of AGI during any such period for such period" and before the words "; provided, however, that (i) AT&T shall be entitled to participate . . ."

3. Except as otherwise expressly provided herein, the Agreement shall continue in full force and effect without modification.

IN WITNESS WHEREOF, each of the parties has caused this Third Amendment to be executed by its respective duly authorized officer as of the date first set forth above.

AT&T CORP.

By: /s/ Daniel E. Somers

Name: Daniel E. Somers
Title: Senior Executive Vice President and
Chief Financial Officer

LIBERTY MEDIA CORPORATION, for itself and for
each member of the Liberty Group

By: /s/ Gary S. Howard

Name: Gary S. Howard
Title: Executive Vice President and Chief
Operating Officer

Each of the Covered Entities listed below on this page hereby executes this Third Amendment as a member of the Liberty Group to acknowledge that such Person is bound by this Third Amendment as a member of the Liberty Group:

LIBERTY SP, INC.

By: /s/ Gary S. Howard

Name: Gary S. Howard
Title: Executive Vice President and Chief
Operating Officer

LIBERTY AGI, INC.

By: /s/ Gary S. Howard

Name: Gary S. Howard
Title: Executive Vice President and Chief
Operating Officer

LMC INTERACTIVE, INC.

By: /s/ Gary S. Howard

Name: Gary S. Howard
Title: Executive Vice President and Chief
Operating Officer

TELE-COMMUNICATIONS, INC.

By: /s/ Daniel E. Somers

Name: Daniel E. Somers
Title: Acting President

LIBERTY VENTURES GROUP LLC

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title: Vice President and Secretary

LIBERTY MEDIA GROUP LLC

By: /s/ Gary S. Howard

Name: Gary S. Howard
Title: Vice President

TCI STARZ, INC.

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title: Vice President and Secretary

TCI CT HOLDINGS, INC.

By: /s/ Gary S. Howard

Name: Gary S. Howard
Title: Executive Vice President and Chief
Operating Officer

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[EXHIBIT 10.4](#)

FOURTH AMENDMENT TO
TAX SHARING AGREEMENT

by and among

AT&T CORP.,

LIBERTY MEDIA CORPORATION,
for itself and each member of the Liberty Group,

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 hereof,

dated as of October 28, 1999

This Fourth Amendment, dated as of October 28, 1999 (this "Fourth Amendment"), to the Tax Sharing Agreement (the "Agreement") dated as of March 9, 1999, as amended by the First Amendment (the "First Amendment") to the Tax Sharing Agreement dated as of May 28, 1999, the Second Amendment (the "Second Amendment") to the Tax Sharing Agreement dated as of September 24, 1999 and the Third Amendment (the "Third Amendment") to the Tax Sharing Agreement dated as of October 20, 1999, is entered into by and among AT&T Corp., a New York corporation, Liberty Media Corporation, a Delaware corporation, for itself and on behalf of each member of the Liberty Group, Tele-Communications, Inc., a Delaware corporation, Liberty Ventures Group LLC, a Delaware limited liability company, Liberty Media Group LLC, a Delaware limited liability company, TCI Starz, Inc., a Colorado corporation, TCI CT Holdings, Inc., a Delaware corporation, each Covered Entity listed on the signature pages hereof, and each entity which becomes a party to the Agreement pursuant to Section 23 thereto. Unless otherwise stated herein, capitalized terms used in this Fourth Amendment shall have the meaning ascribed to such terms in the Agreement.

WHEREAS, the parties have entered into the Agreement which governs the sharing, allocation and reimbursement of federal, state, local and foreign taxes by the members of the Common Stock Group and the Liberty Group; and

WHEREAS, the parties now wish to amend the Agreement in certain respects to clarify the intent of the parties with respect to the sharing, allocation and reimbursement of federal, state, local and foreign taxes by the members of the Common Stock Group and the Liberty Group and to make such other amendments, as provided herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereby agree as follows:

1. "AGI Merger Agreement" shall mean the Amended and Restated Agreement and Plan of Merger dated as of October 28, 1999.
 2. The first sentence of Section 3(d)(i) shall be amended as follows:
 - a. the words "Cayman LLC (as defined in the AGI Merger Agreement)," shall be deleted;
 - b. the words "the Original Agreement (as defined in the AGI Merger Agreement)," shall be inserted after the words "; the AGI Acquisition, the AGI Merger Agreement," and before the words "the AGI Merger";
 - c. the words ", as amended" shall be inserted after the words "the First Supplement to Inter-Group Agreement dated May 28, 1999" and before the words "(the "First Supplement")";
-

- d. the words "the Fourth Amendment" shall be inserted after the words "this Clause D of this First Amendment," and before the words "or the Voting Agreement dated May 28, 1999"; and
 - e. the words ", the Fourth Amendment" shall be inserted after the words "this Clause D of this First Amendment" and before the words "and the Voting Agreement or executed".
3. Except as otherwise expressly provided herein, the Agreement shall continue in full force and effect without modification.
-

IN WITNESS WHEREOF, each of the parties has caused this Fourth Amendment to be executed by its respective duly authorized officer as of the date first set forth above.

AT&T CORP.

By: /s/ Daniel E. Somers

Name: Daniel E. Somers
Title: Senior Executive Vice President
and Chief Financial Officer

LIBERTY MEDIA CORPORATION, for itself and for
each member of the Liberty Group

By: /s/ Gary S. Howard

Name: Gary S. Howard
Title: Executive Vice President and Chief
Operating Officer

Each of the Covered Entities listed below on this page hereby executes this Fourth Amendment as a member of the Liberty Group to acknowledge that such Person is bound by this Fourth Amendment as a member of the Liberty Group:

LIBERTY SP, INC.

By: /s/ Gary S. Howard

Name: Gary S. Howard
Title: Executive Vice President and Chief
Operating Officer

LIBERTY AGI, INC.

By: /s/ Gary S. Howard

Name: Gary S. Howard
Title: Executive Vice President and Chief
Operating Officer

LMC INTERACTIVE, INC.

By: /s/ Gary S. Howard

Name: Gary S. Howard
Title: Executive Vice President and Chief
Operating Officer

TELE-COMMUNICATIONS, INC.

By: /s/ Steven M. Brett

Name: Steven M. Brett
Title: Sr. Executive Vice President

LIBERTY VENTURES GROUP LLC

By: /s/ Steven M. Brett

Name: Steven M. Brett
Title: Vice President

LIBERTY MEDIA GROUP LLC

By: /s/ Gary S. Howard

Name: Gary S. Howard
Title: Vice President

TCI STARZ, INC.

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title: Vice President

TCI CT HOLDINGS, INC.

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title: Vice President

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[EXHIBIT 10.5](#)

FIFTH AMENDMENT TO
TAX SHARING AGREEMENT

by and among

AT&T CORP.,

LIBERTY MEDIA CORPORATION,
for itself and each member of the Liberty Group,

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 hereof,

dated as of December 6, 1999

This Fifth Amendment, dated as of December 6, 1999 (this "Fifth Amendment"), to the Tax Sharing Agreement (the "Agreement") dated as of March 9, 1999, as amended by the First Amendment (the "First Amendment") to the Tax Sharing Agreement dated as of May 28, 1999, the Second Amendment (the "Second Amendment") to the Tax Sharing Agreement dated as of September 24, 1999, the Third Amendment (the "Third Amendment") to the Tax Sharing Agreement dated as of October 20, 1999, and the Fourth Amendment (the "Fourth Amendment") to the Tax Sharing Agreement dated as of October 28, 1999, is entered into by and among AT&T Corp., a New York corporation ("AT&T"), Liberty Media Corporation, a Delaware corporation ("Liberty"), for itself and on behalf of each member of the Liberty Group, Tele-Communications, Inc., a Delaware corporation, Liberty Ventures Group LLC, a Delaware limited liability company, Liberty Media Group LLC, a Delaware limited liability company, TCI Starz, Inc., a Colorado corporation, TCI CT Holdings, Inc., a Delaware corporation, each Covered Entity listed on the signature pages hereof, and each entity which becomes a party to the Agreement pursuant to Section 23 thereto. Unless otherwise stated herein, capitalized terms used in this Fifth Amendment shall have the meaning ascribed to such terms in the Agreement.

WHEREAS, the parties have entered into the Agreement which governs the sharing, allocation and reimbursement of federal, state, local and foreign taxes by the members of the Common Stock Group and the Liberty Group;

WHEREAS, AT&T intends to acquire Four Media Company, a Delaware corporation ("4MC"), pursuant to an Agreement and Plan of Merger dated as of December 3, 1999 (the "4MC Merger Agreement") for and on behalf of the Liberty Group;

WHEREAS, the parties intend that any Tax Items arising from or relating to the 4MC Merger (as defined below), including any Tax Items of 4MC or any of its direct or indirect assets or subsidiaries, shall be considered Tax Items attributable to the Liberty Group except to the extent set forth herein; and

WHEREAS, the parties now wish to amend the Agreement in certain respects to clarify the intent of the parties with respect to the sharing, allocation and reimbursement of federal, state, local and foreign taxes by the members of the Common Stock Group and the Liberty Group and to make such other amendments, as provided herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereby amend the Tax Sharing Agreement as follows:

1. The Agreement is amended by inserting as Section 3(d)(xiii):

"(xiii) *4MC Merger*. Any Tax Item arising from or relating to 4MC, D-Group Merger Corp. ("4MC Merger Sub") or any of their respective direct or indirect subsidiaries or affiliates (or any predecessor or successor of any of the foregoing under applicable corporate, limited liability company, partnership or other organizational law) (the "4MC Entities"); the status

of any member of the Common Stock Group as the successor under Code Section 381 (or comparable provision of state, local or foreign Tax law) to any of the 4MC Entities; any direct or indirect asset, liability, business, investment or operation of any of the 4MC Entities; the merger of 4MC Merger Sub with and into 4MC (the "4MC Merger"), the 4MC Merger Agreement, the Post-Merger Restructuring Transactions (as defined in the 4MC Merger Agreement), the issuance of New Liberty Media Group Tracking Stock in the 4MC Merger or any other transaction contemplated by the 4MC Merger Agreement, the Fourth Supplement to Inter-Group Agreement dated December 3, 1999 (the "Fourth Supplement"), or this Fifth Amendment, or any other document to which 4MC, Liberty or any of their respective Subsidiaries (as defined in the 4MC Merger Agreement) or Affiliates (as defined in the 4MC Merger Agreement) is a party that is referred to in the 4MC Merger Agreement, the Fourth Supplement, or this Fifth Amendment or executed in connection therewith (any of the foregoing Tax Items specified in this sentence shall be referred to hereinafter as a "4MC Tax Item"), shall be for the account of the Liberty Group (except to the extent otherwise provided in this Section 3(d)(xiii) with respect to any 4MC Tax Item), and Liberty shall pay AT&T any Tax (or any reduction in any Tax refund, credit or other benefit) attributable thereto. Notwithstanding anything in the preceding sentence to the contrary, any 4MC Tax Item shall be for the account of AT&T hereunder if, and to the extent that, (x) such 4MC Tax Item arises directly from and would not have arisen but for (i) any breach by AT&T or 4MC Merger Sub of any of their representations or covenants in Sections 2.6 and 5.4 of the 4MC Merger Agreement, (ii) any breach by AT&T of any representation or covenant in the Inter-Group Agreement (except in the case of clauses (i) and (ii), to the extent arising out of or relating to the adoption by the Capital Stock Committee of the AT&T Board of Directors of the resolutions attached as Exhibit A to the Second Supplement or any action taken by AT&T or any other member of the Common Stock Group in good faith in accordance with the terms of the Second Supplement or Second Amendment in connection with the Stock Repurchase Program (as defined in the Second Supplement) or any Repurchase Transaction or actions taken by AT&T at the request of Liberty as contemplated by Section 1.2(d) of the Fourth Supplement or otherwise in writing) or (y) such 4MC Tax Item arises from or relates to the ownership by any member of the Common Stock Group of any stock of, or any interest in, 4MC that is held for the account of the Common Stock Group, and AT&T shall pay to the applicable Governmental Authority or to Liberty any Tax, and shall pay to Liberty any reduction in any Tax refund, credit or other benefit that is for the account of Liberty hereunder, attributable thereto."

2. The Agreement is amended by (i) deleting in Section 9(b) the word "or" after the words "or any Subsidiary of AGI during any such period for such period," and before the words "(III) Ascent for any taxable period ..." and (ii) inserting in Section 9(b) the words ", or (IV) 4MC for any taxable period ending on or prior to the date of the closing of the 4MC Merger or any Subsidiary of 4MC during any such period for such period" after the words "or any Subsidiary of Ascent during any such period for such period" and before the words;" provided, however, that (i) AT&T shall be entitled to participate"

3. The Agreement is amended by inserting as Section 3(d)(xiv):

"(xiv) For purposes of this Agreement, neither AT&T, AGI Merger Sub, Ascent Merger Sub, nor 4MC Merger Sub (such subsidiaries, the "Acquisition Subs") shall be considered to have breached a representation or covenant in any of the AGI Merger Agreement, Ascent Merger Agreement, or 4MC Merger Agreement (the "Acquisition Agreements") (or any Officer's Certificate delivered in connection with the tax opinions delivered pursuant to such Acquisition Agreements) or the Inter-Group Agreement by reason of any action (or failure to act) of any of AGI, Ascent, 4MC or any of their respective subsidiaries, except to the extent that AT&T or such subsidiary would in the absence of this paragraph (xiv) be considered to have breached such representation or covenant and such breach arises directly from, and would not have arisen but for, AT&T or another member of the Common Stock Group knowingly causing such action (or failure to act). In addition, for purposes of this Agreement, no action taken, or not taken, by AT&T, any Acquisition Sub or any member of the Common Stock Group at the written request or written direction of Liberty shall be deemed or considered a breach of any of the Acquisition Agreements (or any Officer's Certificate delivered in connection with the tax opinions delivered pursuant to such Acquisition Agreements) or the Inter-Group Agreement."

4. Except as otherwise expressly provided herein, the Agreement shall continue in full force and effect without modification.

IN WITNESS WHEREOF, each of the parties has caused this Fifth Amendment to be executed by its respective duly authorized officer as of the date first set forth above.

AT&T CORP.

By: /s/ Marilyn J. Wasser

Name: Marilyn J. Wasser

Title: Vice President—Law and Secretary

LIBERTY MEDIA CORPORATION, for itself and for each member of the Liberty Group

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe

Title: Senior Vice President

Each of the Covered Entities listed below on this page hereby executes this Fifth Amendment as a member of the Liberty Group to acknowledge that such Person is bound by this Fifth Amendment as a member of the Liberty Group:

LIBERTY SP, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

LIBERTY AGI, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

LMC INTERACTIVE, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

TELE-COMMUNICATIONS, INC.

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title: Senior Executive Vice President

LIBERTY VENTURES GROUP LLC

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title: Vice President and Secretary

LIBERTY MEDIA GROUP LLC

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

TCI STARZ, INC.

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title: Vice President

TCI CT HOLDINGS, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

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[EXHIBIT 10.6](#)

SIXTH AMENDMENT TO
TAX SHARING AGREEMENT

by and among

AT&T CORP.,

LIBERTY MEDIA CORPORATION,
for itself and each member of the Liberty Group,

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 hereof,

dated as of December 10, 1999

This Sixth Amendment, dated as of December 10, 1999 (this "Sixth Amendment"), to the Tax Sharing Agreement (the "Agreement") dated as of March 9, 1999, as amended by the First Amendment (the "First Amendment") to the Tax Sharing Agreement dated as of May 28, 1999, the Second Amendment (the "Second Amendment") to the Tax Sharing Agreement dated as of September 24, 1999, the Third Amendment (the "Third Amendment") to the Tax Sharing Agreement dated as of October 20, 1999, the Fourth Amendment (the "Fourth Amendment") to the Tax Sharing Agreement dated as of October 28, 1999, and the Fifth Amendment to the Tax Sharing Agreement dated as of December 6, 1999, is entered into by and among AT&T Corp., a New York corporation ("AT&T"), Liberty Media Corporation, a Delaware corporation ("Liberty"), for itself and on behalf of each member of the Liberty Group, Tele-Communications, Inc., a Delaware corporation, Liberty Ventures Group LLC, a Delaware limited liability company, Liberty Media Group LLC, a Delaware limited liability company, TCI Starz, Inc., a Colorado corporation, TCI CT Holdings, Inc., a Delaware corporation, each Covered Entity listed on the signature pages hereof, and each entity which becomes a party to the Agreement pursuant to Section 23 thereto. Unless otherwise stated herein, capitalized terms used in this Sixth Amendment shall have the meaning ascribed to such terms in the Agreement.

WHEREAS, the parties have entered into the Agreement which governs the sharing, allocation and reimbursement of federal, state, local and foreign taxes by the members of the Common Stock Group and the Liberty Group;

WHEREAS, AT&T intends to acquire The Todd-AO Corporation, a Delaware corporation ("Todd"), in a transaction qualifying as a tax-free reorganization under Section 368(a) of the Code pursuant to an Agreement and Plan of Merger dated as of December 10, 1999 (the "Todd Merger Agreement") for and on behalf of the Liberty Group;

WHEREAS, the parties intend that any Tax Items arising from or relating to the Todd Merger (as defined below), including any Tax Items of Todd or any of its direct or indirect assets or subsidiaries, shall be considered Tax Items attributable to the Liberty Group except to the extent set forth herein; and

WHEREAS, the parties now wish to amend the Agreement in certain respects to clarify the intent of the parties with respect to the sharing, allocation and reimbursement of federal, state, local and foreign taxes by the members of the Common Stock Group and the Liberty Group and to make such other amendments, as provided herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereby amend the Tax Sharing Agreement as follows:

1. The Agreement is amended by inserting as Section 3(d)(xv):

"(xv) *Todd Merger*. Any Tax Item arising from or relating to Todd, B-Group Merger Corp. ("Todd Merger Sub") or any of their respective direct or indirect subsidiaries or

affiliates (or any predecessor or successor of any of the foregoing under applicable corporate, limited liability company, partnership or other organizational law) (the "Todd Entities"); the status of any member of the Common Stock Group as the successor under Code Section 381 (or comparable provision of state, local or foreign Tax law) to any of the Todd Entities; any direct or indirect asset, liability, business, investment or operation of any of the Todd Entities; the merger of Todd Merger Sub with and into Todd (the "Todd Merger"), the Todd Merger Agreement, the Post-Merger Restructuring Transactions (as defined in the Todd Merger Agreement), the Reclassification (as defined in the Todd Merger Agreement), the issuance of New Liberty Media Group Tracking Stock in the Todd Merger or any other transaction contemplated by the Todd Transaction Documents (as defined below) (any of the foregoing Tax Items specified in this sentence shall be referred to hereinafter as a "Todd Tax Item"), shall be for the account of the Liberty Group (except to the extent otherwise provided in this Section 3(d)(xv) with respect to any Todd Tax Item), and Liberty shall pay AT&T any Tax (or any reduction in any Tax refund, credit or other benefit) attributable thereto. Notwithstanding anything in the preceding sentence to the contrary, any Todd Tax Item (except for any Todd Tax Item realized after the stock in Todd acquired in the Todd Merger is transferred to Liberty, other than any Todd Tax Item which consists of any income or gain realized on the disposition, termination or settlement of any Todd/AT&T Option (as defined below) (or any income or gain realized on the transfer of the property described in clause (X) or (Y) of the definition of Todd/AT&T Option pursuant to any Todd/AT&T Option)) shall be for the account of AT&T hereunder if, and to the extent that, such Todd Tax Item arises directly from and would not have arisen but for (i) any inaccuracy in any of the representations by AT&T or Todd Merger Sub in the Officer's Certificate dated as of the closing date of the Todd Merger delivered by AT&T and Todd Merger Sub in connection with the opinions to be delivered pursuant to Sections 8.2(f), 8.3(e) and 8.4(f) of the Todd Merger Agreement, (ii) any breach by AT&T or Todd Merger Sub of any of their representations or covenants in Sections 2.8, 3.7(b), 3.8(a), 3.8(c), 3.9, 5.4 and (except to the extent of any conflict between the requirements of Section 7.14 of the Todd Merger Agreement and Article 9 of this Agreement) 7.14 of the Todd Merger Agreement or (iii) any breach by AT&T of any representation or covenant in the Inter-Group Agreement (except in the case of clauses (i), (ii) and (iii), to the extent arising out of or relating to the adoption by the Capital Stock Committee of the AT&T Board of Directors of the resolutions attached as Exhibit A to the Second Supplement to the Inter-Group Agreement, dated as of September 24, 1999 (the "Second Supplement") or any action taken by AT&T or any other member of the Common Stock Group in good faith in accordance with the terms of the Second Supplement or Second Amendment in connection with the Stock Repurchase Program (as defined in the Second Supplement) or any Repurchase Transaction or any other action taken by AT&T at the request of Liberty as contemplated by Section 1.2(d) of the Fifth Supplement to Inter-Group Agreement dated December 10, 1999 (the "Fifth Supplement") or otherwise in writing), and AT&T shall pay to the applicable Governmental Authority or to Liberty any Tax, and shall pay to Liberty any reduction in any Tax refund, credit or other benefit that is for the account of Liberty hereunder, attributable thereto. "Todd Transaction Documents" shall mean the Todd Merger Agreement, the Fifth Supplement, or this Sixth Amendment, or any other document to which Todd, Liberty or any of their respective Subsidiaries (as defined in the Todd Merger Agreement) or Affiliates (as defined in the Todd

Merger Agreement) is a party that is referred to in the Todd Merger Agreement, the Fifth Supplement, or this Sixth Amendment or executed in connection therewith. "Todd/AT&T Option" shall mean any option or contractual obligation (other than any option or contractual obligation (A) that Liberty requests in writing to be entered into or (B) pursuant to any of the Todd Transaction Documents, the Contribution Agreement, the AT&T Charter or any other agreement to which Liberty is a party) with respect to (X) the stock in Todd acquired in the Todd Merger, or (Y) any direct or indirect asset, liability, business, investment or operation of any of the Todd Entities, which option or contractual obligation is entered into in writing by AT&T or any other member of the Common Stock Group (or that AT&T or any other member of the Common Stock Group causes any of the Todd Entities to enter into in writing) prior to the transfer of the stock in Todd acquired in the Todd Merger to Liberty."

2. The Agreement is amended by (i) deleting in Section 9(b) the word "or" after the words "or any Subsidiary of Ascent during any such period for such period," and before the words "(IV) 4MC for any taxable period ..." and (ii) inserting in Section 9(b) the words ", or (V) Todd for any taxable period ending on or prior to the date of the closing of the Todd Merger or any Subsidiary of Todd during any such period for such period" after the words "or any Subsidiary of 4MC during any such period for such period" and before the words "; provided, however, that (i) AT&T shall be entitled to participate"

3. The Agreement is amended by (i) inserting in Section 3(d)(xiv) the words "Todd Merger Sub," after the words "Ascent Merger Sub," and before the words "nor 4MC Merger Sub ..."; (ii) inserting in Section 3(d)(xiv) the words "Todd Merger Agreement," after the words "Ascent Merger Agreement," and before the words "or 4MC Merger Agreement ..."; and (iii) inserting in Section 3(d)(xiv) the words "Todd," after the words "any action (or failure to act) of any of AGI, Ascent," and before the words "4MC or any of their respective subsidiaries...."

4. The Agreement is amended by inserting in Section 3(d)(i) the words "(except to the extent of any conflict between the requirements of Section 7.13 of the AGI Merger Agreement and Article 9 of this Agreement)" after the words "5.5, 7.7," and before the words "7.13, and 7.15 of the AGI Merger Agreement ..." and by inserting in Section 3(d)(i) the words "(except to the extent of any conflict between the requirements of Section 3.11 of the AGI Merger Agreement and Article 9 of this Agreement)" after the words "3.6, 3.7," and before the words "3.11, 3.12"

5. Except as otherwise expressly provided herein, the Agreement shall continue in full force and effect without modification.

IN WITNESS WHEREOF, each of the parties has caused this Sixth Amendment to be executed by its respective duly authorized officer as of the date first set forth above.

AT&T CORP.

By: /s/ Marilyn J. Wasser

Name: Marilyn J. Wasser
Title: Vice President—Law & Secretary

LIBERTY MEDIA CORPORATION, for itself and for
each member of the Liberty Group

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

Each of the Covered Entities listed below on this page hereby executes this Sixth Amendment as a member of the Liberty Group to acknowledge that such Person is bound by this Sixth Amendment as a member of the Liberty Group:

LIBERTY SP, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

LIBERTY AGI, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

LMC INTERACTIVE, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

TELE-COMMUNICATIONS, INC.

By: /s/ Stephen M Brett

Name: Stephen M. Brett
Title: Sr. Executive Vice President

LIBERTY VENTURES GROUP LLC

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title: Vice President

LIBERTY MEDIA GROUP LLC

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Vice President

TCI STARZ, INC.

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title: Vice President

TCI CT HOLDINGS, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

QuickLinks

[EXHIBIT 10.7](#)

SEVENTH AMENDMENT TO
TAX SHARING AGREEMENT

by and among

AT&T CORP.,

LIBERTY MEDIA CORPORATION,
for itself and each member of the Liberty Group,

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 hereof,

dated as of December 30, 1999

This Seventh Amendment, dated as of December 30, 1999 (this "Seventh Amendment"), to the Tax Sharing Agreement (the "Agreement") dated as of March 9, 1999, as amended by the First Amendment to the Tax Sharing Agreement dated as of May 28, 1999, the Second Amendment (the "Second Amendment") to the Tax Sharing Agreement dated as of September 24, 1999, the Third Amendment to the Tax Sharing Agreement dated as of October 20, 1999, the Fourth Amendment to the Tax Sharing Agreement dated as of October 28, 1999, the Fifth Amendment to the Tax Sharing Agreement dated as of December 6, 1999, and the Sixth Amendment to the Tax Sharing Agreement dated as of December 10, 1999, is entered into by and among AT&T Corp., a New York corporation ("AT&T"), Liberty Media Corporation, a Delaware corporation ("Liberty"), for itself and on behalf of each member of the Liberty Group, Tele-Communications, Inc., a Delaware corporation, Liberty Ventures Group LLC, a Delaware limited liability company, Liberty Media Group LLC, a Delaware limited liability company, TCI Starz, Inc., a Colorado corporation, TCI CT Holdings, Inc., a Delaware corporation, each Covered Entity listed on the signature pages hereof, and each entity which becomes a party to the Agreement pursuant to Section 23 thereto. Unless otherwise stated herein, capitalized terms used in this Seventh Amendment shall have the meaning ascribed to such terms in the Agreement.

WHEREAS, the parties have entered into the Agreement which governs the sharing, allocation and reimbursement of federal, state, local and foreign taxes by the members of the Common Stock Group and the Liberty Group;

WHEREAS, following the merger of SounDelux Entertainment Group, Inc., a California corporation ("SounDelux California") with and into its wholly owned subsidiary, Soundelux Entertainment Group of Delaware, Inc., a Delaware corporation ("Soundelux") and the reclassification of the stock of Soundelux, as the surviving corporation in such merger, AT&T intends to acquire Soundelux in a transaction qualifying as a tax-free reorganization under Section 368(a) of the Code pursuant to an Agreement and Plan of Merger dated as of December 30, 1999 (the "Soundelux Merger Agreement") for and on behalf of the Liberty Group;

WHEREAS, the parties intend that any Tax Items arising from or relating to the Soundelux Merger (as defined below), including any Tax Items of Soundelux or any of its direct or indirect assets or subsidiaries, shall be considered Tax Items attributable to the Liberty Group except to the extent set forth herein; and

WHEREAS, the parties now wish to amend the Agreement in certain respects to clarify the intent of the parties with respect to the sharing, allocation and reimbursement of federal, state, local and foreign taxes by the members of the Common Stock Group and the Liberty Group and to make such other amendments, as provided herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereby amend the Tax Sharing Agreement as follows:

1. The Agreement is amended by inserting as Section 3(d)(xvi):

"(xvi) *Soundelux Merger*. Any Tax Item arising from or relating to Soundelux, SounDelux California, C-Group Merger Corp. ("Soundelux Merger Sub") or any of their respective direct or indirect subsidiaries or affiliates (or any predecessor or successor of any of the foregoing under applicable corporate, limited liability company, partnership or other organizational law) (the "Soundelux Entities"); the status of any member of the Common Stock Group as the successor under Code Section 381 (or comparable provision of state, local or foreign Tax law) to any of the Soundelux Entities; any direct or indirect asset, liability, business, investment or operation of any of the Soundelux Entities; the merger of Soundelux Merger Sub with and into Soundelux (the "Soundelux Merger"), the Soundelux Merger Agreement, the Reclassified Company Charter (as defined in the Soundelux Merger Agreement), the Post-Merger Restructuring Transactions (as defined in the Soundelux Merger Agreement), the Todd Contributions (as defined in the Soundelux Merger Agreement), the Reincorporation Merger (as defined in the Soundelux Merger Agreement), the Reclassification (as defined in the Soundelux Merger Agreement), the MTS Earnout (as defined in the Soundelux Merger Agreement), the Escrow Agreement (as defined in the Soundelux Merger Agreement), the Registration Rights Agreement (as defined in the Soundelux Merger Agreement), the Shareholders Agreement (as defined in the Soundelux Merger Agreement), the issuance of New Liberty Media Group Tracking Stock in the Soundelux Merger or any other transaction contemplated by the Soundelux Merger Agreement, the Reclassified Company Charter (as defined in the Soundelux Merger Agreement), the Sixth Supplement to Inter-Group Agreement dated December 30, 1999 (the "Sixth Supplement"), or this Seventh Amendment, the Escrow Agreement (as defined in the Soundelux Merger Agreement), the Registration Rights Agreement (as defined in the Soundelux Merger Agreement), the Shareholders Agreement (as defined in the Soundelux Merger Agreement), or any other document to which Soundelux, Liberty or any of their respective Subsidiaries (as defined in the Soundelux Merger Agreement) or Affiliates (as defined in the Soundelux Merger Agreement) is a party that is referred to in the Soundelux Merger Agreement, the Reclassified Company Charter (as defined in the Soundelux Merger Agreement), the Sixth Supplement, the Escrow Agreement (as defined in the Soundelux Merger Agreement), the Registration Rights Agreement (as defined in the Soundelux Merger Agreement), the Shareholders Agreement (as defined in the Soundelux Merger Agreement), or this Seventh Amendment or executed in connection therewith (any of the foregoing Tax Items specified in this sentence shall be referred to hereinafter as a "Soundelux Tax Item"), shall be for the account of the Liberty Group (except to the extent otherwise provided in this Section 3(d)(xvi) with respect to any Soundelux Tax Item), and Liberty shall pay AT&T any Tax (or any reduction in any Tax refund, credit or other benefit) attributable thereto. Notwithstanding anything in the preceding sentence to the contrary, any Soundelux Tax Item shall be for the account of AT&T hereunder if, and to the extent that, such Soundelux Tax Item arises directly from and would not have arisen but for (i) any breach by AT&T or Soundelux Merger Sub of any of their representations or covenants in Sections 2.8(a), 5.4 and (except to the extent of any conflict between the requirements of Section 10.1 of the Soundelux Merger Agreement and Article 9 of this Agreement) 10.1 of the Soundelux Merger Agreement or (ii) any breach by AT&T of any representation or covenant in the Inter-Group Agreement (except in the case of clauses (i) and

(ii), to the extent arising out of or relating to the adoption by the Capital Stock Committee of the AT&T Board of Directors of the resolutions attached as Exhibit A to the Second Supplement to the Inter-Group Agreement, dated as of September 24, 1999 (the "Second Supplement") or any action taken by AT&T or any other member of the Common Stock Group in good faith in accordance with the terms of the Second Supplement or Second Amendment in connection with the Stock Repurchase Program (as defined in the Second Supplement) or any Repurchase Transaction or any action taken by AT&T at the request of Liberty as contemplated by Section 1.2(d) of the Sixth Supplement or otherwise in writing), and AT&T shall pay to the applicable Governmental Authority or to Liberty any Tax, and shall pay to Liberty any reduction in any Tax refund, credit or other benefit that is for the account of Liberty hereunder, attributable thereto."

2. The Agreement is amended by (i) deleting in Section 9(b) the word "or" after the words "or any Subsidiary of 4MC during any such period for such period," and before the words "(V) Todd for any taxable period ..." and (ii) inserting in Section 9(b) the words ", or (VI) Soundelux for any taxable period ending on or prior to the date of the closing of the Soundelux Merger or any Subsidiary of Soundelux during any such period for such period" after the words "or any Subsidiary of Todd during any such period for such period" and before the words "; provided, however, that (i) AT&T shall be entitled to participate"

3. The Agreement is amended by (i) inserting in Section 3(d)(xiv) the words "Soundelux Merger Sub," after the words "Todd Merger Sub," and before the words "nor 4MC Merger Sub ..."; (ii) inserting in Section 3(d)(xiv) the words "Soundelux Merger Agreement," after the words "Todd Merger Agreement," and before the words "or 4MC Merger Agreement ..."; and (iii) inserting in Section 3(d)(xiv) the word "Soundelux," after the words "any action (or failure to act) of any of AGI, Ascent, Todd," and before the words "4MC or any of their respective subsidiaries"

4. The agreement is amended by (i) inserting in Section 3(d)(xv) the words ""Soundelux Transaction Documents" shall mean the Soundelux Merger Agreement, the Sixth Supplement, the Seventh Amendment, the Reclassified Company Charter (as defined in the Soundelux Merger Agreement), the Shareholders Agreement (as defined in the Soundelux Merger Agreement), the Escrow Agreement (as defined in the Soundelux Merger Agreement), or the Registration Rights Agreement (as defined in the Soundelux Merger Agreement), or any other document to which Soundelux, Liberty or any of their respective Subsidiaries (as defined in the Soundelux Merger Agreement) or Affiliates (as defined in the Soundelux Merger Agreement) is a party that is referred to in the Soundelux Merger Agreement, the Sixth Supplement, the Seventh Amendment, the Reclassified Company Charter (as defined in the Soundelux Merger Agreement), the Escrow Agreement (as defined in the Soundelux Merger Agreement), the Shareholders Agreement (as defined in the Soundelux Merger Agreement) or the Registration Rights Agreement (as defined in the Soundelux Merger Agreement) or executed in connection therewith." after the words "or this Sixth Amendment or executed in connection therewith." and before the words ""Todd/AT&T Option" shall mean ..." and (ii) inserting in Section 3(d)(xv) the

words "Soundelux Transaction Documents," after the words "pursuant to any of the Todd Transaction Documents," and before the words "the Contribution Agreement ..."

5. Except as otherwise expressly provided herein, the Agreement shall continue in full force and effect without modification.

IN WITNESS WHEREOF, each of the parties has caused this Seventh Amendment to be executed by its respective duly authorized officer as of the date first set forth above.

AT&T CORP.

By: /s/ Robert S. Feit

Name: Robert S. Feit
Title: Assistant Secretary

LIBERTY MEDIA CORPORATION, for itself and for
each member of the Liberty Group

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

Each of the Covered Entities listed below on this page hereby executes this Seventh Amendment as a member of the Liberty Group to acknowledge that such Person is bound by this Seventh Amendment as a member of the Liberty Group:

LIBERTY SP, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

LIBERTY AGI, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

LMC INTERACTIVE, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

TELE-COMMUNICATIONS, INC.

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title: Sr. Executive Vice President

LIBERTY VENTURES GROUP LLC

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title: Vice President

LIBERTY MEDIA GROUP LLC

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

TCI STARZ, INC.

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title: Vice President

TCI CT HOLDINGS, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

QuickLinks

[EXHIBIT 10.8](#)

EIGHTH AMENDMENT TO
TAX SHARING AGREEMENT
BY AND AMONG
AT&T CORP.,
LIBERTY MEDIA CORPORATION,
FOR ITSELF AND EACH MEMBER OF THE LIBERTY GROUP,
AT&T BROADBAND LLC,
LIBERTY VENTURES GROUP LLC,
LIBERTY MEDIA GROUP LLC,
TCI STARZ, INC.,
TCI CT HOLDINGS, INC.,
AND
EACH COVERED ENTITY LISTED ON THE SIGNATURE PAGES HEREOF,
DATED AS OF JULY 25, 2000

This Eighth Amendment, dated as of July 25, 2000 (this "Eighth Amendment"), to the Tax Sharing Agreement (the "Agreement") dated as of March 9, 1999, as amended by the First Amendment to the Tax Sharing Agreement dated as of May 28, 1999, the Second Amendment (the "Second Amendment") to the Tax Sharing Agreement dated as of September 24, 1999, the Third Amendment to the Tax Sharing Agreement dated as of October 20, 1999, the Fourth Amendment to the Tax Sharing Agreement dated as of October 28, 1999, the Fifth Amendment to the Tax Sharing Agreement dated as of December 6, 1999, the Sixth Amendment to the Tax Sharing Agreement dated as of December 10, 1999, and the Seventh Amendment to the Tax Sharing Agreement dated as of December 30, 1999, is entered into by and among AT&T Corp., a New York corporation ("AT&T"), Liberty Media Corporation, a Delaware corporation ("Liberty"), for itself and on behalf of each member of the Liberty Group, AT&T Broadband LLC (f.k.a. Tele-Communications, Inc.), a Delaware limited liability company, Liberty Ventures Group LLC, a Delaware limited liability company, Liberty Media Group LLC, a Delaware limited liability company, TCI Starz, Inc., a Colorado corporation, TCI CT Holdings, Inc., a Delaware corporation, each Covered Entity listed on the signature pages hereof, and each entity which becomes a party to the Agreement pursuant to Section 23 thereto. Unless otherwise stated herein, capitalized terms used in this Eighth Amendment shall have the meaning ascribed to such terms in the Agreement.

WHEREAS, the parties have entered into the Agreement which governs the sharing, allocation and reimbursement of federal, state, local and foreign taxes by the members of the Common Stock Group and the Liberty Group;

WHEREAS, AT&T intends to acquire Video Services Corporation, a Delaware corporation ("VSC"), pursuant to an Agreement and Plan of Merger dated as of July 25, 2000 (the "VSC Merger Agreement") for and on behalf of the Liberty Group;

WHEREAS, the parties intend that any Tax Items arising from or relating to the VSC Merger (as defined below), including any Tax Items of VSC or any of its direct or indirect assets or subsidiaries, shall be considered Tax Items attributable to the Liberty Group except to the extent set forth herein; and

WHEREAS, the parties now wish to amend the Agreement in certain respects to clarify the intent of the parties with respect to the sharing, allocation and reimbursement of federal, state, local and foreign taxes by the members of the Common Stock Group and the Liberty Group and to make such other amendments, as provided herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereby amend the Tax Sharing Agreement as follows:

1. The Agreement is amended by inserting as Section 3(d)(xvii):

"(xvii) VSC Merger. Any Tax Item arising from or relating to VSC, E-Group Merger Corp. ("VSC Merger Sub") or any of their respective direct or indirect subsidiaries or affiliates (or any predecessor or successor of any of the foregoing under applicable corporate, limited liability company, partnership or other organizational law) (the "VSC Entities"); the status of any member of the Common Stock Group as the successor under Code Section 381 (or comparable provision of state, local or foreign Tax law) to any of the VSC Entities; any direct or indirect asset, liability, business, investment or operation of any of the VSC Entities; the merger of VSC Merger Sub with and into VSC (the "VSC Merger"), the VSC Merger Agreement, the Employment Agreements (as defined in the VSC Merger Agreement), the Exchange Agent Agreement (as defined in the VSC Merger Agreement), the Rule 145 Agreement (as defined in the VSC Merger Agreement), the Voting Agreement (as defined in the VSC Merger Agreement), the Company Transaction Documents (as defined in the VSC Merger Agreement), the Post-Merger Restructuring Transactions (as defined in the VSC Merger Agreement), the issuance of New Liberty Media Group Tracking Stock in the VSC Merger or any other transaction contemplated by the VSC Merger Agreement, the Seventh Supplement to Inter-Group Agreement dated July 25, 2000 (the "Seventh Supplement"), or this Eighth Amendment, or any other document to which VSC, Liberty or any of their respective Subsidiaries (as defined in the VSC Merger Agreement) or Affiliates (as defined in the VSC Merger Agreement) is a party that is referred to in the VSC Merger Agreement, the Seventh Supplement, the Employment Agreements (as defined in the VSC Merger Agreement), the Exchange Agent Agreement (as defined in the VSC Merger Agreement), the Rule 145 Agreement (as defined in the VSC Merger Agreement), the Voting Agreement (as defined in the VSC Merger Agreement), the Company Transaction Documents (as defined in the VSC Merger Agreement), or this Eighth Amendment or executed in connection therewith (any of the foregoing Tax Items specified in this sentence shall be referred to hereinafter as a "VSC Tax Item"), shall be for the account of the Liberty Group (except to the extent otherwise provided in this Section 3(d)(xvii) with respect to any VSC Tax Item), and Liberty shall pay AT&T any Tax (or any reduction in any Tax refund, credit or other benefit) attributable thereto. Notwithstanding anything in the preceding sentence to the contrary, any VSC Tax Item shall be for the account of AT&T hereunder if, and to the extent that, (x) such VSC Tax Item arises directly from and would not have arisen but for (i) any breach by AT&T or VSC Merger Sub of any of their representations or covenants in Sections 2.6 and 5.4 of the VSC Merger Agreement, (ii) any breach by AT&T of any representation or covenant in the Inter-Group Agreement (except in the case of clauses (i) and (ii), to the extent arising out of or relating to the adoption by the Capital Stock Committee of the AT&T Board of Directors of the resolutions attached as Exhibit A to the Second Supplement or any action taken by AT&T or any other member of the Common Stock Group in good faith in accordance with the terms of the Second Supplement or Second Amendment in connection with the Stock Repurchase Program (as defined in the Second Supplement) or any Repurchase Transaction or actions taken by AT&T at the request of Liberty as contemplated by Section 1.2(d) of the Seventh Supplement or otherwise in writing) or (y) such VSC Tax Item arises from or relates to the ownership by any member of the Common Stock Group of any stock of, or any interest in, VSC that is held for the

account of the Common Stock Group, and AT&T shall pay to the applicable Governmental Authority or to Liberty any Tax, and shall pay to Liberty any reduction in any Tax refund, credit or other benefit that is for the account of Liberty hereunder, attributable thereto."

2. The Agreement is amended by (i) deleting in Section 9(b) the word "or" after the words "or any Subsidiary of Todd during any such period for such period," and before the words "(VI) Soundelux for any taxable period . . ." and (ii) inserting in Section 9(b) the words ", or (VII) VSC for any taxable period ending on or prior to the date of the closing of the VSC Merger or any Subsidiary of VSC during any such period for such period" after the words "or any Subsidiary of Soundelux during any such period for such period" and before the words "; provided, however, that (i) AT&T shall be entitled to participate . . ."

3. The Agreement is amended by (i) inserting in Section 3(d)(xiv) the words "VSC Merger Sub," after the words "Soundelux Merger Sub," and before the words "nor 4MC Merger Sub . . ."; (ii) inserting in Section 3(d)(xiv) the words "VSC Merger Agreement," after the words "Soundelux Merger Agreement," and before the words "or 4MC Merger Agreement . . ."; and (iii) inserting in Section 3(d)(xiv) the word "VSC," after the words "any action (or failure to act) of any of AGI, Ascent, Todd, Soundelux," and before the words "4MC or any of their respective subsidiaries. . ."

4. Except as otherwise expressly provided herein, the Agreement shall continue in full force and effect without modification.

IN WITNESS WHEREOF, each of the parties has caused this Eighth Amendment to be executed by its respective duly authorized officer as of the date first set forth above.

AT&T CORP.

By: /s/ _____

Name:

Title:

LIBERTY MEDIA CORPORATION, for itself and for
each member of the Liberty Group

By: /s/ _____

Name:

Title:

Each of the Covered Entities listed below on this page hereby executes this Eighth Amendment as a member of the Liberty Group to acknowledge that such Person is bound by this Eighth Amendment as a member of the Liberty Group:

LIBERTY SP, INC.

By: /s/ _____

Name:

Title:

LIBERTY AGI, INC.

By: /s/ _____

Name:

Title:

LMC INTERACTIVE, INC.

By: /s/ _____

Name:

Title:

AT&T BROADBAND LLC

By: /s/ _____

Name:

Title:

LIBERTY VENTURES GROUP LLC

By: /s/ _____

Name:

Title:

LIBERTY MEDIA GROUP LLC

By: /s/ _____

Name:

Title:

TCI STARZ, INC.

By: /s/ _____

Name:

Title:

TCI CT HOLDINGS, INC.

By: /s/ _____

Name:

Title:

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[EXHIBIT 10.9](#)

The Associated Group, Inc., a Delaware corporation ("AGI"), hereby executes this Instrument in order to become a party to the Tax Sharing Agreement dated as of March 9, 1999, as amended by the First Amendment to the Tax Sharing Agreement dated as of May 28, 1999, the Second Amendment to the Tax Sharing Agreement dated as of September 24, 1999, the Third Amendment to the Tax Sharing Agreement dated as of October 20, 1999, the Fourth Amendment to the Tax Sharing Agreement dated as of October 28, 1999, the Fifth Amendment to the Tax Sharing Agreement dated as of December 6, 1999, the Sixth Amendment to the Tax Sharing Agreement dated as of December 10, 1999, and the Seventh Amendment to the Tax Sharing Agreement dated as of December 30, 1999 (as amended, the "Agreement") between and among AT&T Corp., a New York corporation ("AT&T"), Liberty Media Corporation, a Delaware corporation ("Liberty"), for itself and on behalf of each member of the Liberty Group (as defined in the Agreement), Tele-Communications, Inc., a Delaware corporation, Liberty Ventures Group LLC, a Delaware limited liability company, Liberty Media Group LLC, a Delaware limited liability company, TCI Starz, Inc., a Colorado corporation, TCI CT Holdings, Inc., a Delaware corporation, each Covered Entity listed on the signature pages thereof, and each entity which becomes a party to the Agreement pursuant to Section 23 thereto. Upon the acceptance hereof by the other parties to the Agreement by execution hereof where indicated below, AGI will thereupon be a party to the Agreement as a member of the Liberty Group (as defined in the Agreement).

Dated: January 14, 2000

THE ASSOCIATED GROUP, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

AGREED AND ACCEPTED:

AT&T CORP.

LIBERTY MEDIA CORPORATION, for itself and for each member of the Liberty Group

By: /s/ illegible

By: /s/ Charles Y. Tanabe

Name:
Title:

Name: Charles Y. Tanabe
Title: Senior Vice President

LIBERTY SP, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

LMC INTERACTIVE, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

LIBERTY VENTURES GROUP LLC

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title: Vice President

TCI STARZ, INC.

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title: Vice President

LIBERTY AGI, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

TELE-COMMUNICATIONS, INC.

By: /s/ Stephen M. Brett

Name: Stephen M. Brett
Title: Sr. Executive Vice President

LIBERTY MEDIA GROUP LLC

By: /s/ John C. Malone

Name: John C. Malone
Title: Chairman

TCI CT HOLDINGS, INC.

By: /s/ Charles Y. Tanabe

Name: Charles Y. Tanabe
Title: Senior Vice President

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[EXHIBIT 10.10](#)

RESTATED AND AMENDED EMPLOYMENT AGREEMENT

RESTATED AND AMENDED EMPLOYMENT AGREEMENT dated as of November 1, 1992 between TELE-COMMUNICATIONS, INC., a Delaware corporation (the "Company"), and John C. Malone, who resides at _____ ("Executive").

WHEREAS, the Company and Executive are parties to that certain Employment Agreement dated as of January 1, 1982, as heretofore amended (the "Existing Agreement"); and

WHEREAS, the Company and Executive desire to amend the Existing Agreement to provide for an increase in Executive's annual compensation, to eliminate certain provisions of the Existing Agreement that have ceased by their terms to be effective and to make certain other changes, and to restate the Existing Agreement as so amended in its entirety;

NOW, THEREFORE, in consideration of the mutual covenants and agreement herein contained and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties, intending to be legally bound, do hereby agree as follows:

1. *Term and Termination.*

(a) *Term.* The term of Executive's employment (the "Employment Term") under the Existing Agreement initially commenced on January 1, 1982 and ended on December 31, 1986 and, pursuant to the Existing Agreement, has been and, pursuant to and subject to the terms and conditions of this Agreement, will continue to be extended daily so that the remainder of the Employment Term shall at all times on and prior to the effective date of the termination of Executive's employment as provided herein be five (5) years. During the Employment Term, the Company agrees to employ Executive and Executive agrees to serve the Company upon and subject to the terms and conditions set forth in this Agreement.

(b) *Termination by the Company.* Executive's employment by the Company may be terminated by the Company only as provided in clauses (i), (ii) and (iii) below.

(i) Upon the death of Executive.

(ii) Effective as of December 31 of any year, upon giving written notice of such termination to Executive six (6) months prior to the effective date thereof and by paying to Executive in a lump sum upon such termination all remaining compensation (other than compensation the payment of which was deferred by Executive prior to such termination) that would have been payable under Section 4 hereof if this Agreement remained in full force and effect for the full five-year balance of the Employment Term.

(iii) At any time for "cause", which for purposes of this Agreement shall be deemed to have occurred only on the happening of any of the following:

(A) the plea of guilty to, or conviction for, the commission of a felony offense by Executive; *provided, however,* that after indictment, the Company may suspend Executive from the rendition of services but without limiting or modifying in any other way the Company's obligations under this Agreement;

(B) a material breach by Executive of a material fiduciary duty owed to the Company;

(C) a material breach by Executive of the covenants made by him in Sections 9, 10 and 11 hereof; or

(D) the willful and gross neglect by Executive of the material duties specifically and expressly required by this Agreement;

provided, however, that any claim that "cause", within the meaning of clause (B), (C) or (D) above, exists for the termination of Executive's employment may be asserted on behalf of the Company only by a duly adopted resolution of the Board of Directors of the Company and only after 30 days prior written notice to Executive during which period he may cure the breach or neglect that is the basis of any such claim, if curable; *provided, further*, that during the period of twelve (12) months following a change in control of the Company (as defined below), "cause" shall be deemed to have occurred only upon the happening of an event referred to in clause (A) above; and *provided, further*, that the term "material" as used in clauses (B), (C) and (D) above and in Section 13 hereof shall be construed by reference to the effect of the relevant action or omission on the Company taken as a whole. For purposes of the foregoing, a change in control of the Company will be considered to have occurred if the group in control of the Company shall no longer include at least one of the following: (x) Bob Magness, members of his family or representatives thereof, or (y) representatives of Kearns-Tribune Corporation (but only if the present shareholders remain in control of such corporation). The term "family" as used herein means the named person's estate, spouse and lineal descendants and any trust or other investment vehicle for the primary benefit of such named person or members of his family and the term "representatives" includes executors and trustees.

(c) *Effect of Termination by the Company.* If Executive's employment by the Company is terminated by the Company pursuant to Section 1(b) hereof, all compensation under Section 4 of this Agreement (other than compensation the payment of which was deferred by Executive prior to such termination) that has accrued in favor of Executive as of the date of such termination, to the extent unpaid or delivered, shall be paid or delivered to Executive on the date of termination. Upon such termination of Executive's employment and payment of such amount (and, if applicable, the full amount payable pursuant to clause (ii) of Section 1(b)), the Company's obligations under this Agreement shall terminate, except as provided in Section 4 (as it relates to compensation the payment of which was deferred by Executive prior to such termination), Section 5, Section 6 (as it relates to expenses incurred prior to such termination) and Section 8 of this Agreement. Executive acknowledges that his obligations under Sections 9, 10, 11 and 12 hereof will survive any such termination.

(d) *Termination by Executive.* Executive shall have the right to terminate his employment by the Company, and be relieved of any obligation to render or provide any further services hereunder, as provided in clauses (i) and (ii) below:

(i) Upon six (6) months prior written notice to the Company of the effective date of such termination.

(ii) Immediately upon the giving of notice of termination by Executive to the Company following a change in control of the Company (as defined in Section 1(b) above).

If Executive's employment by the Company is terminated by Executive pursuant to this Section 1(d), all compensation under Section 4 of this Agreement (other than compensation the payment of which was deferred by Executive prior to such termination) that has accrued in favor of Executive as of the date of such

termination, to the extent unpaid or undelivered, and, if Executive terminates his employment pursuant to clause (ii) above, all remaining compensation (other than compensation the payment of which Executive elected prior to such termination to defer) that would have been payable under Section 4 hereof if this Agreement remained in full force and effect for the full five-year balance of the Employment Term, shall be paid or delivered to Executive in a lump sum on the date of termination. Upon such termination of Executive's employment and payment of such amounts, Executive and the Company shall each be relieved of any further obligations under this Agreement, except (in the case of Executive) as provided in Sections 9, 10, 11 and 12 of this Agreement, and except (in the case of the Company) as provided in Section 4 (as it relates to compensation the payment of which was deferred by Executive prior to such termination), Section 5, Section 6 (as it relates to expenses incurred prior to such termination) and Section 8 of this Agreement.

2. *Services to be Rendered by Executive.* Executive Agrees to serve the Company as President and Chief Executive Officer of the Company. In such capacity, Executive shall perform all reasonable acts customarily associated with such positions, or necessary or desirable to protect and advance the best interests of the Company. Executive shall perform such acts and carry out such duties, and shall in all other respects serve the Company faithfully and to the best of his ability. If Executive is elected a director or an officer of any of the Company's subsidiaries during the Employment Term, Executive will serve in any such capacities without further compensation except as may be decided by the Company at the Company's sole election. The Company agrees that shall, during the Employment Term, be based at the Company's principal executive office, which shall be located in the Denver area, with the understanding that Executive will travel as reasonably required in the performance of his duties hereunder.

3. *Time to be Devoted by Executive.* Executive agrees to devote eighty percent (80%) of all of his business time, attention, efforts and abilities to the business of the Company and to use his best efforts to promote the interests of the Company.

4. *Compensation Payable to Executive.*

(a) Commencing on the date of this Agreement and thereafter during the Employment Term, the Company shall pay to Executive a salary at the rate of \$800,000 per annum. The Board of Directors shall review Executive's compensation annually to determine, in its sole discretion, whether any increase in Executive's salary is appropriate.

(b) Executive's annual compensation shall be paid to Executive in accordance with the Company's regular policy but not less frequently than once a month. With respect to the employment year commencing January 1, 1993, Executive shall defer 40% of each monthly payment of Executive's annual compensation for such year and, with respect to each employment year thereafter, Executive shall be entitled to elect, by written notice to the Company received no later than 30 days prior to the commencement of such employment year, to defer such percentage (not in excess of 40%) as Executive may specify in such notice, of each monthly payment of Executive's annual compensation for such year (in each case, the "monthly deferred amount"). Each such monthly deferred amount shall bear interest, compounded annually, at the rate of 8% per annum, from the first day of the month of deferral to, but not including, the Determination Date. As used herein, "Determination Date" shall mean the first business day of the first full calendar month following the termination of Executive's employment with the Company.

(c) The sum of the monthly deferred amounts pursuant to Section 4(b) above plus all interest accrued thereon to the Determination Date (the "total deferred amount") shall be calculated as of the Determination Date and shall be paid to Executive in substantially equal monthly payments over a 240-month period commencing on the Determination Date and continuing on the first day of each calendar month thereafter until paid in full. Each monthly payment of the total deferred amount shall be accompanied by a payment of interest thereon computed at the rate of 8% per annum, compounded annually, from and including the Determination Date to the date of such payment. The Company and Executive acknowledge that the payment of

40% of each monthly payment of Executive's annual compensation during the calendar year 1983 and \$12,500 of each monthly payment of Executive's annual compensation thereafter through the end of calendar year 1992 has been (and, in the case of the December 1992 payment, will be) deferred pursuant to and as required by the terms of Section 4 of the Existing Agreement (the "previously deferred compensation"). The provisions of said Section 4 of the Existing Agreement shall continue to govern with respect to the calculation of, accrual of interest on, and payment of all such previously deferred compensation, and such provisions as they relate to such previously deferred compensation shall survive the execution and delivery of this Agreement unaffected hereby.

(d) If Executive dies while he is a full-time employee of the Company or before the expiration of the period during which such deferred payments are to be paid to him, the remaining deferred payments shall be paid forthwith in a lump sum to Executive's designated beneficiary or beneficiaries. The phrase "designated beneficiary or beneficiaries" shall mean Executive's spouse, if she shall survive Executive, or such other person or persons named from time to time by Executive in a signed instrument filed with the Company. If the designation made in any such signed instrument shall for any reason be ineffective, the phrase "designated beneficiary or beneficiaries" shall mean Executive's estate.

(e) The amount of deferred compensation payable hereunder (together with the interest applicable thereto) shall not in any way be reserved or held in trust by the Company. Neither Executive nor any designated beneficiary or personal representative shall have any rights against the Company in respect of such deferred payments other than the rights of any unsecured creditor of the Company. Deferred payments provided for herein shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and shall not in any manner be liable or subject to the debts, contracts, liabilities, engagements or torts of Executive, nor of any designated beneficiary or personal representative. The payment to Executive of such deferred payments shall be subject to the further condition that Executive shall comply with the provisions of Section 10 of this Agreement during the entire payment period and Executive shall comply with the provisions of Sections 9 and 12 of this Agreement, if said provisions are applicable by their terms, for the first two (2) years of the payment period.

5. *Salary Continuation Plan.*

(a) At such time as Executive's employment with the Company shall terminate, Executive shall be entitled to receive from the Company 240 consecutive monthly payments of \$15,000, the first payment of which shall be payable on the first day of the month succeeding the termination of Executive's employment. The amount of the monthly payments provided for in the immediately preceding sentence shall be increased at the rate of 12% per annum, compounded annually from January 1, 1998 to the date that the first payment thereof commences. The foregoing is referred to in this Agreement as the "Benefit."

(b) Upon the death of Executive, the payments provided for in Section 5(a) above (or, if Executive dies after termination of his employment and during the payment period contemplated by Section 5(a), any remaining such payments) shall be made to Executive's designated beneficiary or beneficiaries. The phrase "designated beneficiary or beneficiaries" shall mean Executive's spouse, if she shall survive Executive, or such other person or persons named from time to time by Executive in a signed instrument filed with the Company. If the designation made in any such signed instrument shall for any reason be ineffective, the phrase "designated beneficiary or beneficiaries" shall mean Executive's estate.

(c) The payment to Executive of the Benefit shall be subject to the condition that Executive shall comply with the provisions of Section 10 of this Agreement during the entire payment period and Executive shall comply with the provisions of Sections 9 and 12 of this Agreement, if said provisions are applicable by their terms, during the first two (2) years of the payment period.

(d) The Benefit payable under this Agreement shall not in any way be reserved or held in trust by the Company. Neither Executive nor any designated beneficiary or personal representative shall

have any rights against the Company in respect of such Benefit other than the rights of an unsecured general creditor of the Company. Payments of the Benefit shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and shall not in any manner be liable or subject to the debts, contracts, liabilities, engagements or torts of Executive, nor of any designated beneficiary or personal representative. The Company shall not be obligated under any circumstances to fund its obligations under this Section 5, but it may, however, at its sole option elect to fund such obligations in whole or in part in any manner whatsoever including, but not limited to, the purchase of life insurance on the life of the Executive, in any amounts the Company deems appropriate. Any such funding shall remain a general unrestricted asset of the Company and in no way security for the Company's performance under this Section 5. Executive agrees to cooperate with the Company, if so requested, in its obtaining such insurance.

(e) The Benefit provided for in this Section 5 is intended by the parties to be in substitution for, and not in addition to, the "Benefit" as defined in and contemplated by Section 16 of the Existing Agreement, the terms and provisions of which Section 16 are superseded in their entirety by the terms and provisions of this Section 5.

6. *Expenses.* The Company shall reimburse Executive for the reasonable amount of dining, hotel, traveling, entertainment and other expenses necessarily incurred by Executive in the discharge of his duties hereunder.

7. *Executive Benefit Plans; Use of Company Aircraft.*

(a) During the Employment Term, Executive shall be entitled to participate in and to be accorded all rights and benefits under all formal incentive compensation plans, stock incentive plans, employee stock purchase plans, retirements plans, disability insurance, life insurance, health and major medical insurance policy or policies, and other plans or benefits (including, without limitation, any insurance covering Officers or Directors against errors or omissions) now in existence or that may hereafter be adopted by the Company for the benefit of its executive officers or key employees generally or for the benefit of its employees generally, provided that Executive is eligible by the terms thereof to participate therein.

(b) While he is employed by the Company pursuant to this Agreement, Executive will be permitted by the Company to make use of the Company's aircraft and flight crew from time to time for personal trips (each an "Executive Flight"), subject to the conditions hereinafter set forth and provided that the Executive Flights shall be limited to an aggregate Value (as defined below) of \$35,000 per year. The Company will bear the expense of each Executive Flight permitted hereby and the Value of each Executive Flight shall be treated as additional compensation to Executive. For purposes of the foregoing, the Value of each Executive Flight shall be determined in accordance with Treasury Regulation Section 1.61-21(g) (or any successor regulation promulgated under the Internal Revenue Code of 1986, as amended) as from time to time in effect. Executive will give the Company at least 48 hours notice of any desired Executive Flight, stating the proposed schedule, the points of origination and destination of the flight and, if so required by the Company, such information about the general purpose of the Executive Flight as shall be sufficient for the Company to determine that such flight does not violate any requirement of applicable law. The Company will promptly thereafter inform Executive of the availability of the aircraft and its flight crew. The Company shall have no obligation to provide the aircraft and a flight crew for any Executive Flight at any time when (i) a requested Executive Flight would conflict with any actual or planned use of the aircraft by the Company, (ii) the aircraft is undergoing any scheduled maintenance or repairs or is otherwise not in a condition to be operated, or (iii) a qualified flight crew is unavailable to operate the aircraft for a requested Executive Flight. In addition, the Company will have no obligation hereunder to make the aircraft and its flight crew available for any use or purpose, and Executive agrees not to use the same for any use or purpose, which, in the opinion of the Company, is in violation of or not permitted by applicable law as applied to either the Company or Executive, or is not permitted under or stipulated in the insurance policies maintained by the Company. The proposed schedule and points of origination and destination of each Executive Flight will be subject to the approval of the captain of the flight crew, who shall at all times be in charge and control of the aircraft, and in no

event shall the aircraft be operated beyond the geographical limits prescribed in the insurance policies maintained by the Company.

8. *Indemnification.* The Company will indemnify and hold harmless Executive, to the fullest extent permitted by applicable law, in respect of any liability, damage, cost or expense (including reasonable counsel fees) incurred in connection with the defense of any claim, action, suit or proceeding to which he is a party, or threat thereof, by reason of his being or having been an officer or director of the Company or any subsidiary of the Company, or his serving or having served at the request of the Company as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, business organization, enterprise or other entity, including service with respect to employee benefit plans. Without limiting the generality of the foregoing, the Company will pay the expenses (including reasonable counsel fees) of defending any such claim, action, suit or proceeding in advance of its final disposition, upon receipt of an undertaking by Executive to repay all amounts advanced if it should ultimately be determined that Executive is not entitled to be indemnified under this Section.

9. *Non-Competition.* Executive agrees that while in the employ of the Company and for a period of two (2) years following the effective date of the termination of his employment with the Company, unless such termination results from a change in control of the Company (as defined in Section 1(b) hereof), he will not, directly or indirectly, as principal or agent, or in any other capacity, own, manage, operate, participate in or be employed by or otherwise be interested in, or connected in any manner with, any person, firm, corporation or other enterprise which directly competes in a material respect with the business of the Company or any of its majority-owned subsidiaries as it is conducted while Executive is employed by the Company; *provided, however*, that Executive may serve as Chairman of the Board of Liberty Media Corporation, a Delaware corporation ("Liberty"), and own securities of Liberty without regard to the foregoing or to the percentage limitation in the following sentence. Nothing herein contained shall be construed as denying Executive the right to own securities of any such corporation which is listed on a national securities exchange or quoted in the NASDAQ System to the extent of an aggregate of 5% of the amount of such securities outstanding.

10. *Confidentiality.* Executive agrees that while in the employ of the Company (otherwise than in the performance of his duties hereunder) and thereafter, not to, directly or indirectly, make use of, or divulge to any person, firm, corporation, entity or business organization and he shall use his best efforts to prevent the publication or disclosure of, any confidential or proprietary information concerning the business, accounts or finances of, or any of the methods of doing business used by the Company or of the dealings, transactions or affairs of the Company or any of its customers which have or which may have come to his knowledge during his employment with the Company, but this Section 10 shall not prevent Executive from responding to any subpoena, court order or threat of other legal duress, provided Executive notifies the Company thereof with reasonable promptness so that the Company may seek a protective order or other appropriate relief.

11. *Delivery of Materials.* Executive agrees that upon the termination of his employment he will deliver to the Company all documents, papers, materials and other property of the Company relating to its affairs, which may then be in his possession or under his control.

12. *Non-Interference.* Executive agrees that he will not, while in the employ of the Company and for a period of two (2) years following the effective date of the termination of his employment with the Company, unless such termination results from a change in control of the Company (as defined in Section 1(b) hereof), solicit the employment of any employee of the Company on behalf of any other person, firm, corporation, entity or business organization, or otherwise interfere with the employment relationship between any employee or officer of the Company and the Company.

13. *Remedies of the Company.* Executive agrees that, in the event of a material breach by Executive of this Agreement, in addition to any other rights that the Company may have pursuant to this Agreement, the Company shall be entitled, if it so elects, to institute and prosecute proceedings at law or in equity to obtain damages with respect to such breach or to enforce the specific performance of this Agreement by Executive or to

enjoin Executive from engaging in any activity in violation hereof. Executive agrees that because Executive's services to the Company are of such a unique and extraordinary character, a suit at law may be an inadequate remedy with respect to a breach by Executive of Sections 9, 10, 11 and 12 hereof, and that upon any such breach or threatened breach by him of such Sections the Company shall be entitled, in addition to any other lawful remedies that may be available to it, to injunctive relief.

14. *Notices.* All notices to be given hereunder shall be deemed duly given when delivered personally in writing or mailed, certified mail, return receipt requested, postage prepaid and addressed, as follows:

- (a) If to be given to the Company:

Tele-Communications, Inc.
5619 DTC Parkway
Englewood, Colorado 80111-3000
Attention: Chairman of the Board

with a copy similarly addressed
and marked to the attention of
the Legal Department

- (b) If to be given to Executive:

Mr. John C. Malone

or to such other address as a party may request by notice given in accordance with this Section 14.

15. *Miscellaneous.* This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and replaces and supersedes as of the date hereof any and all prior agreements and understandings with respect to Executive's employment by the Company, whether oral or written, between the parties hereto, including, without limitation, except to the extent provided in Section 4(c) hereof, the Existing Agreement. This Agreement may not be changed nor may any provision hereof be waived except by an instrument in writing duly signed by the party to be charged. This Agreement shall be interpreted, governed and controlled by the law of the State of Colorado, without reference to principles of conflict of laws.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year first above written.

TELE-COMMUNICATIONS, INC.

By: /s/ Bob Magness

Name: Bob Magness
Title: Authorized Officer

By: /s/ John C. Malone

Name: John C. Malone

ATTEST:

/s/ Martha L. Flessner

Name: Martha L. Flessner

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment to Employment Agreement (this "Amendment"), effective as of March 9, 1999, is between Liberty Media Corporation, a Delaware corporation (the "Company"), and John C. Malone ("Executive").

Recitals

Executive and Tele-Communications, Inc. ("TCI") are parties to a Restated and Amended Employment Agreement (the "Employment Agreement") dated as of November 1, 1992, setting forth various terms applicable to Executive's employment by TCI. A copy of the Employment Agreement is attached as Appendix A to this Amendment. In connection with the acquisition of TCI by AT&T Corp. on March 9, 1999, the Company assumed the obligations of TCI under the Employment Agreement.

The Company and Executive desire to amend the Employment Agreement in various respects.

Agreement

In consideration of the mutual covenants set forth in this Amendment and the Employment Agreement, the parties, intending to be legally bound, agree as follows:

1. *Definitions.* As used in this Amendment, all terms with initial capital letters that are not defined in this Amendment will have the meaning ascribed to them in the Employment Agreement.
 2. *Services to be Rendered by Executive.* The first sentence of Section 2 of the Employment Agreement is amended in its entirety to read as follows:
"Executive agrees to serve the Company as the Chairman of the Company's Board of Directors."
 3. *Time to be Devoted by Executive.* Section 3 of the Employment Agreement is amended in its entirety to read as follows:
"Executive will use his best efforts to promote the interests of the Company and will devote such of his business time, attention, efforts and abilities as reasonably may be required to perform the duties contemplated hereby."
 4. *Compensation Payable to Executive.* The first sentence of Section 4(a) of the Employment Agreement is amended in its entirety to read as follows:
"Effective as of March 1, 1999, and thereafter during the Employment Term, the Company will pay to Executive a salary at the rate of \$2,600 per annum."
 5. *Executive Benefit Plans; Use of Company Aircraft.*
 - (a) The first sentence of Section 7(b) of the Employment Agreement is amended by changing the reference in that sentence to "\$35,000 per year" to "\$200,000 per year."
 - (b) The following will be added as subsection (c) to Section 7 of the Employment Agreement:
-

"(c) The Company will pay, or will reimburse Executive for, all fees and other costs for professional services reasonably incurred by Executive in obtaining estate or tax planning advice or services, up to a maximum amount of \$50,000 per year."

6. *Notices.* The address for notices to Executive set forth in Section 14 of the Employment Agreement is amended to read as follows:

Mr. John C. Malone

This Agreement has been signed on June 30, 1999, but will be effective as of the date first written above.

LIBERTY MEDIA CORPORATION

By: /s/ Robert R. Bennett

Name: Robert R. Bennett
Title: President

/s/ John C. Malone

Name: John C. Malone

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[EXHIBIT 10.11](#)

[RESTATED AND AMENDED EMPLOYMENT AGREEMENT
AMENDMENT TO EMPLOYMENT AGREEMENT](#)

[Recitals](#)

[Agreement](#)

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This Second Amendment to Employment Agreement (this "Second Amendment"), effective as of January 1, 2003, is between Liberty Media Corporation, a Delaware corporation (the "Company"), and John C. Malone ("Executive").

RECITALS

Tele-Communications, Inc. ("TCI") and Executive executed an Employment Agreement ("Original Agreement") dated as of November 1, 1992. As of March 9, 1999, (i) the Company assumed the Original Agreement and (ii) the Company and the Executive executed an amendment (the Original Agreement, as amended is referred to as, the "Employment Agreement"). A copy of the Employment Agreement is attached as Exhibit A to this Second Amendment

The Company and Executive desire to amend the Employment Agreement as follows:

AGREEMENT

In consideration of the mutual covenants set forth in this Second Amendment and the Employment Agreement and Amendment, the parties, intending to be legally bound, agree as follows:

1. Definitions. As used in this Second Amendment, all terms with initial capital letters that are not defined in this Second Amendment will have the meaning ascribed to them in the Employment Agreement.
2. Executive Benefit Plans; Use of Company Aircraft; Professional Services. Sections 7 (b) and (c) of the Employment Agreement are hereby deleted in their entirety and replaced with the following:

(b) While he is employed by the Company pursuant to this Agreement, Executive will be permitted by the Company to make use of the Company's aircraft and flight crew from time to time for personal trips (each an "Executive Flight"), subject to the conditions hereafter set forth and the limits set forth in Section 7(c) below. The Company will bear the expense of each Executive Flight permitted hereby and the Value of each Executive Flight shall be treated as additional compensation to Executive. For purposes of the foregoing, the Value of each Executive Flight shall be determined in accordance with Treasury Regulation Section 1.61-21(g) (or any successor regulation promulgated under the Internal Revenue Code of 1986, as amended) as from time to time in effect. Executive will give the Company reasonable notice of any desired Executive Flight, stating the proposed schedule, the points of origination and destination of

the flight and, if so required by the Company, such information about the general purpose of the Executive Flight as shall be sufficient for the Company to determine that such flight does not violate any requirement of applicable law. The Company will promptly thereafter inform Executive of the availability of the aircraft and its flight crew. The Company shall have no obligation to provide the aircraft and flight crew for any Executive Flight at any time when (i) a requested Executive Flight would conflict with any actual or planned use of the aircraft by the Company, (ii) the aircraft is undergoing any scheduled maintenance or repairs or is otherwise not in a condition to be operated, or (iii) a qualified flight crew is unavailable to operate the aircraft for a requested Executive Flight. In addition, the Company will have no obligation hereunder to make the aircraft and its flight crew available for any use or purpose, and Executive agrees not to use the same for any use or purpose, which, in the opinion of the Company, is in violation of or not permitted by applicable law as applied to either the Company or Executive, or is not permitted under or stipulated in the insurance policies maintained by the Company. The proposed schedule and points of origination and destination of each Executive Flight will be subject to the approval of the captain of the flight crew, who shall at all times be in charge and control of the aircraft, and in no event shall the aircraft be operated beyond the geographical limits prescribed in the insurance policies maintained by the Company.

(c) The Company will pay, or will reimburse Executive for, all fees and other costs incurred by Executive in obtaining professional advice or for any other purpose ("Qualified Expenses") provided that the Value of all Executive Flights and the amount of Qualified Expenses paid or reimbursed by the Company will not exceed, in the aggregate, \$500,000 per year.

3. Notices. The address for notices to Executive set forth in Section 14 of the Employment Agreement is amended to read as follows:

Mr. John C. Malone

4. Miscellaneous. Except as provided herein, the Employment Agreement shall continue in full force and effect.

This Second Amendment was approved by the Company's Board of Directors on May 13, 2003, but will be effective as of the date first written above.

LIBERTY MEDIA CORPORATION

By:

Charles Y. Tanabe, Senior Vice President

John C. Malone

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[EXHIBIT 10.12](#)

[SECOND AMENDMENT TO EMPLOYMENT AGREEMENT
RECITALS
AGREEMENT](#)

**LIBERTY MEDIA CORPORATION
2000 INCENTIVE PLAN**

(As Amended and Restated Effective February 22, 2007)

ARTICLE I

PURPOSE AND ASSUMPTION OF PLAN

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 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 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 *Assumption of Plan; Amendment and Restatement of Plan.* The Plan was originally adopted as the Amended and Restated AT&T Corp. Liberty Media Group 2000 Incentive Plan, by the board of directors of AT&T Corp., the former parent corporation of Liberty Media LLC ("Old Liberty"), which prior to the Merger (as defined below) was a Delaware corporation named Liberty Media Corporation and was the parent corporation of the Company. Effective August 10, 2001, the board of directors of Old Liberty approved an amendment and restatement of the Plan, and Old Liberty assumed and adopted the Plan in connection with its split off from AT&T Corp. The Plan was later amended and restated effective September 11, 2002 and April 19, 2004 by the board of directors of Old Liberty. The Plan was further amended and restated as of May 9, 2006 by the Board of the Company in connection with the merger of a wholly owned subsidiary of the Company with and into Old Liberty ("Merger"). Effective May 9, 2006, the Company became the parent corporation of Old Liberty and assumed and adopted the Plan. The Plan is hereby further amended and restated as of February 22, 2007 by the Board of the Company to make certain clarifying changes to Section 4.2 hereof.

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):

"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, stock units agreement, cash award agreement or an agreement evidencing more than one type of Award, specified in Section 11.5, 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, 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 10.1 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, a Delaware corporation (which was originally incorporated under the name Liberty Media Holding Corporation).

"Control Purchase" means any transaction (or series of related transactions) in which (i) 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) shall purchase any Common Stock of the Company (or securities convertible into Common Stock of the Company) for cash, securities or any other consideration pursuant to a tender offer or exchange offer, without the prior consent of the Board, or (ii) any person (as such term is so defined), corporation or other entity (other than the Company, any Subsidiary of the Company, 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 April 19, 2004, 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.

"Dividend Equivalents" means, with respect to Restricted Shares to be issued at the end of the Restriction Period, 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.

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

"Effective Date" means December 6, 2000, the date on which the Plan originally became effective.

"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 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 reported on Nasdaq or, if such shares are not then listed or quoted on Nasdaq, then as quoted by the National Quotation Bureau Incorporated. 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.

"Nasdaq" means The Nasdaq Stock Market.

"Nonqualified Stock Option" means a stock option granted under Article VI.

"Option" means a Nonqualified Stock Option.

"Performance Award" means an Award made pursuant to Article X 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 2000 Incentive Plan (As Amended and Restated Effective February 22, 2007).

"Restricted Shares" means shares of any series of Common Stock or the right to receive shares of any specified series of Common Stock, as the case may be, awarded pursuant to Article VIII.

"Restriction Period" means a period of time beginning on the date of each Award of Restricted Shares 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.

"Stock Unit Awards" has the meaning ascribed thereto in Section 9.1.

"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 awarded hereunder, means the date on which such Restricted Shares 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 pursuant to Article VIII. If more than one Vesting Date is designated for an Award of Restricted Shares, 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 *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, Stock Units under Article IX of the Plan, Cash Awards under Article X of the Plan and/or Performance Awards under Article X 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 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 him 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 69,475,000 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 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 that shall be exercised for cash, and (iii) any Award of Restricted Shares or Stock Units that shall be forfeited prior to becoming vested (provided that the Holder received no benefits of ownership of such Restricted Shares or 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. Except for Awards described in Section 11.1, no Person may be granted in any calendar year Awards covering more than 7,869,000 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 \$10,000,000.

4.2 *Adjustments.* 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 Committee determines that any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, 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 11.1(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. Notwithstanding the foregoing, if all shares of any series of Common Stock are redeemed, then each outstanding Award shall be adjusted to substitute for the shares of such series

of Common Stock subject thereto the kind and amount of cash, securities or other assets issued or paid in the redemption of the equivalent number of shares of such series of Common Stock and otherwise the terms of such Award, including, in the case of Options or similar rights, the aggregate exercise price, and, in the case of Free Standing SARs, the aggregate base price, shall remain constant before and after the substitution (unless otherwise determined by the Committee and provided in the applicable Agreement). 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.

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) or of 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.

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 11.9 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 11.9, 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.

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.

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 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

8.1 *Grant.* 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, shall determine whether shares of Common Stock covered by Awards of Restricted Shares will be issued at the beginning or the end of the Restriction Period and whether Dividend Equivalents will be paid during the Restriction Period in the event shares of the applicable series of Common Stock are to be issued at the end of the Restriction Period, 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 at Beginning of the Restriction Period.* If shares of the applicable series of Common Stock are issued at the beginning of the Restriction Period, the stock certificate or certificates representing such Restricted Shares shall be registered in the name of the Holder to whom such Restricted Shares shall have been awarded. During the Restriction Period, certificates representing the Restricted Shares 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. 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.* Restricted Shares issued at the beginning of the Restriction Period 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 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 his 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 *Issuance of Stock at End of the Restriction Period.* Restricted Shares 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 Shares, in each case until such shares shall have been transferred 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 Committee may specify in the Agreement.

8.5 *Cash Payments.* In connection with any Award of Restricted Shares, an Agreement may provide for the payment of a cash amount to the Holder of such Restricted Shares at any time after such Restricted Shares 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.

8.6 *Completion of Restriction Period.* On the Vesting Date with respect to each Award of Restricted Shares and the satisfaction of any other applicable restrictions, terms and conditions, (i) all or the applicable portion of such Restricted Shares shall become vested, (ii) any Retained Distributions and any unpaid Dividend Equivalents with respect to such Restricted Shares shall become vested to the extent that the Restricted Shares related thereto shall have become vested, and (iii) any cash amount to be received by the Holder with respect to such Restricted Shares shall become payable, all in accordance with the terms of the applicable Agreement. Any such Restricted Shares, 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, 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, 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

STOCK UNITS

9.1 *Grant.* In addition to granting Awards of Options, SARs and Restricted Shares, the Committee shall, subject to the limitations of the Plan, have authority to grant to eligible Persons Awards of Stock Units which may be in the form of shares of any specified series of Common Stock or 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 9.2, Awards of 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. The determinations made by the Committee pursuant to this Section 9.1 shall be specified in the applicable Agreement.

9.2 *Rules.* The Committee may, in its discretion, establish any or all of the following rules for application to an Award of Stock Units:

(a) Any shares of Common Stock which are part of an Award of 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.

(b) 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 Stock Units shall be for at least the minimum consideration necessary to permit such shares to be deemed fully paid and nonassessable.

(c) Awards of Stock Units may provide for deferred payment schedules, vesting over a specified period of employment, the payment (on a current or deferred basis) of dividend equivalent amounts with respect to the number of shares of Common Stock covered by the Award, and elections by the employee to defer payment of the Award or the lifting of restrictions on the Award, if any, provided that any such deferrals shall comply with the requirements of Section 409A of the Code.

(d) In such circumstances as the Committee may deem advisable, the Committee may waive or otherwise remove, in whole or in part, any restrictions or limitations to which a Stock Unit Award was made subject at the time of grant.

ARTICLE X

CASH AWARDS AND PERFORMANCE AWARDS

10.1 *Cash Awards.* In addition to granting Options, SARs, Restricted Shares and 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 10.1 shall be specified in the applicable Agreement.

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

10.3 *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, or the Company as a whole, 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); 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.

10.4 *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.

10.5 *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.

ARTICLE XI

GENERAL PROVISIONS

11.1 *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, any related Retained Distributions 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; and (iii) in the case of Stock Units, each such Award of Stock Units shall become vested in full.

(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, any related Retained Distributions 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; and (iii) in the case of Stock Units, each such Award of Stock Units shall become vested in full, 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 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.

11.2 *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 prior to the vesting or complete exercise of any Stock Units, then such Option or SAR shall thereafter become or be exercisable, such Stock Units to the extent vested shall thereafter be exercisable, and the Holder's rights to any unvested Restricted Shares, Retained Distributions, unpaid Dividend Equivalents and related cash amounts and any such unvested Stock Units 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 11.2(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 prior to any Option or SAR becoming exercisable or being exercised in full or prior to the vesting or complete exercise of any Stock Unit or 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 his 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 unvested or unexercised Stock Units and all unpaid Cash Awards held by such Holder shall immediately terminate, and (ii) such Holder's rights to all Restricted Shares, 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 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.

11.3 *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.

11.4 *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, 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.

11.5 *Written Agreement.* Each Award of Options shall be evidenced by a stock option agreement; each Award of SARs shall be evidenced by a stock appreciation rights agreement; each Award of Restricted Shares shall be evidenced by a restricted shares agreement; each Award of Stock Units shall be evidenced by a stock units agreement; and each Performance Award shall be evidenced by a performance award agreement (including a cash award agreement evidencing a Cash Award), each in such form and containing such terms and provisions not inconsistent with the provisions of the Plan as the Committee from time to time shall approve; *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, Stock Units or Performance Award (including a Cash Award) shall be notified promptly of such grant, and a written Agreement shall be promptly executed and 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 11.7(b).

11.6 *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.

11.7 *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 tenth anniversary of the Effective Date. The Plan may be terminated at any time prior to the tenth anniversary of the Effective 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 11.7(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 11.7(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.

11.8 *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 issued 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.

11.9 *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 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 the applicable series 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 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.

11.10 *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.

11.11 *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.

11.12 *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.

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

11.14 *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 11.9.

11.15 *Legends.* Each 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.

11.16 *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.

11.17 *Section 409A.* 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 Code Section 409A and related regulations and United States Department of the Treasury pronouncements ("Section 409A"), that Plan provision or Award will be 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.

QuickLinks

[LIBERTY MEDIA CORPORATION 2000 INCENTIVE PLAN](#)

**LIBERTY MEDIA CORPORATION
2007 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 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 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 February 22, 2007 (the "Effective Date"); *provided, however,* that the Plan is subject to the receipt of the approval of the stockholders of the Company, and any grants of Awards made prior to the date on which such requisite approval is obtained shall be subject to and contingent upon the receipt of such approval.

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):

"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, stock units agreement, cash award agreement or an agreement evidencing more than one type of Award, specified in Section 11.5, 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, 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 10.1 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, a Delaware corporation (which was originally incorporated under the name Liberty Media Holding Corporation).

"Control Purchase" means any transaction (or series of related transactions) in which (i) 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) shall purchase any Common Stock of the Company (or securities convertible into Common Stock of the Company) for cash, securities or any other consideration pursuant to a tender offer or exchange offer, without the prior consent of the Board, or (ii) any person (as such term is so defined), corporation or other entity (other than the Company, any Subsidiary of the Company, 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 Effective 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.

"Dividend Equivalents" means, with respect to Restricted Shares to be issued at the end of the Restriction Period, 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.

"Domestic Relations Order" means a domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, 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 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 reported on Nasdaq or, if such shares are not then listed or quoted on Nasdaq, then as quoted by the National Quotation Bureau Incorporated. 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.

"Nasdaq" means The Nasdaq Stock Market.

"Nonqualified Stock Option" means a stock option granted under Article VI.

"Option" means a Nonqualified Stock Option.

"Performance Award" means an Award made pursuant to Article X 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 2007 Incentive Plan.

"Restricted Shares" means shares of any series of Common Stock or the right to receive shares of any specified series of Common Stock, as the case may be, awarded pursuant to Article VIII.

"Restriction Period" means a period of time beginning on the date of each Award of Restricted Shares 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.

"Stock Unit Awards" has the meaning ascribed thereto in Section 9.1.

"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 awarded hereunder, means the date on which such Restricted Shares 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 pursuant to Article VIII. If more than one Vesting Date is designated for an Award of Restricted Shares, 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 *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, Stock Units under Article IX of the Plan, Cash Awards under Article X of the Plan and/or Performance Awards under Article X 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 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 him 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 39,300,000 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 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 that shall be exercised for cash, and (iii) any Award of Restricted Shares or Stock Units that shall be forfeited prior to becoming vested (provided that the Holder received no benefits of ownership of such Restricted Shares or 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. Except for Awards described in Section 11.1, no Person may be granted in any calendar year Awards covering more than 7,869,000 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 \$10,000,000.

4.2 *Adjustments.* 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 Committee determines that any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, 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 11.1(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. Notwithstanding the foregoing, if all shares of any series of Common Stock are redeemed, then each outstanding Award shall be adjusted to substitute for the shares of such series of Common Stock subject thereto the kind and amount of cash, securities or other assets issued or paid in the redemption of the equivalent number of shares of such series of Common Stock and otherwise the terms of such Award, including, in the case of Options or similar rights, the aggregate exercise price, and, in the case of Free Standing SARs, the aggregate base price, shall remain constant before and after the substitution (unless otherwise determined by the Committee and provided in the applicable Agreement). 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.

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.

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 11.9 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 11.9, 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.

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.

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 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

8.1 *Grant.* 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, shall determine whether shares of Common Stock covered by Awards of Restricted Shares will be issued at the beginning or the end of the Restriction Period and whether Dividend Equivalents will be paid during the Restriction Period in the event shares of the applicable series of Common Stock are to be issued at the end of the Restriction Period, 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 at Beginning of the Restriction Period.* If shares of the applicable series of Common Stock are issued at the beginning of the Restriction Period, the stock certificate or certificates representing such Restricted Shares shall be registered in the name of the Holder to whom such Restricted Shares shall have been awarded. During the Restriction Period, certificates representing the Restricted Shares 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. 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.* Restricted Shares issued at the beginning of the Restriction Period 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 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 his 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 *Issuance of Stock at End of the Restriction Period.* Restricted Shares 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 Shares, in each case until such shares shall have been transferred 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 Committee may specify in the Agreement.

8.5 *Cash Payments.* In connection with any Award of Restricted Shares, an Agreement may provide for the payment of a cash amount to the Holder of such Restricted Shares at any time after such Restricted Shares 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.

8.6 *Completion of Restriction Period.* On the Vesting Date with respect to each Award of Restricted Shares and the satisfaction of any other applicable restrictions, terms and conditions, (i) all or the applicable portion of such Restricted Shares shall become vested, (ii) any Retained Distributions and any unpaid Dividend Equivalents with respect to such Restricted Shares shall become vested to the extent that the Restricted Shares related thereto shall have become vested, and (iii) any cash amount to be received by the Holder with respect to such Restricted Shares shall become payable, all in accordance with the terms of the applicable Agreement. Any such Restricted Shares, 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, 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, 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

STOCK UNITS

9.1 *Grant.* In addition to granting Awards of Options, SARs and Restricted Shares, the Committee shall, subject to the limitations of the Plan, have authority to grant to eligible Persons Awards of Stock Units which may be in the form of shares of any specified series of Common Stock or 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 9.2, Awards of 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. The determinations made by the Committee pursuant to this Section 9.1 shall be specified in the applicable Agreement.

9.2 *Rules.* The Committee may, in its discretion, establish any or all of the following rules for application to an Award of Stock Units:

(a) Any shares of Common Stock which are part of an Award of 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.

(b) 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 Stock Units shall be for at least the minimum consideration necessary to permit such shares to be deemed fully paid and nonassessable.

(c) Awards of Stock Units may provide for deferred payment schedules, vesting over a specified period of employment, the payment (on a current or deferred basis) of dividend equivalent amounts with respect to the number of shares of Common Stock covered by the Award, and elections by the employee to defer payment of the Award or the lifting of restrictions on the Award, if any, provided that any such deferrals shall comply with the requirements of Section 409A of the Code.

(d) In such circumstances as the Committee may deem advisable, the Committee may waive or otherwise remove, in whole or in part, any restrictions or limitations to which a Stock Unit Award was made subject at the time of grant.

ARTICLE X

CASH AWARDS AND PERFORMANCE AWARDS

10.1 *Cash Awards.* In addition to granting Options, SARs, Restricted Shares and 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 10.1 shall be specified in the applicable Agreement.

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

10.3 *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, or the Company as a whole, 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); 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.

10.4 *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.

10.5 *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.

ARTICLE XI

GENERAL PROVISIONS

11.1 *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, any related Retained Distributions 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; and (iii) in the case of Stock Units, each such Award of Stock Units shall become vested in full.

(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, any related Retained Distributions 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; and (iii) in the case of Stock Units, each such Award of Stock Units shall become vested in full, 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 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.

11.2 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 prior to the vesting or complete exercise of any Stock Units, then such Option or SAR shall thereafter become or be exercisable, such Stock Units to the extent vested shall thereafter be exercisable, and the Holder's rights to any unvested Restricted Shares, Retained Distributions, unpaid Dividend Equivalents and related cash amounts and any such unvested Stock Units 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 11.2(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 prior to any Option or SAR becoming exercisable or being exercised in full or prior to the vesting or complete exercise of any Stock Unit or 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 his 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 unvested or unexercised Stock Units and all unpaid Cash Awards held by such Holder shall immediately terminate, and (ii) such Holder's rights to all Restricted Shares, 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 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.

11.3 *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.

11.4 *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, 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.

11.5 *Written Agreement.* Each Award of Options shall be evidenced by a stock option agreement; each Award of SARs shall be evidenced by a stock appreciation rights agreement; each Award of Restricted Shares shall be evidenced by a restricted shares agreement; each Award of Stock Units shall be evidenced by a stock units agreement; and each Performance Award shall be evidenced by a performance award agreement (including a cash award agreement evidencing a Cash Award), each in such form and containing such terms and provisions not inconsistent with the provisions of the Plan as the Committee from time to time shall approve; *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, Stock Units or Performance Award (including a Cash Award) shall be notified promptly of such grant, and a written Agreement shall be promptly executed and 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 11.7(b).

11.6 *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.

11.7 *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 June 30, 2012. 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 11.7(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 11.7(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.

11.8 *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 issued 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.

11.9 *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 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 the applicable series 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 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.

11.10 *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.

11.11 *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.

11.12 *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.

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

11.14 *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 11.9.

11.15 *Legends.* Each 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.

11.16 *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.

11.17 *Section 409A.* 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 Code Section 409A and related regulations and United States Department of the Treasury pronouncements ("Section 409A"), that Plan provision or Award will be 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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LIBERTY MEDIA CORPORATION
2000 INCENTIVE PLAN
(AS AMENDED AND RESTATED EFFECTIVE APRIL 19, 2004)
NON-QUALIFIED STOCK OPTION AGREEMENT

THIS NON-QUALIFIED STOCK OPTION AGREEMENT ("Agreement") is made as of _____, 20____ (the "Effective Date"), by and between LIBERTY MEDIA CORPORATION, a Delaware corporation (the "Company"), and the individual whose name, address and social security number appear on the signature page hereto (the "Grantee").

The Company has adopted the Liberty Media Corporation 2000 Incentive Plan (As Amended and Restated April 19, 2004) (the "Plan"), a copy of which is attached to this Agreement as Exhibit A and by this reference made a part hereof, for the benefit of eligible employees of the Company and its Subsidiaries. Capitalized terms used and not otherwise defined herein will have the meaning given thereto in the Plan.

Pursuant to the Plan, the Incentive Plan Committee (the "Committee") appointed by the Board pursuant to Section 3.1 of the Plan to administer the Plan has determined that it would be in the interest of the Company and its stockholders to award Options to Grantee, subject to the conditions and restrictions set forth herein and in the Plan, in order to provide the Grantee additional remuneration for services rendered, to encourage the Grantee to remain in the employ of the Company or its Subsidiaries and to increase the Grantee's personal interest in the continued success and progress of the Company.

The Company and the Grantee therefore agree as follows:

1. *Definitions.* The following terms, when used in this Agreement, have the following meanings:

"Base Price" means \$ _____, the Fair Market Value of a share of L Stock on the Effective Date.

"Business Day" means any day other than Saturday, Sunday or a day on which banking institutions in Denver, Colorado, are required or authorized to be closed.

"Cause" has the meaning specified for "cause" in Section 11.2(b) of the Plan.

"Close of Business" means, on any day, 5:00 p.m., Denver, Colorado time.

"Committee" has the meaning specified in the recitals to this Agreement.

"Company" has the meaning specified in the preamble to this Agreement.

"Effective Date" has the meaning specified in the preamble to this Agreement.

"Forfeitable Benefits" has the meaning specified in Section 8 of this Agreement.

"Grantee" has the meaning specified in the preamble to this Agreement.

"L Options" has the meaning specified in Section 2 of this Agreement.

"L Stock" has the meaning specified in Section 2 of this Agreement.

"Misstatement Period" has the meaning specified in Section 8 of this Agreement.

"Option Shares" has the meaning specified in Section 4(a) of this Agreement.

"Plan" has the meaning specified in the recitals of this Agreement.

"Required Withholding Amount" has the meaning specified in Section 5 of this Agreement.

"Special Termination Period" has the meaning specified in Section 7(d) of this Agreement.

"Term" has the meaning specified in Section 2 of this Agreement.

"Vesting Anniversary Date" means _____, 20_____.

"Year of Continuous Service" has the meaning specified in Section 7(d) of this Agreement.

2. *Grant of Options.* Subject to the terms and conditions herein, pursuant to the Plan, the Company grants to the Grantee options to purchase from the Company, exercisable during the period commencing on the Effective Date and expiring at Close of Business on _____, 20_____ (the "Term"), subject to earlier termination as provided in Section 7 below, at the Base Price, the number of shares of Liberty Media Corporation Series A Common Stock ("L Stock") set forth on the signature page hereto. The Options granted hereunder are "Nonqualified Stock Options" and are hereinafter referred to as the "L Options." The Base Price and L Options are subject to adjustment pursuant to Section 11 below. No fractional shares of L Stock will be issuable upon exercise of an L Option, and the Grantee will receive, in lieu of any fractional share of L Stock that the Grantee otherwise would receive upon such exercise, cash equal to the fraction representing such fractional share multiplied by the Fair Market Value of one share of L Stock as of the date on which such exercise is considered to occur pursuant to Section 4 below.

3. *Conditions of Exercise.* Unless otherwise determined by the Committee in its sole discretion, the L Options will be exercisable only in accordance with the conditions stated in this Section 3.

(a) Except as otherwise provided in Section 11.1(b) of the Plan or in the last sentence of this Section 3(a), the L Options may be exercised only to the extent they have become exercisable in accordance with the provisions of this Section 3(a). That number of L Options that is equal to _____ % of the total number of L Options awarded under this Agreement (rounded down to the nearest whole number of L Options) shall become exercisable on each _____, and beginning on _____, 20_____ and ending on _____, 20_____, and any L Options awarded under this Agreement that do not otherwise become exercisable as a result of rounding shall become exercisable on _____, 20_____. Notwithstanding the foregoing, (i) in the event that any date on which L Options would otherwise become exercisable is not a Business Day, such L Options will become exercisable on the Business Day next following such date, (ii) all L Options will become exercisable on the date of the Grantee's termination of employment if (A) the Grantee's employment with the Company and its Subsidiaries terminates by reason of Disability or (B) the Grantee dies while employed by the Company or a Subsidiary, and (iii) if the Grantee's employment with the Company and its Subsidiaries is terminated by the Company or a Subsidiary without Cause, any L Options that otherwise would become exercisable during the remainder of the calendar year in which the Grantee's employment with the Company and its Subsidiaries is terminated will become exercisable on the date of the Grantee's termination of employment.

(b) To the extent the L Options become exercisable, such L Options may be exercised in whole or in part (at any time or from time to time, except as otherwise provided herein) until expiration of the Term or earlier termination thereof.

(c) The Grantee acknowledges and agrees that the Committee, in its discretion and as contemplated by Section 3.3 of the Plan, may adopt rules and regulations from time to time after the date hereof with respect to the exercise of the L Options and that the exercise by the Grantee of L Options will be subject to the further condition that such exercise is made in accordance with all such rules and regulations as the Committee may determine are applicable thereto.

4. *Manner of Exercise.* L Options will be considered exercised (as to the number of L Options specified in the notice referred to in Section 4(a) below) on the latest of (i) the date of exercise designated in the written notice referred to in Section 4(a) below, (ii) if the date so designated is not a

Business Day, the first Business Day following such date or (iii) the earliest Business Day by which the Company has received all of the following:

- (a) Written notice, in such form as the Committee may require, containing such representations and warranties as the Committee may require and designating, among other things, the date of exercise and the number of shares of L Stock ("Option Shares") to be purchased;
- (b) Payment of the Base Price for each Option Share to be purchased in any (or a combination) of the following forms: (A) cash, (B) check or (C) 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 (and, if applicable the Required Withholding Amount, as described in Section 5 below); and
- (c) Any other documentation that the Committee may reasonably require.

5. *Mandatory Withholding for Taxes.* The Grantee acknowledges and agrees that the Company will deduct from the shares of L Stock otherwise payable or deliverable upon exercise of any L Options that number of shares of L Stock (valued at their Fair Market Value on the date of exercise) that is equal to the amount of all federal, state and local taxes required to be withheld by the Company upon such exercise, as determined by the Committee (the "Required Withholding Amount"). If the Grantee elects to make payment of the Base Price by delivery 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, such instructions may also include instructions to deliver the Required Withholding Amount to the Company. In such case, the Company will notify the broker promptly of the Committee's determination of the Required Withholding Amount.

6. *Payment or Delivery by the Company.* As soon as practicable after receipt of all items referred to in Section 4, and subject to the withholding referred to in Section 5, the Company will deliver or cause to be delivered to the Grantee certificates issued in the Grantee's name for the number of shares of L Stock purchased by exercise of L Options, and (ii) any cash payment to which the Grantee is entitled in lieu of a fractional share of L Stock, as provided in Section 2 above. Any delivery of shares of L Stock will be deemed effected for all purposes when certificates representing such shares have been delivered personally to the Grantee or, if delivery is by mail, when the stock transfer agent of the Company has deposited the certificates in the United States mail, addressed to the Grantee, and any cash payment will be deemed effected when a check from the Company, payable to the Grantee and in the amount equal to the amount of the cash payment, has been delivered personally to the Grantee or deposited in the United States mail, addressed to the Grantee.

7. *Early Termination of L Options.* The L Options will terminate, prior to the expiration of the Term, at the time specified below:

(a) Subject to Section 7(b), if the Grantee's employment with the Company and its Subsidiaries is terminated other than (i) by the Company or a Subsidiary (whether for Cause or without Cause) or (ii) by reason of death or Disability, then the L Options will terminate at the Close of Business on the first Business Day following the expiration of the 90-day period which began on the date of termination of the Grantee's employment.

(b) If the Grantee dies (i) while employed by the Company or a Subsidiary, or prior to the expiration of a period of time following termination of the Grantee's employment during which the L Options remain exercisable as provided in Section 7(a) or Section 7(c), as applicable, the L Options will terminate at the Close of Business on the first Business Day following the expiration of the one-year period which began on the date of the Grantee's death, or (ii) prior to the expiration of a period of time following termination of the Grantee's employment during which the L Options remain exercisable as provided in Section 7(d), the L Options will terminate at the Close of Business on the first Business Day following the expiration of (A) the one-year period

which began on the date of the Grantee's death or (B) the Special Termination Period, whichever period is longer.

(c) Subject to Section 7(b), if the Grantee's employment with the Company and its Subsidiaries terminates by reason of Disability, then the L Options will terminate at the Close of Business on the first Business Day following the expiration of the one-year period which began on the date of termination of the Grantee's employment.

(d) If the Grantee's employment with the Company and its Subsidiaries is terminated by the Company or a Subsidiary without Cause, the L Options will terminate at the Close of Business on the first Business Day following the expiration of the Special Termination Period. The Special Termination Period is the period of time beginning on the date of the Grantee's termination of employment and continuing for the number of days that is equal to the sum of (a) 90, plus (b) 180 multiplied by the Grantee's total Years of Continuous Service. A Year of Continuous Service means a consecutive 12-month period, measured by the Grantee's hire date (as reflected in the payroll records of the Company or a Subsidiary) and the anniversaries of that date, during which the Grantee is employed by the Company or a Subsidiary without interruption. For purposes of determining the Grantee's Years of Continuous Service, Grantee's employment with the Company's former parent, AT&T Broadband LLC, formerly known as Tele-Communications, Inc. ("TCI"), and any predecessor of the Company or TCI will be included, provided that the Grantee's hire date with the Company or a Subsidiary occurred within 30 days following the Grantee's termination of employment with TCI or such predecessor. If the Grantee was employed by a Subsidiary at the time of such Subsidiary's acquisition by the Company, the Grantee's employment with the Subsidiary prior to the acquisition date will be included in determining the Grantee's Years of Continuous Service unless the Committee, in its sole discretion, determines that such prior employment will be excluded.

(e) If the Grantee's employment with the Company and its Subsidiaries is terminated by the Company for Cause, then the L Options will terminate immediately upon such termination of the Grantee's employment.

In any event in which L Options remain exercisable for a period of time following the date of termination of the Grantee's employment as provided above, the L Options may be exercised during such period of time only to the extent the same were exercisable as provided in Section 3 above on such date of termination of the Grantee's employment. Notwithstanding any period of time referenced in this Section 7 or any other provision of this Section 7 that may be construed to the contrary, the L Options will in any event terminate upon the expiration of the Term.

8. *Forfeiture for Misconduct and Repayment of Certain Amounts.* If (i) a material restatement of any financial statement of the Company (including any consolidated financial statement of the Company and its consolidated subsidiaries) is required and (ii) in the reasonable judgment of the 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 Grantee, the Grantee will repay to the Company any and all Forfeitable Benefits received by the Grantee during the Misstatement Period. "Forfeitable Benefits" means (i) any and all cash and/or shares of L Stock received by the Grantee (A) upon the exercise during the Misstatement Period of any SARs held by the Grantee or (B) upon the payment during the Misstatement Period of any Cash Award or Performance Award held by the Grantee, the value of which is determined in whole or in part with reference to the value of L Stock, and (ii) any proceeds received by the Grantee from the sale, exchange, transfer or other disposition during the Misstatement Period of any shares of L Stock received by the Grantee upon the exercise, vesting or payment during the Misstatement Period of any Award held by the Grantee. By way of clarification, "Forfeitable Benefits" will not include any shares of L stock received upon exercise of any L Options during the Misstatement Period that are not

sold, exchanged, transferred or otherwise disposed of during the Misstatement Period. "Misstatement Period" means the 12-month period beginning on the date of the first public issuance or the filing with the Securities and Exchange Commission, whichever occurs earlier, of the financial statement requiring restatement.

9. *Nontransferability.* During the Grantee's lifetime, the L Options are not transferable (voluntarily or involuntarily) other than pursuant to a Domestic Relations Order and, except as otherwise required pursuant to a Domestic Relations Order, are exercisable only by the Grantee or the Grantee's court appointed legal representative. The Grantee may designate a beneficiary or beneficiaries to whom the L Options will pass upon the Grantee's death and may change such designation from time to time by filing a written designation of beneficiary or beneficiaries with the Committee on the form annexed hereto as Exhibit B or such other form as may be prescribed by the Committee, provided that no such designation will be effective unless so filed prior to the death of the Grantee. If no such designation is made or if the designated beneficiary does not survive the Grantee's death, the L Options will pass by will or the laws of descent and distribution. Following the Grantee's death, the L Options, if otherwise exercisable, may be exercised by the person to whom such option or right passes according to the foregoing and such person will be deemed the Grantee for purposes of any applicable provisions of this Agreement.

10. *No Stockholder Rights.* Prior to the exercise of L Options in accordance with the terms and conditions set forth in this Agreement, the Grantee will not be deemed for any purpose to be, or to have any of the rights of, a stockholder of the Company with respect to any shares of L Stock, nor will the existence of this Agreement affect in any way the right or power of the Company or any stockholder of the Company to accomplish any corporate act, including, without limitation, the acts referred to in Section 11.16 of the Plan.

11. *Adjustments.* If the outstanding shares of L Stock are subdivided into a greater number of shares (by stock dividend, stock split, reclassification or otherwise) or are combined into a smaller number of shares (by reverse stock split, reclassification or otherwise), or if the Committee determines that any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, split-up-spin-off, combination, exchange of shares, warrants or rights offering to purchase any shares of L Stock, or other similar corporate event (including mergers or consolidations other than those which constitute Approved Transactions, which shall be governed by Section 11.1(b) of the Plan) affects shares of L Stock such that an adjustment is required to preserve the benefits or potential benefits intended to be made available under this Agreement, then the L Options will be subject to adjustment (including, without limitation, as to the number of L Options and the Base Price per share of such L Options) in the sole discretion of the Committee and in such manner as the Committee may deem equitable and appropriate in connection with the occurrence of any of the events described in this Section 11 following the Vesting Anniversary Date.

12. *Restrictions Imposed by Law.* Without limiting the generality of Section 11.8 of the Plan, the Grantee will not exercise the L Options, and the Company will not be obligated to make any cash payment or issue or cause to be issued any shares of L Stock, if counsel to the Company determines that such exercise, payment or issuance would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of L Stock are listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the exercise of the L Options or the resulting payment of cash or issuance of shares of L Stock to comply with any such law, rule, regulation or agreement.

13. *Notice.* Unless the Company notifies the Grantee in writing of a different procedure, any notice or other communication to the Company with respect to this Agreement will be in writing and

will be delivered personally or sent by United States first class mail, postage prepaid and addressed as follows:

Liberty Media Corporation
12300 Liberty Boulevard
Englewood, Colorado 80112
Attn: Charles Y. Tanabe, Esq.

Any notice or other communication to the Grantee with respect to this Agreement will be in writing and will be delivered personally, or will be sent by United States first class mail, postage prepaid, to the Grantee's address as listed in the records of the Company on the Effective Date, unless the Company has received written notification from the Grantee of a change of address.

14. *Amendment.* Notwithstanding any other provision hereof, this Agreement may be supplemented or amended from time to time as approved by the Committee as contemplated in Section 11.7(b) of the Plan. Without limiting the generality of the foregoing, without the consent of the Grantee,

(a) this Agreement may be amended or supplemented from time to time as approved by the Committee (i) to cure any ambiguity or to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or (ii) to add to the covenants and agreements of the Company for the benefit of the Grantee or surrender any right or power reserved to or conferred upon the Company in this Agreement, subject to any required approval of the Company's stockholders and, provided, in each case, that such changes or corrections will not adversely affect the rights of the Grantee with respect to the Award evidenced hereby, or (iii) to make such other changes as the Company, upon advice of counsel, determines are necessary or advisable because of the adoption or promulgation of, or change in or of the interpretation of, any law or governmental rule or regulation, including any applicable federal or state securities laws; and

(b) subject to any required action by the Board or the stockholders of the Company, the L Options granted under this Agreement may be canceled by the Company and a new Award made in substitution therefor, provided that the Award so substituted will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect any L Options to the extent then exercisable.

15. *Grantee Employment.* Nothing contained in this Agreement, and no action of the Company or the Committee with respect hereto, will confer or be construed to confer on the Grantee 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 employing Subsidiary to terminate the Grantee's employment at any time, with or without cause, subject to the provisions of any employment agreement between the Grantee and the Company or any Subsidiary.

16. *Nonalienation of Benefits.* Except as provided in Section 9 of this Agreement, (i) no right or benefit under this Agreement will 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 will be void, and (ii) no right or benefit hereunder will in any manner be liable for or subject to the debts, contracts, liabilities or torts of the Grantee or other person entitled to such benefits.

17. *Governing Law.* This Agreement will be governed by, and construed in accordance with, the internal laws of the State of Colorado. Each party irrevocably submits to the general jurisdiction of the state and federal courts located in the State of Colorado in any action to interpret or enforce this Agreement and irrevocably waives any objection to jurisdiction that such party may have based on inconvenience of forum.

18. *Construction.* References in this Agreement to "this Agreement" and the words "herein," "hereof," "hereunder" and similar terms include all Exhibits and Schedules appended hereto. The word "include" and all variations thereof are used in an illustrative sense and not in a limiting sense. All decisions of the Committee upon questions regarding this Agreement will be conclusive. Unless otherwise expressly stated herein, in the event of any inconsistency between the terms of the Plan and this Agreement, the terms of the Plan will control. The headings of the sections of this Agreement have been included for convenience of reference only, are not to be considered a part hereof and will in no way modify or restrict any of the terms or provisions hereof.

19. *Duplicate Originals.* The Company and the Grantee may sign any number of copies of this Agreement. Each signed copy will be an original, but all of them together represent the same agreement.

20. *Rules by Committee.* The rights of the Grantee and the obligations of the Company hereunder will be subject to such reasonable rules and regulations as the Committee may adopt from time to time.

21. *Entire Agreement.* This Agreement is in satisfaction of and in lieu of all prior discussions and agreements, oral or written, between the Company and the Grantee regarding the subject matter hereof. The Grantee and the Company hereby declare and represent that no promise or agreement not herein expressed has been made and that this Agreement contains the entire agreement between the parties hereto with respect to the Award and replaces and makes null and void any prior agreements between the Grantee and the Company regarding the Award. This Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

22. *Grantee Acceptance.* The Grantee will signify acceptance of the terms and conditions of this Agreement by signing in the space provided at the end hereof and returning a signed copy to the Company.

23. *Code Section 409A Compliance.* If any provision of this Agreement would result in the imposition of an excise tax under Section 409A of the Code and related regulations and Treasury pronouncements ("Section 409A"), that provision will be reformed to avoid imposition of the excise tax and no action taken to comply with Section 409A shall be deemed to impair a benefit under this Agreement.

[Signature page follows.]

SIGNATURE PAGE TO NON-QUALIFIED STOCK OPTION AGREEMENT
DATED AS OF _____, 20____ BETWEEN LIBERTY MEDIA CORPORATION AND GRANTEE

LIBERTY MEDIA CORPORATION

By: _____

Name: _____

Title: _____

ACCEPTED:

Grantee Name: _____

Address: _____

SSN: _____

Number of shares of L Stock as to which Options are granted _____

EXHIBIT A
TO
NON-QUALIFIED STOCK OPTION AGREEMENT
DATED AS OF **, 20** **BETWEEN LIBERTY MEDIA CORPORATION AND GRANTEE**

[COPY OF LIBERTY MEDIA CORPORATION 2000 INCENTIVE PLAN
(AS AMENDED AND RESTATED EFFECTIVE APRIL 19, 2004)]

EXHIBIT B
TO
NON-QUALIFIED STOCK OPTION AGREEMENT
DATED AS OF _____, 20____ **BETWEEN LIBERTY MEDIA CORPORATION AND GRANTEE**
DESIGNATION OF BENEFICIARY

I, _____ (the "Grantee"), hereby declare

that upon my death _____ (the "Beneficiary") of
Name

Street Address City State Zip Code

who is my _____, will be entitled to the
Relationship to Grantee

L Options and all other rights accorded the Grantee by the above-referenced grant agreement (the "Agreement").

It is understood that this Designation of Beneficiary is made pursuant to the Agreement and is subject to the conditions stated herein, including the Beneficiary's survival of the Grantee's death. If any such condition is not satisfied, such rights will devolve according to the Grantee's will or the laws of descent and distribution.

It is further understood that all prior designations of beneficiary under the Agreement are hereby revoked and that this Designation of Beneficiary may only be revoked in writing, signed by the Grantee, and filed with the Company prior to the Grantee's death.

Date Grantee

QuickLinks

[EXHIBIT 10.17](#)

[GENERAL]

LIBERTY MEDIA CORPORATION
2000 INCENTIVE PLAN
(AS AMENDED AND RESTATED EFFECTIVE APRIL 19, 2004)
NON-QUALIFIED STOCK OPTION AGREEMENT

THIS NON-QUALIFIED STOCK OPTION AGREEMENT ("Agreement") is made as of _____, 20____ (the "Effective Date"), by and between LIBERTY MEDIA CORPORATION, a Delaware corporation (the "Company"), and the individual whose name, address and social security number appear on the signature page hereto (the "Grantee").

The Company has adopted the Liberty Media Corporation 2000 Incentive Plan (As Amended and Restated April 19, 2004) (the "Plan"), a copy of which is attached to this Agreement as Exhibit A and by this reference made a part hereof, for the benefit of eligible employees of the Company and its Subsidiaries. Capitalized terms used and not otherwise defined herein will have the meaning given thereto in the Plan.

Pursuant to the Plan, the Incentive Plan Committee (the "Committee") appointed by the Board pursuant to Section 3.1 of the Plan to administer the Plan has determined that it would be in the interest of the Company and its stockholders to award Options to Grantee, subject to the conditions and restrictions set forth herein and in the Plan, in order to provide the Grantee additional remuneration for services rendered, to encourage the Grantee to remain in the employ of the Company or its Subsidiaries and to increase the Grantee's personal interest in the continued success and progress of the Company.

The Company and the Grantee therefore agree as follows:

1. *Definitions.* The following terms, when used in this Agreement, have the following meanings:

"Base Price" means \$ _____, the Fair Market Value of a share of L Stock on the Effective Date.

"Business Day" means any day other than Saturday, Sunday or a day on which banking institutions in Denver, Colorado, are required or authorized to be closed.

"Cause" has the meaning specified for "cause" in Section 11.2(b) of the Plan.

"Close of Business" means, on any day, 5:00 p.m., Denver, Colorado time.

"Committee" has the meaning specified in the recitals to this Agreement.

"Company" has the meaning specified in the preamble to this Agreement.

"Effective Date" has the meaning specified in the preamble to this Agreement.

"Grantee" has the meaning specified in the preamble to this Agreement.

"L Options" has the meaning specified in Section 2 of this Agreement.

"L Stock" has the meaning specified in Section 2 of this Agreement.

"Option Shares" has the meaning specified in Section 4(a) of this Agreement.

"Plan" has the meaning specified in the recitals of this Agreement.

"Required Withholding Amount" has the meaning specified in Section 5 of this Agreement.

"Special Termination Period" has the meaning specified in Section 7(d) of this Agreement.

"Term" has the meaning specified in Section 2 of this Agreement.

"Vesting Anniversary Date" means _____, 20____.

"Year of Continuous Service" has the meaning specified in Section 7(d) of this Agreement.

2. *Grant of Options.* Subject to the terms and conditions herein, pursuant to the Plan, the Company grants to the Grantee options to purchase from the Company, exercisable during the period commencing on the Effective Date and expiring at Close of Business on _____, 20____ (the "Term"), subject to earlier termination as provided in Section 7 below, at the Base Price, the number of shares of Liberty Media Corporation Series A Common Stock ("L Stock") set forth on the signature page hereto. The Options granted hereunder are "Nonqualified Stock Options" and are hereinafter referred to as the "L Options." The Base Price and L Options are subject to adjustment pursuant to Section 10 below. No fractional shares of L Stock will be issuable upon exercise of an L Option, and the Grantee will receive, in lieu of any fractional share of L Stock that the Grantee otherwise would receive upon such exercise, cash equal to the fraction representing such fractional share multiplied by the Fair Market Value of one share of L Stock as of the date on which such exercise is considered to occur pursuant to Section 4 below.

3. *Conditions of Exercise.* Unless otherwise determined by the Committee in its sole discretion, the L Options will be exercisable only in accordance with the conditions stated in this Section 3.

(a) Except as otherwise provided in Section 11.1(b) of the Plan or in the last sentence of this Section 3(a), the L Options may be exercised only to the extent they have become exercisable in accordance with the provisions of this Section 3(a). That number of L Options that is equal to _____ % of the total number of L Options awarded under this Agreement (rounded down to the nearest whole number of L Options) shall become exercisable on each _____, _____, _____ and _____ beginning on _____, 20____ and ending on _____, 20____, and any L Options awarded under this Agreement that do not otherwise become exercisable as a result of rounding shall become exercisable on _____, 20____. Notwithstanding the foregoing, (i) in the event that any date on which L Options would otherwise become exercisable is not a Business Day, such L Options will become exercisable on the Business Day next following such date, (ii) all L Options will become exercisable on the date of the Grantee's termination of employment if (A) the Grantee's employment with the Company and its Subsidiaries terminates by reason of Disability or (B) the Grantee dies while employed by the Company or a Subsidiary, and (iii) if the Grantee's employment with the Company and its Subsidiaries is terminated by the Company or a Subsidiary without Cause, any L Options that otherwise would become exercisable during the remainder of the calendar year in which the Grantee's employment with the Company and its Subsidiaries is terminated will become exercisable on the date of the Grantee's termination of employment.

(b) To the extent the L Options become exercisable, such L Options may be exercised in whole or in part (at any time or from time to time, except as otherwise provided herein) until expiration of the Term or earlier termination thereof.

(c) The Grantee acknowledges and agrees that the Committee, in its discretion and as contemplated by Section 3.3 of the Plan, may adopt rules and regulations from time to time after the date hereof with respect to the exercise of the L Options and that the exercise by the Grantee of L Options will be subject to the further condition that such exercise is made in accordance with all such rules and regulations as the Committee may determine are applicable thereto.

4. *Manner of Exercise.* L Options will be considered exercised (as to the number of L Options specified in the notice referred to in Section 4(a) below) on the latest of (i) the date of exercise designated in the written notice referred to in Section 4(a) below, (ii) if the date so designated is not a

Business Day, the first Business Day following such date or (iii) the earliest Business Day by which the Company has received all of the following:

- (a) Written notice, in such form as the Committee may require, containing such representations and warranties as the Committee may require and designating, among other things, the date of exercise and the number of shares of L Stock ("Option Shares") to be purchased;
- (b) Payment of the Base Price for each Option Share to be purchased in any (or a combination) of the following forms: (A) cash, (B) check or (C) 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 (and, if applicable the Required Withholding Amount, as described in Section 5 below); and
- (c) Any other documentation that the Committee may reasonably require.

5. *Mandatory Withholding for Taxes.* The Grantee acknowledges and agrees that the Company will deduct from the shares of L Stock otherwise payable or deliverable upon exercise of any L Options that number of shares of L Stock (valued at their Fair Market Value on the date of exercise) that is equal to the amount of all federal, state and local taxes required to be withheld by the Company upon such exercise, as determined by the Committee (the "Required Withholding Amount"). If the Grantee elects to make payment of the Base Price by delivery 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, such instructions may also include instructions to deliver the Required Withholding Amount to the Company. In such case, the Company will notify the broker promptly of the Committee's determination of the Required Withholding Amount.

6. *Payment or Delivery by the Company.* As soon as practicable after receipt of all items referred to in Section 4, and subject to the withholding referred to in Section 5, the Company will deliver or cause to be delivered to the Grantee certificates issued in the Grantee's name for the number of shares of L Stock purchased by exercise of L Options, and (ii) any cash payment to which the Grantee is entitled in lieu of a fractional share of L Stock, as provided in Section 2 above. Any delivery of shares of L Stock will be deemed effected for all purposes when certificates representing such shares have been delivered personally to the Grantee or, if delivery is by mail, when the stock transfer agent of the Company has deposited the certificates in the United States mail, addressed to the Grantee, and any cash payment will be deemed effected when a check from the Company, payable to the Grantee and in the amount equal to the amount of the cash payment, has been delivered personally to the Grantee or deposited in the United States mail, addressed to the Grantee.

7. *Early Termination of L Options.* The L Options will terminate, prior to the expiration of the Term, at the time specified below:

(a) Subject to Section 7(b), if the Grantee's employment with the Company and its Subsidiaries is terminated other than (i) by the Company or a Subsidiary (whether for Cause or without Cause) or (ii) by reason of death or Disability, then the L Options will terminate at the Close of Business on the first Business Day following the expiration of the 90-day period which began on the date of termination of the Grantee's employment.

(b) If the Grantee dies (i) while employed by the Company or a Subsidiary, or prior to the expiration of a period of time following termination of the Grantee's employment during which the L Options remain exercisable as provided in Section 7(a) or Section 7(c), as applicable, the L Options will terminate at the Close of Business on the first Business Day following the expiration of the one-year period which began on the date of the Grantee's death, or (ii) prior to the expiration of a period of time following termination of the Grantee's employment during which the L Options remain exercisable as provided in Section 7(d), the L Options will terminate at the Close of Business on the first Business Day following the expiration of (A) the one-year period

which began on the date of the Grantee's death or (B) the Special Termination Period, whichever period is longer.

(c) Subject to Section 7(b), if the Grantee's employment with the Company and its Subsidiaries terminates by reason of Disability, then the L Options will terminate at the Close of Business on the first Business Day following the expiration of the one-year period which began on the date of termination of the Grantee's employment.

(d) If the Grantee's employment with the Company and its Subsidiaries is terminated by the Company or a Subsidiary without Cause, the L Options will terminate at the Close of Business on the first Business Day following the expiration of the Special Termination Period. The Special Termination Period is the period of time beginning on the date of the Grantee's termination of employment and continuing for the number of days that is equal to the sum of (a) 90, plus (b) 180 multiplied by the Grantee's total Years of Continuous Service. A Year of Continuous Service means a consecutive 12-month period, measured by the Grantee's hire date (as reflected in the payroll records of the Company or a Subsidiary) and the anniversaries of that date, during which the Grantee is employed by the Company or a Subsidiary without interruption. For purposes of determining the Grantee's Years of Continuous Service, Grantee's employment with the Company's former parent, AT&T Broadband LLC, formerly known as Tele-Communications, Inc. ("TCI"), and any predecessor of the Company or TCI will be included, provided that the Grantee's hire date with the Company or a Subsidiary occurred within 30 days following the Grantee's termination of employment with TCI or such predecessor. If the Grantee was employed by a Subsidiary at the time of such Subsidiary's acquisition by the Company, the Grantee's employment with the Subsidiary prior to the acquisition date will be included in determining the Grantee's Years of Continuous Service unless the Committee, in its sole discretion, determines that such prior employment will be excluded.

(e) If the Grantee's employment with the Company and its Subsidiaries is terminated by the Company for Cause, then the L Options will terminate immediately upon such termination of the Grantee's employment.

In any event in which L Options remain exercisable for a period of time following the date of termination of the Grantee's employment as provided above, the L Options may be exercised during such period of time only to the extent the same were exercisable as provided in Section 3 above on such date of termination of the Grantee's employment. Notwithstanding any period of time referenced in this Section 7 or any other provision of this Section 7 that may be construed to the contrary, the L Options will in any event terminate upon the expiration of the Term.

8. *Nontransferability.* During the Grantee's lifetime, the L Options are not transferable (voluntarily or involuntarily) other than pursuant to a Domestic Relations Order and, except as otherwise required pursuant to a Domestic Relations Order, are exercisable only by the Grantee or the Grantee's court appointed legal representative. The Grantee may designate a beneficiary or beneficiaries to whom the L Options will pass upon the Grantee's death and may change such designation from time to time by filing a written designation of beneficiary or beneficiaries with the Committee on the form annexed hereto as Exhibit B or such other form as may be prescribed by the Committee, provided that no such designation will be effective unless so filed prior to the death of the Grantee. If no such designation is made or if the designated beneficiary does not survive the Grantee's death, the L Options will pass by will or the laws of descent and distribution. Following the Grantee's death, the L Options, if otherwise exercisable, may be exercised by the person to whom such option or right passes according to the foregoing and such person will be deemed the Grantee for purposes of any applicable provisions of this Agreement.

9. *No Stockholder Rights.* Prior to the exercise of L Options in accordance with the terms and conditions set forth in this Agreement, the Grantee will not be deemed for any purpose to be, or to

have any of the rights of, a stockholder of the Company with respect to any shares of L Stock, nor will the existence of this Agreement affect in any way the right or power of the Company or any stockholder of the Company to accomplish any corporate act, including, without limitation, the acts referred to in Section 11.16 of the Plan.

10. *Adjustments.* If the outstanding shares of L Stock are subdivided into a greater number of shares (by stock dividend, stock split, reclassification or otherwise) or are combined into a smaller number of shares (by reverse stock split, reclassification or otherwise), or if the Committee determines that any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, split-up-spin-off, combination, exchange of shares, warrants or rights offering to purchase any shares of L Stock, or other similar corporate event (including mergers or consolidations other than those which constitute Approved Transactions, which shall be governed by Section 11.1(b) of the Plan) affects shares of L Stock such that an adjustment is required to preserve the benefits or potential benefits intended to be made available under this Agreement, then the L Options will be subject to adjustment (including, without limitation, as to the number of L Options and the Base Price per share of such L Options) in the sole discretion of the Committee and in such manner as the Committee may deem equitable and appropriate in connection with the occurrence of any of the events described in this Section 11 following the Vesting Anniversary Date.

11. *Restrictions Imposed by Law.* Without limiting the generality of Section 11.8 of the Plan, the Grantee will not exercise the L Options, and the Company will not be obligated to make any cash payment or issue or cause to be issued any shares of L Stock, if counsel to the Company determines that such exercise, payment or issuance would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of L Stock are listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the exercise of the L Options or the resulting payment of cash or issuance of shares of L Stock to comply with any such law, rule, regulation or agreement.

12. *Notice.* Unless the Company notifies the Grantee in writing of a different procedure, any notice or other communication to the Company with respect to this Agreement will be in writing and will be delivered personally or sent by United States first class mail, postage prepaid and addressed as follows:

Liberty Media Corporation
12300 Liberty Boulevard
Englewood, Colorado 80112
Attn: Charles Y. Tanabe, Esq.

Any notice or other communication to the Grantee with respect to this Agreement will be in writing and will be delivered personally, or will be sent by United States first class mail, postage prepaid, to the Grantee's address as listed in the records of the Company on the Effective Date, unless the Company has received written notification from the Grantee of a change of address.

13. *Amendment.* Notwithstanding any other provision hereof, this Agreement may be supplemented or amended from time to time as approved by the Committee as contemplated in Section 11.7(b) of the Plan. Without limiting the generality of the foregoing, without the consent of the Grantee,

(a) this Agreement may be amended or supplemented from time to time as approved by the Committee (i) to cure any ambiguity or to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or (ii) to add to the covenants and agreements of the Company for the benefit of the Grantee or surrender any right or power reserved to or conferred upon the Company in this Agreement, subject to any required approval of

the Company's stockholders and, provided, in each case, that such changes or corrections will not adversely affect the rights of the Grantee with respect to the Award evidenced hereby, or (iii) to make such other changes as the Company, upon advice of counsel, determines are necessary or advisable because of the adoption or promulgation of, or change in or of the interpretation of, any law or governmental rule or regulation, including any applicable federal or state securities laws; and

(b) subject to any required action by the Board or the stockholders of the Company, the L Options granted under this Agreement may be canceled by the Company and a new Award made in substitution therefor, provided that the Award so substituted will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect any L Options to the extent then exercisable.

14. *Grantee Employment.* Nothing contained in this Agreement, and no action of the Company or the Committee with respect hereto, will confer or be construed to confer on the Grantee 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 employing Subsidiary to terminate the Grantee's employment at any time, with or without cause, subject to the provisions of any employment agreement between the Grantee and the Company or any Subsidiary.

15. *Nonalienation of Benefits.* Except as provided in Section 8 of this Agreement, (i) no right or benefit under this Agreement will 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 will be void, and (ii) no right or benefit hereunder will in any manner be liable for or subject to the debts, contracts, liabilities or torts of the Grantee or other person entitled to such benefits.

16. *Governing Law.* This Agreement will be governed by, and construed in accordance with, the internal laws of the State of Colorado. Each party irrevocably submits to the general jurisdiction of the state and federal courts located in the State of Colorado in any action to interpret or enforce this Agreement and irrevocably waives any objection to jurisdiction that such party may have based on inconvenience of forum.

17. *Construction.* References in this Agreement to "this Agreement" and the words "herein," "hereof," "hereunder" and similar terms include all Exhibits and Schedules appended hereto. The word "include" and all variations thereof are used in an illustrative sense and not in a limiting sense. All decisions of the Committee upon questions regarding this Agreement will be conclusive. Unless otherwise expressly stated herein, in the event of any inconsistency between the terms of the Plan and this Agreement, the terms of the Plan will control. The headings of the sections of this Agreement have been included for convenience of reference only, are not to be considered a part hereof and will in no way modify or restrict any of the terms or provisions hereof.

18. *Duplicate Originals.* The Company and the Grantee may sign any number of copies of this Agreement. Each signed copy will be an original, but all of them together represent the same agreement.

19. *Rules by Committee.* The rights of the Grantee and the obligations of the Company hereunder will be subject to such reasonable rules and regulations as the Committee may adopt from time to time.

20. *Entire Agreement.* This Agreement is in satisfaction of and in lieu of all prior discussions and agreements, oral or written, between the Company and the Grantee regarding the subject matter hereof. The Grantee and the Company hereby declare and represent that no promise or agreement not herein expressed has been made and that this Agreement contains the entire agreement between the parties hereto with respect to the Award and replaces and makes null and void any prior agreements

between the Grantee and the Company regarding the Award. This Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

21. *Grantee Acceptance.* The Grantee will signify acceptance of the terms and conditions of this Agreement by signing in the space provided at the end hereof and returning a signed copy to the Company.

22. *Code Section 409A Compliance.* If any provision of this Agreement would result in the imposition of an excise tax under Section 409A of the Code and related regulations and Treasury pronouncements ("Section 409A"), that provision will be reformed to avoid imposition of the excise tax and no action taken to comply with Section 409A shall be deemed to impair a benefit under this Agreement.

[Signature page follows.]

SIGNATURE PAGE TO NON-QUALIFIED STOCK OPTION AGREEMENT
DATED AS OF _____, 20____ BETWEEN LIBERTY MEDIA CORPORATION AND GRANTEE

LIBERTY MEDIA CORPORATION

By: _____

Name: _____

Title: _____

ACCEPTED:

Grantee Name: _____

Address: _____

SSN: _____

Number of shares of L Stock as to which Options are granted _____

EXHIBIT A
TO
NON-QUALIFIED STOCK OPTION AGREEMENT
DATED AS OF **, 20** **BETWEEN LIBERTY MEDIA CORPORATION AND GRANTEE**

[COPY OF LIBERTY MEDIA CORPORATION 2000 INCENTIVE PLAN
(AS AMENDED AND RESTATED EFFECTIVE APRIL 19, 2004)]

EXHIBIT B
TO
NON-QUALIFIED STOCK OPTION AGREEMENT
DATED AS OF _____ **, 20** _____ **BETWEEN LIBERTY MEDIA CORPORATION AND GRANTEE**
DESIGNATION OF BENEFICIARY

I, _____ (the "Grantee"), hereby declare

that upon my death _____ (the "Beneficiary") of
Name

Street Address City State Zip Code

who is my _____, will be entitled to the
Relationship to Grantee

L Options and all other rights accorded the Grantee by the above-referenced grant agreement (the "Agreement").

It is understood that this Designation of Beneficiary is made pursuant to the Agreement and is subject to the conditions stated herein, including the Beneficiary's survival of the Grantee's death. If any such condition is not satisfied, such rights will devolve according to the Grantee's will or the laws of descent and distribution.

It is further understood that all prior designations of beneficiary under the Agreement are hereby revoked and that this Designation of Beneficiary may only be revoked in writing, signed by the Grantee, and filed with the Company prior to the Grantee's death.

Date Grantee

QuickLinks

[EXHIBIT 10.18](#)

[DESIGNATED PERSONS]

LIBERTY MEDIA CORPORATION
2000 INCENTIVE PLAN
(AS AMENDED AND RESTATED EFFECTIVE APRIL 19, 2004)
RESTRICTED STOCK AWARD AGREEMENT

THIS AGREEMENT ("Agreement") is made as of _____, 20____ (the "Grant Date"), by and between LIBERTY MEDIA CORPORATION, a Delaware corporation (the "Company"), and the person signing as "Grantee" on the signature page hereof (the "Grantee").

The Company has adopted the Liberty Media Corporation 2000 Incentive Plan (as Amended and Restated Effective April 19, 2004) (the "Plan"), a copy of which is attached to this Agreement as Exhibit A and by this reference made a part hereof, for the benefit of eligible employees of the Company and its Subsidiaries. Capitalized terms used and not otherwise defined in this Agreement will have the meaning ascribed to them in the Plan.

Pursuant to the Plan, the Incentive Plan Committee (the "Committee") appointed by the Board pursuant to Section 3.1 of the Plan to administer the Plan has determined that it would be in the interest of the Company and its stockholders to award shares of common stock to Grantee, subject to the conditions and restrictions set forth herein and in the Plan, in order to provide Grantee with additional remuneration for services rendered, to encourage Grantee to remain in the employ of the Company or its Subsidiaries and to increase Grantee's personal interest in the continued success and progress of the Company.

The Company and Grantee therefore agree as follows:

1. *Award.* Pursuant to the terms of the Plan and in consideration of the covenants and promises of Grantee herein contained, the Company hereby awards to Grantee as of the Grant Date the number of shares of Liberty Media Corporation Series A Common Stock set forth on Schedule I hereto, subject to the conditions and restrictions set forth below and in the Plan (the "Restricted Shares").

2. *Issuance of Restricted Shares at Beginning of the Restriction Period.* Upon issuance of the Restricted Shares, such Restricted Shares will be registered in a book entry account (the "Account") in the name of Grantee. During the Restriction Period, each of the Account, any certificates representing the Restricted Shares that may be issued during the Restriction Period, and any securities constituting Retained Distributions will 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 this Agreement. Any such certificates will remain in the custody of the Company, and upon their issuance Grantee will deposit with the Company 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 will be forfeited or otherwise not become vested in accordance with the Plan and this Agreement.

3. *Restrictions.* Restricted Shares will constitute issued and outstanding shares of the Company's Series A Common Stock for all corporate purposes. Grantee will have the right to vote such Restricted Shares, to receive and retain such dividends and distributions, as the Committee may in its sole discretion designate, paid or distributed on such Restricted Shares and to exercise all other rights, powers and privileges of a holder of Common Stock with respect to such Restricted Shares, except that (a) Grantee 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 will retain custody of any stock certificate or certificates representing the Restricted Shares during the Restriction Period as provided in Section 8.2 of the Plan, (c) other than such dividends and distributions as the

Committee may in its sole discretion 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 will not bear interest or be segregated in a separate account, (d) Grantee may not sell, assign, transfer, pledge, exchange, encumber or dispose of the Restricted Shares or any Retained Distributions or Grantee'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 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.

4. *Vesting and Forfeiture of Restricted Shares.* Subject to earlier vesting in accordance with the provisions of Paragraph 7(b) below, Grantee will become vested as to _____ % of the Restricted Shares subject to this Agreement on each of _____, _____ and _____ beginning on _____, 20____ and ending on _____, 20____, each such date being a Vesting Date; provided, however, that Grantee will not vest, pursuant to this Paragraph 4, in Restricted Shares as to which Grantee would otherwise vest as of a given date if Grantee has not been continuously employed by the Company or its Subsidiaries from the date of this Agreement through such date (the vesting or forfeiture of such shares to be governed instead by the provisions of Paragraph 5). Notwithstanding the foregoing, in the event that any date on which vesting would otherwise occur is a Saturday, Sunday or a holiday, such vesting will instead occur on the business day next following such date.

5. *Early Termination or Vesting.* Unless otherwise determined by the Committee in its sole discretion:

(a) If Grantee's employment with the Company and its Subsidiaries terminates for any reason other than death or Disability, then the Award, to the extent not theretofore vested, will be forfeited immediately;

(b) If Grantee dies while employed by the Company or a Subsidiary, then the Award, to the extent not theretofore vested, will immediately become fully vested; and

(c) If Grantee's employment with the Company terminates by reason of Disability, then the Award, to the extent not theretofore vested, will immediately become fully vested.

6. *Completion of the Restriction Period.* On the Vesting Date with respect to each award of Restricted Shares, and the satisfaction of any other applicable restrictions, terms and conditions (a) all or the applicable portion of such Restricted Shares will become vested and (b) any Retained Distributions with respect to such Restricted Shares will become vested to the extent that the Restricted Shares related thereto shall have become vested, all in accordance with the terms of this Agreement. Any such Restricted Shares and Retained Distributions that shall not become vested will be forfeited to the Company, and Grantee will not thereafter have any rights (including dividend and voting rights) with respect to such Restricted Shares or any Retained Distributions that are so forfeited.

7. *Adjustments; Early Vesting in Certain Events.*

(a) The Restricted Shares will be subject to adjustment (including, without limitation, as to the number of Restricted Shares) in the sole discretion of the Committee and in such manner as the Committee may deem equitable and appropriate in connection with the occurrence of any of the events described in Section 4.2 of the Plan following the Grant Date.

(b) In the event of any Approved Transaction, Board Change or Control Purchase, the restrictions in Paragraph 3 will lapse. Notwithstanding the foregoing, the Committee may, in its

sole discretion, determine that the restrictions in Paragraph 3 will not lapse on an accelerated basis in connection with an Approved Transaction if the Board or the surviving or acquiring corporation, as the case may be, makes or causes to be made effective provision for the taking of such action as in the opinion of the Committee is equitable and appropriate to substitute a new Award for the Award evidenced by this Agreement or to assume this Agreement and the Award evidenced hereby and in order to make such new or assumed Award, as nearly as may be practicable equivalent to the Award evidenced by this Agreement as then in effect (but before giving effect to any acceleration of the exercisability hereof unless otherwise determined by the Committee), taking into account, to the extent applicable, the kind and amount of securities, cash or other assets into or for which shares of Series A Common Stock may be changed, converted or exchanged in connection with the Approved Transaction.

8. *Mandatory Withholding for Taxes.* Upon the expiration of the Restriction Period, Grantee (or Beneficiary, as defined in Paragraph 11 below) must remit to the Company the amount of all federal, state or other governmental withholding tax requirements imposed upon the Company with respect to the vesting of Restricted Shares, unless provisions to pay such withholding requirements have been made to the satisfaction of the Company. Upon the payment of any cash dividends with respect to Restricted Shares during the Restriction Period, the amount of such dividends will be reduced to the extent necessary to satisfy any withholding tax requirements applicable thereto prior to payment to Grantee.

9. *Forfeiture for Misconduct and Repayment of Certain Amounts.* If (i) a material restatement of any financial statement of the Company (including any consolidated financial statement of the Company and its consolidated subsidiaries) is required and (ii) in the reasonable judgment of the 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 Grantee, the Grantee will repay to the Company any and all Forfeitable Benefits received by the Grantee during the Misstatement Period. "Forfeitable Benefits" means (i) any and all cash and/or shares of L Stock received by the Grantee (A) upon the exercise during the Misstatement Period of any SARs held by the Grantee or (B) upon the payment during the Misstatement Period of any Cash Award or Performance Award held by the Grantee, the value of which is determined in whole or in part with reference to the value of L Stock, and (ii) any proceeds received by the Grantee from the sale, exchange, transfer or other disposition during the Misstatement Period of any shares of L Stock received by the Grantee upon the exercise, vesting or payment during the Misstatement Period of any Award held by the Grantee. By way of clarification, "Forfeitable Benefits" will not include any shares of L stock received upon exercise of any L Options during the Misstatement Period that are not sold, exchanged, transferred or otherwise disposed of during the Misstatement Period. "Misstatement Period" means the 12-month period beginning on the date of the first public issuance or the filing with the Securities and Exchange Commission, whichever occurs earlier, of the financial statement requiring restatement.

10. *Delivery by the Company.* As soon as practicable after vesting in Restricted Shares pursuant to Paragraphs 4, 5 or 7, but no later than 30 days after such vesting occurs, and subject to the withholding referred to in Paragraph 8, the Company will (i) cause to be removed from the Account the restriction described in Paragraph 2 or cause to be issued and delivered to Grantee (in certificate or electronic form) Shares equal to the number of Restricted Shares that have vested, and (ii) shall cause to be delivered to Grantee any Retained Distributions with respect to such vested Shares. If delivery of certificates is by mail, delivery of shares of Series A Common Stock will be deemed effected for all purposes when a stock transfer agent of the Company shall have deposited the certificates in the United States mail, addressed to Grantee.

11. *Nontransferability of Restricted Shares Before Vesting.* Before vesting and during Grantee's lifetime, the Restricted Shares are not transferable (voluntarily or involuntarily) other than pursuant to

a Domestic Relations Order and, except as otherwise required pursuant to a Domestic Relations Order, are exercisable only by Grantee or Grantee's court appointed legal representative. The Grantee may designate a beneficiary or beneficiaries (each, a "Beneficiary"), to whom the Restricted Shares will pass upon Grantee's death and may change such designation from time to time by filing a written designation of Beneficiary or Beneficiaries with the Committee on the form annexed hereto as Exhibit B or such other form as may be prescribed by the Committee, provided that no such designation will be effective unless so filed prior to the death of Grantee. If no such designation is made or if the designated Beneficiary does not survive the Grantee's death, the Restricted Shares will pass by will or the laws of descent and distribution. Following Grantee's death, the Restricted Shares will pass accordingly to the designated Beneficiary, and such Beneficiary will be deemed the Grantee for purposes of any applicable provisions of this Agreement.

12. *Company's Rights.* The existence of this Agreement will not affect in any way the right or power of the Company or its stockholders to accomplish any corporate act, including, without limitation, the acts referred to in Section 11.16 of the Plan.

13. *Limitation of Rights.* Nothing in this Agreement or the Plan will be construed to:

- (a) give Grantee any right to be awarded any further Restricted Shares other than in the sole discretion of the Committee; or
- (b) give Grantee or any other person any interest in any fund or in any specified asset or assets of the Company or any Subsidiary of the Company.

14. *Prerequisites to Benefits.* Neither Grantee nor any person claiming through Grantee will have any right or interest in the Restricted Shares awarded hereunder, unless and until there shall have been full compliance with all the terms, conditions and provisions of this Agreement and the Plan which affect the Grantee or such other person.

15. *Restrictions Imposed by Law.* Without limiting the generality of Section 11.8 of the Plan, Grantee will not require the Company to deliver any Restricted Shares and the Company will not be obligated to deliver any Restricted Shares if counsel to the Company determines that such exercise, delivery or payment would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which the Series A Common Stock is listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the delivery of any Restricted Shares to comply with any such law, rule, regulation or agreement.

16. *Notice.* Unless the Company notifies Grantee in writing of a different procedure or address, any notice or other communication to the Company with respect to this Agreement will be in writing and will be delivered personally or sent by first class mail, postage prepaid, to the following address:

Liberty Media Corporation
12300 Liberty Boulevard
Englewood, Colorado 80112
Attn: Charles Y. Tanabe

Any notice or other communication to Grantee with respect to this Agreement will be in writing and will be delivered personally, or will be sent by first class mail, postage prepaid, to Grantee's home address set forth below his signature on this Agreement, unless the Company has received written notification from Grantee of a change of address.

17. *Amendment.* Notwithstanding any other provision hereof, this Agreement may be supplemented or amended from time to time as approved by the Committee as contemplated by

Section 11.7(b) of the Plan. Without limiting the generality of the foregoing, without the consent of Grantee,

(a) this Agreement may be amended or supplemented from time to time as approved by the Committee (i) to cure any ambiguity or to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, (ii) to add to the covenants and agreements of the Company for the benefit of Grantee or surrender any right or power reserved to or conferred upon the Company in this Agreement, subject to any required approval of the Company's stockholders and provided, in each case, that such changes or corrections will not adversely affect the rights of Grantee with respect to the Award evidenced hereby or (iii) to make such other changes as the Company, upon advice of counsel, determines are necessary or advisable because of the adoption or promulgation of, or change in or of the interpretation of, any law or governmental rule or regulation, including any applicable federal or state securities laws; and

(b) subject to any required action by the Board or the Company's stockholders, the Award evidenced by this Agreement may be canceled by the Committee and a new Award made in substitution therefor, provided that the Award so substituted will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect the Restricted Shares to the extent then vested.

18. *Grantee Employment.* Nothing contained in this Agreement, and no action of the Company or the Committee with respect hereto, will confer or be construed to confer on Grantee 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 employing Subsidiary to terminate Grantee's employment at any time, with or without cause; subject, however, to the provisions of any employment agreement between Grantee and the Company or any Subsidiary.

19. *Governing Law.* This Agreement will be governed by, and construed in accordance with, the internal laws of the State of Colorado. Each party irrevocably submits to the general jurisdiction of the state and federal courts located in the State of Colorado in any action to interpret or enforce this Agreement and irrevocably waives any objection to jurisdiction that such party may have based on inconvenience of forum.

20. *Construction.* References in this Agreement to "this Agreement" and the words "herein," "hereof," "hereunder" and similar terms include all Exhibits and Schedules appended hereto, including the Plan. This Agreement is entered into, and the Award evidenced hereby is granted, pursuant to the Plan and will be governed by and construed in accordance with the Plan and the administrative interpretations adopted by the Committee thereunder. All decisions of the Committee upon questions regarding the Plan or this Agreement will be conclusive. Unless otherwise expressly stated herein, in the event of any inconsistency between the terms of the Plan and this Agreement, the terms of the Plan will control. The headings of the paragraphs of this Agreement have been included for convenience of reference only, are not to be considered a part hereof and will in no way modify or restrict any of the terms or provisions hereof.

21. *Duplicate Originals.* The Company and Grantee may sign any number of copies of this Agreement. Each signed copy will be deemed to be an original, but all of them together represent the same agreement.

22. *Rules by Committee.* The rights of Grantee and the obligations of the Company hereunder will be subject to such reasonable rules and regulations as the Committee may adopt from time to time hereafter.

23. *Entire Agreement.* This Agreement is in satisfaction of and in lieu of all prior discussions and agreements, oral or written, between the Company and Grantee. Grantee and the Company hereby declare and represent that no promise or agreement not herein expressed has been made and that this

Agreement contains the entire agreement between the parties hereto with respect to the Restricted Shares and replaces and makes null and void any prior agreements between Grantee and the Company regarding the Restricted Shares.

24. *Grantee Acceptance.* Grantee shall signify acceptance of the terms and conditions of this Agreement by signing in the space provided at the end hereof and returning a signed copy to the Company.

25. *Code Section 409A Compliance.* If any provision of this Agreement would result in the imposition of an excise tax under Section 409A of the Code and related regulations and Treasury pronouncements ("Section 409A"), that provision will be reformed to avoid imposition of the excise tax and no action taken to comply with Section 409A shall be deemed to impair a benefit under this Agreement.

LIBERTY MEDIA CORPORATION

By: _____

Name: _____

Title: _____

ACCEPTED:

_____, Grantee

Address: _____

SSN: _____

EXHIBIT A
TO
RESTRICTED STOCK AWARD AGREEMENT
DATED AS OF , 20 BETWEEN LIBERTY MEDIA CORPORATION AND GRANTEE

LIBERTY MEDIA CORPORATION 2000 INCENTIVE PLAN
(AS AMENDED AND RESTATED EFFECTIVE APRIL 19, 2004)

EXHIBIT B
TO
RESTRICTED STOCK AWARD AGREEMENT
DATED AS OF _____ **, 20** _____ **BETWEEN LIBERTY MEDIA CORPORATION AND GRANTEE**
DESIGNATION OF BENEFICIARY

I, _____ (the "Grantee"), hereby declare

that upon my death _____ (the "Beneficiary") of
Name

_____,
Street Address City State Zip Code

who is my _____, will be entitled to the
Relationship to Grantee

Restricted Shares and all other rights accorded the Grantee by the above-referenced grant agreement (the "Agreement").

It is understood that this Designation of Beneficiary is made pursuant to the Agreement and is subject to the conditions stated herein, including the Beneficiary's survival of the Grantee's death. If any such condition is not satisfied, such rights will devolve according to the Grantee's will or the laws of descent and distribution.

It is further understood that all prior designations of beneficiary under the Agreement are hereby revoked and that this Designation of Beneficiary may only be revoked in writing, signed by the Grantee, and filed with the Company prior to the Grantee's death.

Date Grantee

SCHEDULE 1
TO
RESTRICTED STOCK AWARD AGREEMENT
DATED AS OF _____, 20____ BETWEEN LIBERTY MEDIA CORPORATION AND GRANTEE

Grantee:

Grant Date: _____, 20____

Restricted Shares: _____ shares of Liberty Media Corporation Series A

Common Stock, \$.01 par value per share

QuickLinks

[EXHIBIT 10.19](#)

**LIBERTY MEDIA CORPORATION
2000 INCENTIVE PLAN
(AS AMENDED AND RESTATED EFFECTIVE APRIL 19, 2004)**

STOCK APPRECIATION RIGHTS AGREEMENT

THIS STOCK APPRECIATION RIGHTS AGREEMENT ("Agreement") is made as of _____ (the "Effective Date"), by and between LIBERTY MEDIA CORPORATION, a Delaware corporation (the "Company"), and the individual whose name, address, and social security number appear on the signature page hereto (the "Grantee").

The Company has adopted the Liberty Media Corporation 2000 Incentive Plan (As Amended and Restated Effective April 19, 2004) (the "Plan"), a copy of which is attached to this Agreement as Exhibit A and by this reference made a part hereof, for the benefit of eligible employees of the Company and its Subsidiaries. Capitalized terms used and not otherwise defined herein will have the meaning given to them in the Plan.

Pursuant to the Plan, the Incentive Plan Committee (the "Committee") appointed by the Board pursuant to Section 3.1 of the Plan to administer the Plan has determined that it would be in the interest of the Company and its stockholders to award Free Standing SARs to Grantee, subject to the conditions and restrictions set forth herein and in the Plan, in order to provide the Grantee additional remuneration for services rendered, to encourage the Grantee to remain in the employ of the Company or its Subsidiaries and to increase the Grantee's personal interest in the continued success and progress of the Company.

The Company and the Grantee therefore agree as follows:

1. *Definitions.* The following terms, when used in this Agreement, have the following meanings:

"Base Price" means \$ _____.

"Business Day" means any day other than Saturday, Sunday or a day on which banking institutions in Denver, Colorado, are required or authorized to be closed.

"Cause" has the meaning specified for "cause" in Section 11.2(b) of the Plan.

"Close of Business" means, on any day, 5:00 p.m., Denver, Colorado time.

"Committee" has the meaning specified in the recitals to this Agreement.

"Company" has the meaning specified in the preamble to this Agreement.

"Effective Date" has the meaning specified in the preamble to this Agreement.

"Grantee" has the meaning specified in the preamble to this Agreement.

"L SAR" has the meaning specified in Section 2 of this Agreement.

"L Stock" has the meaning specified in Section 2 of this Agreement.

"Plan" has the meaning specified in the recitals to this Agreement.

"Required Withholding Amount" has the meaning specified in Section 5 of this Agreement.

"Special Termination Period" has the meaning specified in Section 7(d) of this Agreement.

"Term" has the meaning specified in Section 2 of this Agreement.

"Vesting Anniversary Date" means _____.

"Year of Continuous Service" has the meaning specified in Section 7(d) of this Agreement.

2. *Grant of Stock Appreciation Rights.* Subject to the terms and conditions herein, pursuant to the Plan, the Company grants to the Grantee during the period commencing on the Effective Date and expiring at Close of Business on _____ (the "Term"), subject to earlier termination as provided in Section 7 below, a Free Standing SAR with respect to the number of shares of Liberty Media Corporation Series A Common Stock ("L Stock") identified on the signature page hereto (individually, an "L SAR" and collectively, the "L SARs"). Upon exercise of an L SAR in accordance with this Agreement, the Company will, subject to Section 5 below, pay to the Grantee consideration equal to the amount, if any, by which the Fair Market Value of a share of L Stock on the date of exercise exceeds the Base Price of such L SAR.

3. *Conditions of Exercise.* Unless otherwise determined by the Committee in its sole discretion, the L SARs are exercisable only in accordance with the conditions stated in this Section 3.

(a) Except as otherwise provided in Section 11.1(b) of the Plan or in the last sentence of this Section 3(a), the L SARs may be exercised only to the extent they have become exercisable in accordance with the following schedule:

<u>Date</u>	<u>Percentage of L SARs Becoming Exercisable</u>
	20%
	20%
	20%
	20%
	20%
Total	100%

Notwithstanding the foregoing, (i) all L SARs will become exercisable on the date of the Grantee's termination of employment if (A) the Grantee's employment with the Company and its Subsidiaries terminates by reason of Disability or (B) the Grantee dies while employed by the Company or a Subsidiary, and (ii) if the Grantee's employment with the Company and its Subsidiaries is terminated by the Company or a Subsidiary without Cause (as determined in the sole discretion of the Committee), any L SARs that otherwise would become exercisable during the remainder of the calendar year in which the Grantee's employment with the Company and its Subsidiaries is terminated will become exercisable on the date of the Grantee's termination of employment.

(b) To the extent the L SARs become exercisable, such L SARs may be exercised in whole or in part (at any time or from time to time, except as otherwise provided herein) until expiration of the Term or earlier termination thereof.

(c) The Grantee acknowledges and agrees that the Committee may, in its discretion and as contemplated by Section 3.3 of the Plan, adopt rules and regulations from time to time after the date hereof with respect to the exercise of the L SARs and that the exercise by the Grantee of L SARs will be subject to the further condition that such exercise is made in accordance with all such rules and regulations as the Committee may determine are applicable thereto.

4. *Manner of Exercise.* L SARs will be considered exercised (as to the number of L SARs specified in the notice referred to in Section 4(a) below) on the latest of (i) the date of exercise designated in the written notice referred to in Section 4(a) below, (ii) if the date so designated is not a

Business Day, the first Business Day following such date or (iii) the earliest Business Day by which the Company has received all of the following:

- (a) Written notice, in such form as the Committee may require, containing such representations and warranties as the Committee may require and designating, among other things, the date of exercise and the number of L SARs to be exercised; and
- (b) Any other documentation that the Committee may reasonably require.

5. *Mandatory Withholding for Taxes.* The Grantee acknowledges and agrees that the Company will deduct from the shares of L Stock otherwise deliverable upon exercise of any L SARs a number of shares of L Stock (valued at their Fair Market Value on the date of exercise) that is equal to the amount of all federal, state and local taxes required to be withheld by the Company upon such exercise, as determined by the Company (the "Required Withholding Amount").

6. *Delivery by the Company.* As soon as practicable after receipt of all items referred to in Section 4, and subject to the withholding referred to in Section 5, the Company will deliver or cause to be delivered to the Grantee the amount of consideration determined under the final sentence of Section 2 above, which consideration shall consist of shares of L Stock (valued at their Fair Market Value on the date of exercise), except as provided in the Plan with respect to fractional shares. Any delivery of shares of L Stock will be deemed effected for all purposes when certificates representing such shares have been delivered personally to the Grantee or, if delivery is by mail, when the stock transfer agent of the Company has deposited the certificates in the United States mail, addressed to the Grantee, and any cash payment will be deemed effected when a check from the Company, payable to the Grantee and in the amount equal to the amount of the cash payment, has been delivered personally to the Grantee or deposited in the United States mail, addressed to the Grantee.

7. *Early Termination of L SARs.* Unless otherwise determined by the Committee in its sole discretion, the L SARs will terminate, prior to the expiration of the Term, at the time specified below:

(a) Subject to Section 7(b), if the Grantee's employment with the Company and its Subsidiaries is terminated other than (i) by the Company or a Subsidiary (whether for Cause or without Cause) or (ii) by reason of death or Disability of the Grantee, then the L SARs will terminate at the Close of Business on the first Business Day following the expiration of the 90-day period which began on the date of termination of the Grantee's employment.

(b) If the Grantee dies (i) while employed by the Company or a Subsidiary, or prior to the expiration of a period of time following termination of the Grantee's employment during which the L SARs remain exercisable as provided in Section 7(a) or Section 7(c), as applicable, the L SARs will terminate at the Close of Business on the first Business Day following the expiration of the one-year period which began on the date of the Grantee's death, or (ii) prior to the expiration of a period of time following termination of the Grantee's employment during which the L SARs remain exercisable as provided in Section 7(d), the L SARs will terminate at the Close of Business on the first Business Day following the expiration of (A) the one-year period which began on the date of the Grantee's death or (B) the Special Termination Period, whichever period is longer.

(c) Subject to Section 7(b), if the Grantee's employment with the Company and its Subsidiaries terminates by reason of Disability, then the L SARs will terminate at the Close of Business on the first Business Day following the expiration of the one-year period which began on the date of termination of the Grantee's employment.

(d) If the Grantee's employment with the Company and its Subsidiaries is terminated by the Company or a Subsidiary without Cause (as determined in the sole discretion of the Committee), the L SARs will terminate at the Close of Business on the first Business Day following the expiration of the Special Termination Period. The Special Termination Period is the period of time

beginning on the date of the Grantee's termination of employment and continuing for the number of days that is equal to the sum of (a) 90, plus (b) 180 multiplied by the Grantee's total Years of Continuous Service. A Year of Continuous Service means a consecutive 12-month period, measured by the Grantee's hire date (as reflected in the payroll records of the Company or a Subsidiary) and the anniversaries of that date, during which the Grantee is employed by the Company or a Subsidiary without interruption. For purposes of determining the Grantee's Years of Continuous Service, Grantee's employment with the Company's former parent, AT&T Broadband LLC, formerly known as Tele-Communications, Inc. ("TCI"), and any predecessor of the Company or TCI will be included, provided that the Grantee's hire date with the Company or a Subsidiary occurred within 30 days following the Grantee's termination of employment with TCI or such predecessor. If the Grantee was employed by a Subsidiary at the time of such Subsidiary's acquisition by the Company, the Grantee's employment with the Subsidiary prior to the acquisition date will not be included in determining the Grantee's Years of Continuous Service unless the Committee, in its sole discretion, determines that such prior employment will be included.

(e) If the Grantee's employment with the Company and its Subsidiaries is terminated by the Company for Cause, then the L SARs will terminate immediately upon such termination of the Grantee's employment.

In any event in which L SARs remain exercisable for a period of time following the date of termination of the Grantee's employment as provided above, the L SARs may be exercised during such period of time only to the extent the same were exercisable as provided in Section 3 above on such date of termination of the Grantee's employment. Unless the Committee otherwise determines, a change of the Grantee's employment from the Company to a Subsidiary or from one Subsidiary to another Subsidiary will be a termination of employment within the meaning of this Section 7. Notwithstanding any period of time referenced in this Section 7 or any other provision of this Section 7 that may be construed to the contrary, the L SARs will in any event terminate upon the expiration of the Term.

8. *Automatic Exercise of L SARs.* Immediately prior to the termination of L SARs as provided in Section 7(a), 7(b), 7(c) or 7(d) above or upon expiration of the Term, all remaining L SARs then exercisable will be deemed to have been exercised by the Grantee. Notwithstanding any other provision of this Agreement, no exercise of LSARs will be deemed to occur upon termination of the Grantee's employment for Cause.

9. *Nontransferability.* During the Grantee's lifetime, L SARs are not transferable (voluntarily or involuntarily) other than pursuant to a Domestic Relations Order and, except as otherwise required pursuant to a Domestic Relations Order, are exercisable only by the Grantee or the Grantee's court appointed legal representative. The Grantee may designate a beneficiary or beneficiaries to whom the L SARs will pass upon the Grantee's death and may change such designation from time to time by filing a written designation of beneficiary or beneficiaries with the Committee on the form annexed hereto as Exhibit B or such other form as may be prescribed by the Committee, provided that no such designation will be effective unless so filed prior to the death of the Grantee. If no such designation is made or if the designated beneficiary does not survive the Grantee's death, the L SARs will pass by will or the laws of descent and distribution. Following the Grantee's death, the L SARs, if otherwise exercisable, may be exercised by the person to whom such right passes according to the foregoing and such person will be deemed the Grantee for purposes of any applicable provisions of this Agreement.

10. *No Stockholder Rights.* The Grantee will not, by reason of the Award granted under this Agreement, be deemed for any purpose to be, or to have any of the rights of, a stockholder of the Company or of the Company with respect to any shares of L Stock, nor will the existence of this Agreement affect in any way the right or power of the Company or its stockholders to accomplish any corporate act, including, without limitation, the acts referred to in Section 11.16 of the Plan.

11. *Adjustments.* If the outstanding shares of L Stock are subdivided into a greater number of shares (by stock dividend, stock split, reclassification or otherwise) or are combined into a smaller number of shares (by reverse stock split, reclassification or otherwise), or if the Committee determines that any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, split-up-spin-off, combination, exchange of shares, warrants or rights offering to purchase any L Stock, or other similar corporate event (including mergers or consolidations other than those which constitute Approved Transactions, which shall be governed by Section 11.1(b) of the Plan) affects shares of L Stock such that an adjustment is required to preserve the benefits or potential benefits intended to be made available under this Agreement, then the L SARs will be subject to adjustment (including, without limitation, as to the number of L SARs and the Base Price per share of such L SARs) in the sole discretion of the Committee and in such manner as the Committee may deem equitable and appropriate in connection with the occurrence of any of the events described in this Section 11 following the Vesting Anniversary Date.

12. *Restrictions Imposed by Law.* Without limiting the generality of Section 11.8 of the Plan, the Grantee will not exercise the L SARs, and the Company will not be obligated to make any cash payment or issue or cause to be issued any shares of L Stock, if counsel to the Company determines that such exercise, payment or issuance would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of L Stock are listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the exercise of the L SARs or the resulting payment of cash or issuance of L Stock to comply with any such law, rule, regulation or agreement.

13. *Notice.* Unless the Company notifies the Grantee in writing of a different procedure, any notice or other communication to the Company with respect to this Agreement will be in writing and will be delivered personally or sent by United States first class mail, postage prepaid and addressed as follows:

Liberty Media Corporation
12300 Liberty Boulevard
Englewood, Colorado 80112
Attn: General Counsel

Any notice or other communication to the Grantee with respect to this Agreement will be in writing and will be delivered personally, or will be sent by United States first class mail, postage prepaid, to the Grantee's address as listed in the records of the Company on the Effective Date, unless the Company has received written notification from the Grantee of a change of address.

14. *Amendment.* Notwithstanding any other provision hereof, this Agreement may be supplemented or amended from time to time as approved by the Committee as contemplated in Section 11.7(b) of the Plan. Without limiting the generality of the foregoing, without the consent of the Grantee,

(a) this Agreement may be amended or supplemented from time to time as approved by the Committee (i) to cure any ambiguity or to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or (ii) to add to the covenants and agreements of the Company for the benefit of the Grantee or surrender any right or power reserved to or conferred upon the Company in this Agreement, subject to any required approval of the Company's stockholders and, provided, in each case, that such changes or corrections will not adversely affect the rights of the Grantee with respect to the Award evidenced hereby, or (iii) to make such other changes as the Company, upon advice of counsel, determines are necessary or advisable because of the adoption or promulgation of, or change in or of the interpretation of, any

law or governmental rule or regulation, including any applicable federal or state securities laws; and

(b) subject to any required action by the Board or the stockholders of the Company, the L SARs granted under this Agreement may be canceled by the Company and a new Award made in substitution therefor, provided that the Award so substituted will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect any L SARs to the extent then exercisable.

15. *Grantee Employment.* Nothing contained in this Agreement, and no action of the Company or the Committee with respect hereto, will confer or be construed to confer on the Grantee 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 employing Subsidiary to terminate the Grantee's employment at any time, with or without cause, subject to the provisions of any employment agreement between the Grantee and the Company or any Subsidiary.

16. *Nonalienation of Benefits.* Except as provided in Section 9 of this Agreement, (i) no right or benefit under this Agreement will 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 will be void, and (ii) no right or benefit hereunder will in any manner be liable for or subject to the debts, contracts, liabilities or torts of the Grantee or other person entitled to such benefits.

17. *Governing Law.* This Agreement will be governed by, and construed in accordance with, the internal laws of the State of Colorado. Each party irrevocably submits to the general jurisdiction of the state and federal courts located in the State of Colorado in any action to interpret or enforce this Agreement and irrevocably waives any objection to jurisdiction that such party may have based on inconvenience of forum.

18. *Construction.* References in this Agreement to "this Agreement" and the words "herein," "hereof," "hereunder" and similar terms include all Exhibits and Schedules appended hereto. The word "include" and all variations thereof are used in an illustrative sense and not in a limiting sense. All decisions of the Committee upon questions regarding this Agreement will be conclusive. Unless otherwise expressly stated herein, in the event of any inconsistency between the terms of the Plan and this Agreement, the terms of the Plan will control. The headings of the sections of this Agreement have been included for convenience of reference only, are not to be considered a part hereof and will in no way modify or restrict any of the terms or provisions hereof.

19. *Duplicate Originals.* The Company and the Grantee may sign any number of copies of this Agreement. Each signed copy will be an original, but all of them together represent the same agreement.

20. *Rules by Committee.* The rights of the Grantee and the obligations of the Company hereunder will be subject to such reasonable rules and regulations as the Committee may adopt from time to time.

21. *Entire Agreement.* This Agreement is in satisfaction of and in lieu of all prior discussions and agreements, oral or written, between the Company and the Grantee regarding the subject matter hereof. The Grantee and the Company hereby declare and represent that no promise or agreement not herein expressed has been made and that this Agreement contains the entire agreement between the parties hereto with respect to the Award and replaces and makes null and void any prior agreements between the Grantee and the Company regarding the Award. This Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns

22. *Grantee Acceptance.* The Grantee will signify acceptance of the terms and conditions of this Agreement by signing in the space provided at the end hereof and returning a signed copy to the Company.

23. *Code Section 409A Compliance.* If any provision of this Agreement would result in the imposition of an excise tax under Section 409A of the Code and related regulations and Treasury pronouncements ("Section 409A"), that provision will be reformed to avoid imposition of the excise tax and no action taken to comply with Section 409A shall be deemed to impair a benefit under this Agreement.

[SIGNATURE PAGE FOLLOWS]

**SIGNATURE PAGE TO STOCK APPRECIATION RIGHTS AGREEMENT
DATED BETWEEN LIBERTY MEDIA CORPORATION AND GRANTEE**

LIBERTY MEDIA CORPORATION

By: _____

ACCEPTED:

_____, Grantee

Name: _____

Address: _____

SSN: _____

Number of shares of L Stock as to which L SARs are granted: _____

**EXHIBIT A
TO
STOCK APPRECIATION RIGHTS AGREEMENT
DATED BETWEEN
LIBERTY MEDIA CORPORATION AND GRANTEE**

[COPY OF LIBERTY MEDIA CORPORATION 2000 INCENTIVE PLAN
(AS AMENDED AND RESTATED EFFECTIVE APRIL 19, 2004)]

**EXHIBIT B
TO
STOCK APPRECIATION RIGHTS AGREEMENT
DATED BETWEEN
LIBERTY MEDIA CORPORATION AND GRANTEE**

DESIGNATION OF BENEFICIARY

I, _____ (the "Grantee"), hereby declare

that upon my death _____ (the "Beneficiary") of

NAME

STREET ADDRESS CITY STATE ZIP CODE

who is my _____, will be entitled

to the Relationship to Grantee

L SARs and all other rights accorded the Grantee by the above-referenced grant agreement (the "Agreement").

It is understood that this Designation of Beneficiary is made pursuant to the Agreement and is subject to the conditions stated herein, including the Beneficiary's survival of the Grantee's death. If any such condition is not satisfied, such rights will devolve according to the Grantee's will or the laws of descent and distribution.

It is further understood that all prior designations of beneficiary under the Agreement are hereby revoked and that this Designation of Beneficiary may only be revoked in writing, signed by the Grantee, and filed with the Company prior to the Grantee's death.

Date

Grantee

QuickLinks

[EXHIBIT 10.20](#)

**LIBERTY MEDIA CORPORATION
2002 NONEMPLOYEE DIRECTOR INCENTIVE PLAN**

(As Amended and Restated Effective August 15, 2007)

ARTICLE I

PURPOSE AND AMENDMENT 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.

1.2 *Amendment and Restatement of Plan.* The Plan is hereby amended and restated as of August 15, 2007 by the Board of the Company to make certain clarifying changes to Section 4.2 hereof.

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):

"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, stock units agreement, or an agreement evidencing more than one type of Award, specified in Section 11.5, 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, 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, a Delaware corporation.

"Control Purchase" means any transaction (or series of related transactions) in which (i) 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) shall purchase any Common Stock of the Company (or securities convertible into Common Stock of the Company) for cash, securities, or any other consideration pursuant to a tender offer or exchange offer, without the prior consent of the Board, or (ii) any person (as such term is so defined), corporation, or other entity (other than the Company, any Subsidiary of the Company, 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 August 10, 2001, 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.

"Dividend Equivalents" means, with respect to Restricted Shares to be issued at the end of the Restriction Period, 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, or the rules thereunder.

"Effective Date" means the date on which the Plan is approved by the shareholders of the Company.

"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 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 reported on Nasdaq or, if such shares are not then listed or quoted on Nasdaq, then as quoted by the National Quotation Bureau Incorporated. 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.

"Nasdaq" means The Nasdaq Stock Market.

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

"Nonqualified Stock Option" means a stock option granted under Article VI.

"Option" means a Nonqualified Stock Option.

"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 2002 Nonemployee Director Incentive Plan.

"Restricted Shares" means shares of any series of Common Stock or the right to receive shares of any specified series of Common Stock, as the case may be, awarded pursuant to Article VIII.

"Restriction Period" means a period of time beginning on the date of each Award of Restricted Shares 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.

"Stock Unit Awards" has the meaning ascribed thereto in Section 9.1.

"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 awarded hereunder, means the date on which such Restricted Shares 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 pursuant to Article VIII. If more than one Vesting Date is designated for an award of Restricted Shares, 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 him or the Board 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 (i) which may be issued in lieu of Director Compensation pursuant to Section 10.1 and (ii) with respect to which Awards may be granted during the term of the Plan shall be 1,945,000 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 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 that shall be exercised for cash, and (iii) any Award of Restricted Shares or Stock Units that shall be forfeited prior to becoming vested (provided that the Holder received no benefits of ownership of such Restricted Shares or 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.

4.2 *Adjustments.* 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, 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 11.1(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 this 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. Notwithstanding the foregoing, if all shares of any series of Common Stock are redeemed, then each outstanding Award shall be adjusted to substitute for the shares of such series of Common Stock subject thereto the kind and amount of cash, securities or other assets issued or paid in the redemption of the equivalent number of shares of such series of Common Stock and otherwise the terms of such Award, including, in the case of Options or similar rights, the total exercise price, and, in the case of Free Standing SARs, the base price, shall remain constant before and after the substitution (unless otherwise determined by the Board and provided in the applicable Agreement). The Board 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.

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 more than, less than, or equal to 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 service, the term of each Option shall be for such period as the Board shall determine as set forth in the applicable Agreement.

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 11.9 shall be determined by the Board and may consist of (i) cash, (ii) check, (iii) promissory note, (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 11.9, and within a reasonable time thereafter, such transfer shall be evidenced on 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.

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 more than, less than, or equal to 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.

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, without limitation, 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).

ARTICLE VIII

RESTRICTED SHARES

8.1 *Grant.* 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, shall determine whether shares of Common Stock covered by awards of Restricted Shares will be issued at the beginning or the end of the Restriction Period and whether Dividend Equivalents will be paid during the Restriction Period in the event shares of the applicable series of Common Stock are to be issued at the end of the Restriction Period, 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 at Beginning of the Restriction Period.* If shares of the applicable series of Common Stock are issued at the beginning of the Restriction Period, the stock certificate or certificates representing such Restricted Shares shall be registered in the name of the Holder to whom such Restricted Shares shall have been awarded. During the Restriction Period, certificates representing the Restricted Shares 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. 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.* Restricted Shares issued at the beginning of the Restriction Period 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) 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 his 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 *Issuance of Stock at End of the Restriction Period.* Restricted Shares 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 Shares, in each case until such shares shall have been transferred 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.

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

8.6 *Completion of Restriction Period.* On the Vesting Date with respect to each award of Restricted Shares and the satisfaction of any other applicable restrictions, terms, and conditions, (a) all or the applicable portion of such Restricted Shares shall become vested, (b) any Retained Distributions and any unpaid Dividend Equivalents with respect to such Restricted Shares shall become vested to the extent that the Restricted Shares related thereto shall have become vested, and (c) any cash award to be received by the Holder with respect to such Restricted Shares shall become payable, all in accordance with the terms of the applicable Agreement. Any such Restricted Shares, 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, 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, Retained Distributions, and unpaid Dividend Equivalents that shall have become vested, and payment of any cash awards that shall have become payable, 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.

ARTICLE IX

STOCK UNITS

9.1 *Grant.* In addition to granting awards of Options, SARs, and Restricted Shares, the Board shall, subject to the limitations of the Plan, have authority to grant to eligible Persons awards of Stock Units which may be in the form of shares of any specified series of Common Stock or 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 9.2, awards of 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. The determinations made by the Board pursuant to this Section 9.1 shall be specified in the applicable Agreement.

9.2 *Rules.* The Board may, in its discretion, establish any or all of the following rules for application to an Award of Stock Units:

(a) Any shares of Common Stock which are part of an award of 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.

(b) 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 Stock Units shall be for at least the minimum consideration necessary to permit such shares to be deemed fully paid and nonassessable.

(c) Awards of Stock Units may relate in whole or in part to performance or other criteria established by the Board at the time of grant.

(d) Awards of Stock Units may provide for deferred payment schedules, vesting over a specified period of service, the payment (on a current or deferred basis) of dividend equivalent amounts with respect to the number of shares of Common Stock covered by the Award, and elections by the Holder to defer payment of the Award or the lifting of restrictions on the Award, if any.

(e) In such circumstances as the Board may deem advisable, the Board may waive or otherwise remove, in whole or in part, any restrictions or limitations to which a Stock Unit Award was made subject at the time of grant.

ARTICLE X

STOCK AWARDS IN LIEU OF CASH DIRECTOR FEES

10.1 *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 10.3, 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.

10.2 *Timing of Election.* A Nonemployee Director's election pursuant to Section 10.1 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 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.

10.3 *Election Void During Restricted Period.* If, on the date shares would be purchased pursuant to an election under Section 10.1, there is in place any restriction under applicable law (including, without limitation, 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.

10.4 *Conditions.* Nothing contained herein shall preclude the Board, in its sole discretion, from imposing conditions on any election made under Section 10.1, including, without limitation, the conditions described in Section 10.3.

ARTICLE XI

GENERAL PROVISIONS

11.1 *Acceleration of Options, SARs, Restricted Shares and Stock Units.*

(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, any related Retained Distributions and any unpaid Dividend Equivalents shall become vested and any 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 Stock Units, each such award of Stock Units shall become vested in full.

(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, any related Retained Distributions, and any unpaid Dividend Equivalents shall become vested and any 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 Stock Units, each such award of Stock Units shall become vested in full, 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.

11.2 *Termination of Service.*

(a) *General.* If a Holder's service shall terminate prior to the complete exercise of an Option or SAR (or deemed exercise thereof, as provided in Section 7.2) or during the Restriction Period with respect to any Restricted Shares or prior to the vesting or complete exercise of any Stock Units, then such Option, SAR, or Stock Unit shall thereafter be exercisable, and the Holder's rights to any unvested Restricted Shares, Retained Distributions, unpaid Dividend Equivalents, and cash amounts and any such unvested Stock Units 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 11.2(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 prior to the exercise of any Option or SAR, or prior to the vesting or complete exercise of any Stock Unit for cause (for these purposes, cause shall include, but not be limited to, 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, 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 and all unvested or unexercised Stock Units held by such Holder shall immediately terminate and (ii) such Holder's rights to all Restricted Shares, Retained Distributions, any unpaid Dividend Equivalents, and any cash awards shall be forfeited immediately.

11.3 *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.

11.4 *Written Agreement.* Each grant of an Option under the Plan shall be evidenced by a stock option agreement; each SAR shall be evidenced by a stock appreciation rights agreement; each award of Restricted Shares shall be evidenced by a restricted shares agreement; and each award of Stock Units shall be evidenced by a stock units agreement, each in such form and containing such terms and provisions not inconsistent with the provisions of the Plan as the Board from time to time shall approve; *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 Stock Units shall be notified promptly of such grant, and a written Agreement shall be promptly executed and 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 11.6(b).

11.5 *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.

11.6 *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 tenth anniversary of the Effective Date. The Plan may be terminated at any time prior to the tenth anniversary of the Effective Date and may, from time to time, be suspended or discontinued or modified or amended if such action is deemed advisable by the Board.

(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 11.6(a)), the Board may amend outstanding Agreements with any Holder, including, without limitation, 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 11.6(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.

11.7 *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, without limitation, 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 issued 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.

11.8 *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 Stock Units, as appropriate, may, in the discretion of the Board, be paid in shares of the applicable series 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, without limitation, 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.

11.9 *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, without limitation, 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.

11.10 *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.

11.11 *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 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. 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.

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

11.13 *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 11.8.

11.14 *Legends.* Each 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, without limitation, 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.

11.15 *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.

QuickLinks

[LIBERTY MEDIA CORPORATION 2002 NONEMPLOYEE DIRECTOR INCENTIVE PLAN](#)

**LIBERTY MEDIA CORPORATION
2002 NONEMPLOYEE DIRECTOR INCENTIVE PLAN
STOCK APPRECIATION RIGHTS AGREEMENT**

THIS STOCK APPRECIATION RIGHTS AGREEMENT ("Agreement") is made as of June 1, 2004 (the "Effective Date"), by and between LIBERTY MEDIA CORPORATION, a Delaware corporation (the "Company"), and the individual whose name, address, and social security number appear on the signature page hereto (the "Grantee").

The Company has adopted the Liberty Media Corporation 2002 Nonemployee Director Incentive Plan (the "Plan"), a copy of which is attached to this Agreement as Exhibit A and by this reference made a part hereof, for the benefit of eligible Nonemployee Directors of the Company. Capitalized terms used and not otherwise defined herein will have the meaning given to them in the Plan.

Pursuant to the Plan, the Board has determined that it would be in the interest of the Company and its stockholders to award Free Standing SARs to Grantee, subject to the conditions and restrictions set forth herein and in the Plan, in order to provide the Grantee additional remuneration for services rendered as a Nonemployee Director and to increase the Grantee's personal interest in the continued success and progress of the Company.

The Company and the Grantee therefore agree as follows:

1. *Definitions.* The following terms, when used in this Agreement, have the following meanings:

"Base Price" means \$11.00.

"Business Day" means any day other than Saturday, Sunday or a day on which banking institutions in Denver, Colorado, are required or authorized to be closed.

"Close of Business" means, on any day, 5:00 p.m., Denver, Colorado time.

"Company" has the meaning specified in the preamble to this Agreement.

"Effective Date" has the meaning specified in the preamble to this Agreement.

"Grantee" has the meaning specified in the preamble to this Agreement.

"L SAR" has the meaning specified in Section 2 of this Agreement.

"L Stock" has the meaning specified in Section 2 of this Agreement.

"Plan" has the meaning specified in the recitals to this Agreement.

"Required Withholding Amount" has the meaning specified in Section 5 of this Agreement.

"Term" has the meaning specified in Section 2 of this Agreement.

"Vesting Anniversary Date" means June 1, 2004.

2. *Grant of Stock Appreciation Rights.* Subject to the terms and conditions herein, pursuant to the Plan, the Company grants to the Grantee during the period commencing on the Effective Date and expiring at Close of Business on June 1, 2014 (the "Term"), subject to earlier termination as provided in Section 7 below, a Free Standing SAR with respect to the number of shares of Liberty Media Corporation Series A Common Stock ("L Stock") identified on the signature page hereto (individually, an "L SAR" and collectively, the "L SARs"). Upon exercise of an L SAR in accordance with this Agreement, the Company will, subject to Section 5 below, pay to the Grantee consideration equal to

the amount, if any, by which the Fair Market Value of a share of L Stock on the date of exercise exceeds the Base Price of such L SAR.

3. *Conditions of Exercise.* Unless otherwise determined by the Board in its sole discretion, the L SARs are exercisable only in accordance with the conditions stated in this Section 3.

(a) Except as otherwise provided in Section 11.1(b) of the Plan or in the last sentence of this Section 3(a), the L SARs may be exercised only on or after June 1, 2005. Notwithstanding the foregoing, all L SARs will become exercisable on the date of the Grantee's termination of service as a Nonemployee Director if (i) the Grantee's service as a Nonemployee Director terminates by reason of Disability or (ii) the Grantee dies while serving as a Nonemployee Director.

(b) To the extent the L SARs become exercisable, such L SARs may be exercised in whole or in part (at any time or from time to time, except as otherwise provided herein) until expiration of the Term or earlier termination thereof.

(c) The Grantee acknowledges and agrees that the Board may, in its discretion and as contemplated by Section 3.3 of the Plan, adopt rules and regulations from time to time after the date hereof with respect to the exercise of the L SARs and that the exercise by the Grantee of L SARs will be subject to the further condition that such exercise is made in accordance with all such rules and regulations as the Board may determine are applicable thereto.

4. *Manner of Exercise.* L SARs will be considered exercised (as to the number of L SARs specified in the notice referred to in Section 4(a) below) on the latest of (i) the date of exercise designated in the written notice referred to in Section 4(a) below, (ii) if the date so designated is not a Business Day, the first Business Day following such date or (iii) the earliest Business Day by which the Company has received all of the following:

(a) Written notice, in such form as the Board may require, containing such representations and warranties as the Board may require and designating, among other things, the date of exercise and the number of L SARs to be exercised; and

(b) Any other documentation that the Board may reasonably require.

5. *Withholding for Taxes.* The Grantee acknowledges and agrees that the Company will deduct from the cash or shares of L Stock otherwise payable or deliverable upon exercise of any L SARs an amount of cash, a number of shares of L Stock (valued at their Fair Market Value on the date of exercise) or a combination of the foregoing that is equal to the amount, if any, of all federal, state and local taxes required to be withheld by the Company upon such exercise, as determined by the Company (the "Required Withholding Amount").

6. *Payment or Delivery by the Company.* As soon as practicable after receipt of all items referred to in Section 4, and subject to the withholding referred to in Section 5, the Company will deliver or cause to be delivered to the Grantee the amount of consideration determined under the final sentence of Section 2 above, which consideration shall consist of cash, shares of L Stock (valued at their Fair Market Value on the date of exercise) or a combination of the foregoing, as determined by the Board. Notwithstanding the foregoing, unless the Board otherwise determines, the consideration will consist of cash in the amount equal to the Required Withholding Amount, if any (which amount will be withheld from the total amount payable to the Grantee), and the balance will be delivered to the Grantee in the form of shares of L Stock.

Any delivery of shares of L Stock will be deemed effected for all purposes when certificates representing such shares have been delivered personally to the Grantee or, if delivery is by mail, when the stock transfer agent of the Company has deposited the certificates in the United States mail, addressed to the Grantee, and any cash payment will be deemed effected when a check from the Company, payable to the Grantee and in the amount equal to the amount of the cash payment, has

been delivered personally to the Grantee or deposited in the United States mail, addressed to the Grantee.

7. *Early Termination of L SARs.* Unless otherwise determined by the Board in its sole discretion, the L SARs will terminate, prior to the expiration of the Term, at the time specified below:

(a) Subject to Section 7(b), if the Grantee's service as a Nonemployee Director terminates other than (i) by the Company for cause or (ii) by reason of death or Disability, then the L SARs will terminate at the Close of Business on the first Business Day following the expiration of the one-year period which began on the date of termination of the Grantee's service. For purposes of this Section 7, "cause" will have the meaning specified in Section 11.2(b) of the Plan.

(b) If the Grantee dies while serving as a Nonemployee Director, or prior to the expiration of a period of time following termination of the Grantee's service during which the L SARs remain exercisable as provided in Section 7(a) or Section 7(c), as applicable, the L SARs will terminate at the Close of Business on the first Business Day following the expiration of the one-year period which began on the date of the Grantee's death.

(c) Subject to Section 7(b), if the Grantee's service as a Nonemployee Director terminates by reason of Disability, then the L SARs will terminate at the Close of Business on the first Business Day following the expiration of the one-year period which began on the date of termination of the Grantee's service.

(d) If the Grantee's service as a Nonemployee Director is terminated by the Company for "cause" (as defined in Section 11.2(b) of the Plan), then the L SARs will terminate immediately upon such termination of the Grantee's service.

In any event in which L SARs remain exercisable for a period of time following the date of termination of the Grantee's service as provided above, the L SARs may be exercised during such period of time only to the extent the same were exercisable as provided in Section 3 above on such date of termination of the Grantee's service. Notwithstanding any period of time referenced in this Section 7 or any other provision of this Section 7 that may be construed to the contrary, the L SARs will in any event terminate upon the expiration of the Term.

8. *Automatic Exercise of L SARs.* Immediately prior to the termination of L SARs as provided in Section 7(a), 7(b) or 7(c) above or upon expiration of the Term, all remaining L SARs then exercisable will be deemed to have been exercised by the Grantee. Notwithstanding any other provision of this Agreement, no exercise of LSARs will be deemed to occur upon termination of the Grantee's service for "cause" (as defined in Section 11.2(b) of the Plan).

9. *Nontransferability.* During the Grantee's lifetime, L SARs are not transferable (voluntarily or involuntarily) other than pursuant to a Domestic Relations Order and, except as otherwise required pursuant to a Domestic Relations Order, are exercisable only by the Grantee or the Grantee's court appointed legal representative. The Grantee may designate a beneficiary or beneficiaries to whom the L SARs will pass upon the Grantee's death and may change such designation from time to time by filing a written designation of beneficiary or beneficiaries with the Board on the form annexed hereto as Exhibit B or such other form as may be prescribed by the Board, provided that no such designation will be effective unless so filed prior to the death of the Grantee. If no such designation is made or if the designated beneficiary does not survive the Grantee's death, the L SARs will pass by will or the laws of descent and distribution. Following the Grantee's death, the L SARs, if otherwise exercisable, may be exercised by the person to whom such right passes according to the foregoing and such person will be deemed the Grantee for purposes of any applicable provisions of this Agreement.

10. *No Stockholder Rights.* The Grantee will not, by reason of the Award granted under this Agreement, be deemed for any purpose to be, or to have any of the rights of, a stockholder of the

Company or of the Company with respect to any shares of L Stock, nor will the existence of this Agreement affect in any way the right or power of the Company or its stockholders to accomplish any corporate act, including, without limitation, the acts referred to in Section 11.15 of the Plan.

11. *Adjustments.* If the outstanding shares of L Stock are subdivided into a greater number of shares (by stock dividend, stock split, reclassification or otherwise) or are combined into a smaller number of shares (by reverse stock split, reclassification or otherwise), or if the Board determines that any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, split-up-spin-off, combination, exchange of shares, warrants or rights offering to purchase any L Stock, or other similar corporate event (including mergers or consolidations other than those which constitute Approved Transactions, which shall be governed by Section 11.1(b) of the Plan) affects shares of L Stock such that an adjustment is required to preserve the benefits or potential benefits intended to be made available under this Agreement, then the L SARs will be subject to adjustment (including, without limitation, as to the number of L SARs and the Base Price per share of such L SARs) in the sole discretion of the Board and in such manner as the Board may deem equitable and appropriate in connection with the occurrence of any of the events described in this Section 11 following the Vesting Anniversary Date.

12. *Restrictions Imposed by Law.* Without limiting the generality of Section 11.7 of the Plan, the Grantee will not exercise the L SARs, and the Company will not be obligated to make any cash payment or issue or cause to be issued any shares of L Stock, if counsel to the Company determines that such exercise, payment or issuance would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of L Stock are listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the exercise of the L SARs or the resulting payment of cash or issuance of L Stock to comply with any such law, rule, regulation or agreement.

13. *Notice.* Unless the Company notifies the Grantee in writing of a different procedure, any notice or other communication to the Company with respect to this Agreement will be in writing and will be delivered personally or sent by United States first class mail, postage prepaid and addressed as follows:

Liberty Media Corporation
12300 Liberty Boulevard
Englewood, Colorado 80112
Attn: General Counsel

Any notice or other communication to the Grantee with respect to this Agreement will be in writing and will be delivered personally, or will be sent by United States first class mail, postage prepaid, to the Grantee's address as listed in the records of the Company on the Effective Date, unless the Company has received written notification from the Grantee of a change of address.

14. *Amendment.* Notwithstanding any other provision hereof, this Agreement may be supplemented or amended from time to time as approved by the Board as contemplated in Section 11.6(b) of the Plan. Without limiting the generality of the foregoing, without the consent of the Grantee,

(a) this Agreement may be amended or supplemented from time to time as approved by the Board (i) to cure any ambiguity or to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or (ii) to add to the covenants and agreements of the Company for the benefit of the Grantee or surrender any right or power reserved to or conferred upon the Company in this Agreement, subject to any required approval of the Company's stockholders and, provided, in each case, that such changes or corrections will not

adversely affect the rights of the Grantee with respect to the Award evidenced hereby, or (iii) to make such other changes as the Company, upon advice of counsel, determines are necessary or advisable because of the adoption or promulgation of, or change in or of the interpretation of, any law or governmental rule or regulation, including any applicable federal or state securities laws; and

(b) subject to any required action by the Board or the stockholders of the Company, the L SARs granted under this Agreement may be canceled by the Company and a new Award made in substitution therefor, provided that the Award so substituted will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect any L SARs to the extent then exercisable.

15. *Status as Director.* Nothing contained in this Agreement, and no action of the Company or the Board with respect hereto, will confer or be construed to confer on the Grantee any right to continue as a director of the Company or interfere in any way with the right of the Company or its shareholders to terminate the Grantee's status as a director at any time, with or without cause.

16. *Nonalienation of Benefits.* Except as provided in Section 9 of this Agreement, (i) no right or benefit under this Agreement will 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 will be void, and (ii) no right or benefit hereunder will in any manner be liable for or subject to the debts, contracts, liabilities or torts of the Grantee or other person entitled to such benefits.

17. *Governing Law.* This Agreement will be governed by, and construed in accordance with, the internal laws of the State of Colorado. Each party irrevocably submits to the general jurisdiction of the state and federal courts located in the State of Colorado in any action to interpret or enforce this Agreement and irrevocably waives any objection to jurisdiction that such party may have based on inconvenience of forum.

18. *Construction.* References in this Agreement to "this Agreement" and the words "herein," "hereof," "hereunder" and similar terms include all Exhibits and Schedules appended hereto. The word "include" and all variations thereof are used in an illustrative sense and not in a limiting sense. All decisions of the Board upon questions regarding this Agreement will be conclusive. Unless otherwise expressly stated herein, in the event of any inconsistency between the terms of the Plan and this Agreement, the terms of the Plan will control. The headings of the sections of this Agreement have been included for convenience of reference only, are not to be considered a part hereof and will in no way modify or restrict any of the terms or provisions hereof.

19. *Duplicate Originals.* The Company and the Grantee may sign any number of copies of this Agreement. Each signed copy will be an original, but all of them together represent the same agreement.

20. *Rules by Board.* The rights of the Grantee and the obligations of the Company hereunder will be subject to such reasonable rules and regulations as the Board may adopt from time to time.

21. *Entire Agreement.* This Agreement is in satisfaction of and in lieu of all prior discussions and agreements, oral or written, between the Company and the Grantee regarding the subject matter hereof. The Grantee and the Company hereby declare and represent that no promise or agreement not herein expressed has been made and that this Agreement contains the entire agreement between the parties hereto with respect to the Award and replaces and makes null and void any prior agreements between the Grantee and the Company regarding the Award. This Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns

22. *Grantee Acceptance.* The Grantee will signify acceptance of the terms and conditions of this Agreement by signing in the space provided at the end hereof and returning a signed copy to the Company.

[SIGNATURE PAGE FOLLOWS]

**SIGNATURE PAGE TO STOCK APPRECIATION RIGHTS AGREEMENT
DATED JUNE 1, 2004 BETWEEN LIBERTY MEDIA CORPORATION AND GRANTEE**

LIBERTY MEDIA CORPORATION

By:

Charles Y. Tanabe
Senior Vice President

ACCEPTED:

_____, Grantee

Name:

Address:

SSN:

Number of shares of L Stock as to which L SARs are granted:

**EXHIBIT A
TO
STOCK APPRECIATION RIGHTS AGREEMENT
DATED JUNE 1, 2004 BETWEEN
LIBERTY MEDIA CORPORATION AND GRANTEE**

[COPY OF 2002 LIBERTY MEDIA CORPORATION NONEMPLOYEE DIRECTOR INCENTIVE PLAN]

**EXHIBIT B
TO
STOCK APPRECIATION RIGHTS AGREEMENT
DATED JUNE 1, 2004 BETWEEN
LIBERTY MEDIA CORPORATION AND GRANTEE**

DESIGNATION OF BENEFICIARY

I, _____ (the "Grantee"), hereby declare

that upon my death _____ (the "Beneficiary") of

NAME

STREET ADDRESS CITY STATE ZIP CODE

who is my _____, will be entitled to

RELATIONSHIP TO GRANTEE

the L SARs and all other rights accorded the Grantee by the above-referenced grant agreement (the "Agreement").

It is understood that this Designation of Beneficiary is made pursuant to the Agreement and is subject to the conditions stated herein, including the Beneficiary's survival of the Grantee's death. If any such condition is not satisfied, such rights will devolve according to the Grantee's will or the laws of descent and distribution.

It is further understood that all prior designations of beneficiary under the Agreement are hereby revoked and that this Designation of Beneficiary may only be revoked in writing, signed by the Grantee, and filed with the Company prior to the Grantee's death.

Date

Grantee

QuickLinks

[EXHIBIT 10.22](#)

TERMINATION AGREEMENT

This Termination Agreement ("Agreement") is made as of March 27, 2009 (the "Effective Date") by and between Liberty Media Corporation, a Delaware corporation ("LMC"), Liberty Media LLC, a Delaware limited liability company (the "Company"), and Robert R. Bennett (the "Executive").

Recitals

The Executive currently is employed with the Company pursuant to an employment agreement dated as of December 28, 2005 (the "Employment Agreement") and is a director of LMC. The Executive and the Company desire to terminate the Employment Agreement and to provide for certain matters relating thereto.

Agreement

In consideration of the mutual covenants set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties, intending to be legally bound, agree as follows:

1. *Termination of the Employment Agreement; Payment for Services.* The Employment Agreement is hereby terminated as of the Effective Date. The Executive and the Company agree that, for purposes of the Employment Agreement, the Executive shall be considered to have voluntarily terminated his employment with the Company. In connection with such termination, the Company agrees to pay \$38,513 to the Executive for services rendered at the request of the Company.

2. *Stock Options and Stock Appreciation Rights.* The parties acknowledge that, as of the Effective Date, the Executive holds the options and stock appreciation rights described in Exhibit A (the "Existing Awards") pursuant to the agreements identified in Exhibit A (collectively, the "Existing Award Agreements"). Notwithstanding any provision to the contrary in any Existing Award Agreement, all of the Existing Awards shall be fully exercisable as of the Effective Date. In addition, the Existing Award Agreements are hereby amended as follows:

(a) Section 7(a) of each of the 2001 Agreement, the 2003 Agreement and the 2004 Agreement is hereby amended by deleting from the first sentence thereof the phrase "the first Business Day following the expiration of the 90-day period which began on the date of termination of the Grantee's employment" and substituting therefor "the date specified in Section 2 hereof as the last day of the Term."

(b) Section 7(a) of each of the 2007 Agreements and the 2008 Agreement is hereby amended by deleting therefrom the phrase "the first Business Day following the expiration of the 90-day period that began on the date of termination of the Grantee's provision of services to the Company and its Subsidiaries" and substituting therefor "the date specified in Section 2 hereof as the last day of the Term."

Except as provided in the preceding provisions of this Section 2, each Existing Award shall remain subject to the terms and conditions of the applicable Existing Award Agreement.

3. *Benefits.* From the Effective Date through the earlier of August 31, 2014 or the date of the Executive's death (the "Participation Period"), the provisions of this Section 3 shall apply. The Executive shall be eligible to participate in any health plan that the Company may make available generally to employees of the Company to the extent such participation is permitted under the terms of such plan and by applicable law (including tax law), subject to the terms and conditions of such plan and subject to the continued maintenance of such plan by the Company. To the extent any such health plan is made available and the Executive elects to participate therein, the Company will contribute to such health plan on behalf of the Executive the same proportionate part of the monthly premium for coverage of Executive and his spouse under such health plan as the Company contributes on behalf of

an employee with spousal coverage under such plan (the "Company Contribution"). The Company Contribution will be made monthly during the Participation Period in accordance with the Company's normal procedures for the payment of health plan premiums. The aggregate amount of the Company Contribution in any taxable year of the Executive shall not affect the amount eligible to be made as the Company Contribution for any other taxable year of the Executive, and the Company Contribution will not be subject to liquidation or exchange for any other benefit. The Executive shall be responsible for payment of that portion of the monthly premium in excess of the Company Contribution. To the extent any such health plan is made available generally to employees of the Company, except to the extent the Company reasonably determines to be necessary or advisable to comply with applicable law (including tax law), the Company will refrain from taking any action that would limit or eliminate the Executive's eligibility to participate in such health plan. LMC and the Company will use their reasonable best efforts to cause any successor employer of all or substantially all of the employees of the Company to assume the obligations of the Company pursuant to this Section 3.

4. *Indemnification.* LMC and the Executive acknowledge and agree that they are parties to an Indemnification Agreement dated May 9, 2006 (the "Indemnification Agreement") pursuant to which the Company has agreed to indemnify the Executive with respect to Claims relating to Indemnifiable Events (as such terms are defined in the Indemnification Agreement). LMC and the Executive further acknowledge and agree that the Indemnification Agreement shall remain in full force and effect according to its terms, notwithstanding termination of the Executive's employment pursuant to the terms of this Agreement.

5. *Dispute Resolution.* At the option of any party hereto, any dispute, controversy, or question arising under, out of or relating to this Agreement or the breach thereof, other than that for injunctive relief to this Agreement or the breach thereof, will be referred for decision by arbitration in the Denver metropolitan area of the State of Colorado by a neutral arbitrator selected by the parties hereto. The proceeding will be governed by the Rules of the American Arbitration Association then in effect or such rules last in effect (in the event such Association is no longer in existence). If the parties are unable to agree upon such a neutral arbitrator within 30 days after any party has given the other written notice of the desire to submit the dispute, controversy or question for decision as aforesaid, then any party may apply to the American Arbitration Association for an appointment of a neutral arbitrator, or if such Association is not then in existence or does not act in the matter within 30 days of application, either party may apply to the Presiding Judge of the District Court of any county in Colorado for an appointment of a neutral arbitrator to hear the parties and settle the dispute, controversy or question, and such Judge is hereby authorized to make such appointment. In the event that any party exercises the right to submit a dispute arising hereunder to arbitration, the decision of the neutral arbitrator will be final, conclusive and binding on all interested persons and no action at law or equity will be instituted or, if instituted, further prosecuted by either party other than to enforce the award of the neutral arbitrator. The award of the neutral arbitrator may be entered in any court that has jurisdiction. In the event that the Executive is successful in pursuing any claim(s) or dispute(s) arising out of this Agreement, the Company will pay the Executive's attorneys' fees and costs and expenses of any Arbitrator in connection with such claims or disputes. In any other case, the parties will each bear all their own costs and attorneys' fees, except the Company will in all events pay the costs of any arbitrator appointed hereunder.

6. *Assignment; Enforceability.*

(a) This Agreement is personal to the Executive and, without the prior written consent of LMC and the Company, will not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement will inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement will inure to the benefit of and be enforceable by LMC, the Company and their respective successors and assigns.

7. *Miscellaneous.*

(a) This Agreement will be governed by, and construed in accordance with, the laws of the State of Colorado, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and will have no force or effect. This Agreement may not be amended or modified except by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications under this Agreement will be in writing and will be given by hand delivery or telecopy to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: Mr. Robert R. Bennett

Facsimile: _____

If to LMC or
the Company: Liberty Media Corporation
12300 Liberty Boulevard
Englewood, CO 80112
Attn: General Counsel
Telecopy: 720-875-5382

or to such other address or telecopy as either party furnishes to the other in writing in accordance with this Section 7(b). Notices and communications will be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement will be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, will remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

(d) Any party's failure to insist upon strict compliance with any provision of, or to assert any right under, this Agreement will not be deemed to be a waiver of such provision or right or of any other provision of or right under this Agreement.

(e) Except as to the Existing Award Agreements referenced in Section 2 above and the Indemnification Agreement referenced in Section 4 above, the parties acknowledge that this Agreement supersedes any other agreement between them or between the Executive and any predecessor or affiliate of LMC or the Company (collectively with LMC and the Company, the "Employing Entities"), or any plan or practice of any of the Employing Entities concerning the subject matter hereof, including the Company's Severance Pay Plan or any other severance plan or policy of any of the Employing Entities or any of their respective affiliates (collectively, the "Severance Plans"). The Executive hereby irrevocably waives any rights to severance benefits under the Severance Plans or to acceleration of equity awards under the Severance Plans or any equity award plan of any of the Employing Entities except as may be provided in this Agreement. For the avoidance of doubt, the Company and the Executive acknowledge and agree that none of Liberty Global, Inc., Discovery Communications, Inc., Discovery Holding Company or Ascent Media Corporation shall be considered an Employing Entity.

(f) This Agreement may be executed in several counterparts, each of which will be deemed an original, and said counterparts will constitute but one and the same instrument.

(g) Each party will bear any costs, including attorneys' fees, incurred by such party in connection with negotiating and entering into this Agreement.

[Signature page follows.]

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and the Company and LMC have caused this Agreement to be executed in their name on their behalf, all as of the day and year first above written.

Robert R. Bennett

Date: _____

LIBERTY MEDIA CORPORATION

By: _____

Charles Y. Tanabe
Executive Vice President

Date: _____

LIBERTY MEDIA LLC

By: _____

Charles Y. Tanabe
Executive Vice President

Date: _____

EXHIBIT A

to

**Termination Agreement Dated as of March 27, 2009 between
Liberty Media Corporation, Liberty Media LLC and Robert R. Bennett**

EXISTING AWARD AGREEMENTS

<u>Agreement</u>	<u>Options/SARs Outstanding and Exercisable as of Effective Date</u>	<u>Base Price as of Effective Date</u>	<u>Expiration Date</u>
Non-Qualified Stock Option Agreement dated as of August 10, 2001 between Liberty Media Corporation and Robert R. Bennett (issued pursuant to the Liberty Media Corporation 2000 Incentive Plan (As Amended and Restated Effective August 10, 2001)) (the "2001 Agreement")	4,169,963 Series B Liberty Interactive Common Stock Options (or, at the Executive's election, Series A Liberty Interactive Common Stock Options)	\$23.64 (Series B)	February 28, 2011
		\$22.90 (Series A)	
	833,993 Series B Liberty Capital Common Stock Options (or, at the Executive's election, Series A Liberty Capital Common Stock Options)	\$15.20 (Series B) \$14.74 (Series A)	February 28, 2011
Stock Appreciation Rights Agreement dated as of July 31, 2003 between Liberty Media Corporation and Robert R. Bennett (issued pursuant to the Liberty Media Corporation 2000 Incentive Plan (As Amended and Restated Effective September 11, 2002)) (the "2003 Agreement")	3,335,972 Series B Liberty Entertainment Common Stock Options (or, at the Executive's election, Series A Liberty Entertainment Common Stock Options)	\$21.79 (Series B) \$21.53 (Series A)	February 28, 2011
	250,000 Series A Liberty Interactive Common Stock Free-Standing Stock Appreciation Rights	\$16.97	July 31, 2013
	50,000 Series A Liberty Capital Common Stock Free-Standing Stock Appreciation Rights	\$10.92	July 31, 2013
	200,000 Series A Liberty Entertainment Common Stock Free-Standing Stock Appreciation Rights	\$15.95	July 31, 2013

<u>Agreement</u>	<u>Options/SARs Outstanding and Exercisable as of Effective Date</u>	<u>Base Price as of Effective Date</u>	<u>Expiration Date</u>
Stock Appreciation Rights Agreement dated as of August 6, 2004 between Liberty Media Corporation and Robert R. Bennett (issued pursuant to the Liberty Media Corporation 2000 Incentive Plan (As Amended and Restated Effective April 19, 2004)) (the "2004 Agreement")	250,000 Series A Liberty Interactive Common Stock Free-Standing Stock Appreciation Rights	\$15.46	August 6, 2014
	50,000 Series A Liberty Capital Common Stock Free-Standing Stock Appreciation Rights	\$9.95	August 6, 2014
	200,000 Series A Liberty Entertainment Common Stock Free-Standing Stock Appreciation Rights	\$14.53	August 6, 2014
Non-Qualified Stock Option Agreements dated as of December 24, 2007 between Liberty Media Corporation and Robert R. Bennett (issued pursuant to the Liberty Media Corporation 2007 Incentive Plan) (the "2007 Agreements")	6,400 Series A Liberty Interactive Common Stock Options	\$19.96	December 24, 2014
	1,650 Series A Liberty Capital Common Stock Options	\$17.26	December 24, 2014
	6,600 Series A Liberty Entertainment Common Stock Options	\$25.21	December 24, 2014
Non-Qualified Stock Option Agreement dated as of December 16, 2008 between Liberty Media Corporation and Robert R. Bennett (issued pursuant to the Liberty Media Corporation 2007 Incentive Plan) (the "2008 Agreement")	16,000 Series A Liberty Interactive Common Stock Options	\$2.91	December 16, 2015
	3,800 Series A Liberty Capital Common Stock Options	\$3.57	December 16, 2015
	11,600 Series A Liberty Entertainment Common Stock Options	\$17.69	December 16, 2015

QuickLinks

[TERMINATION AGREEMENT](#)

Tele-Communications, Inc.
5619 DTC Parkway
Englewood, Colorado 80111

Liberty Media Corporation
8101 East Prentice Avenue, Suite 500
Englewood, Colorado 80111

March 5, 1999

Dr. John C. Malone
Ms. Leslie Malone
c/o Tele-Communications, Inc.
5619 DTC Parkway
Englewood, Colorado 80111

Dear John and Leslie:

Reference is made to the Call Agreement, dated as of February 9, 1998 (the "Malone Call Agreement"), between Tele-Communications, Inc., a Delaware corporation ("TCI"), and John C. Malone and Leslie Malone (the "Malones"). Capitalized terms used but not expressly defined in this letter have the meanings given to them in the Malone Call Agreement. Section references in this letter are to Sections of the Malone Call Agreement.

The purpose of this letter is to confirm and clarify the following:

1. Each of the Malones consents to the assignment by TCI to Liberty Ventures Group LLC, a Delaware limited liability company ("LVG"), and the subsequent assignment by LVG to Liberty Media Corporation, a Delaware corporation ("LMC"), of all of TCI's rights, interests and obligations under the Malone Call Agreement, and agrees that upon such assignments TCI shall have no further rights or obligations under the Malone Call Agreement. Each of the Malones also agrees that if a Triggering Event (as defined below) occurs in the future and is not waived, LMC may assign all of its rights, interests and obligations under the Malone Call Agreement to Liberty Media Group LLC and, in the event of such assignment, references to LMC herein shall thereafter refer to Liberty Media Group LLC. "Triggering Event" has the meaning ascribed to such term in the Contribution Agreement, being entered into on March 9, 1999, among LMC, Liberty Media Management LLC, Liberty Media Group LLC and Liberty Ventures Group LLC.

2. TCI and the Malones agree that if, for any reason, the Agreement and Plan of Restructuring and Merger, dated as of June 23, 1998, as amended, among TCI, AT&T Corp., a New York corporation ("AT&T"), and Italy Merger Corp., a Delaware corporation and a wholly owned subsidiary of AT&T ("MergerSub"), terminates without consummation of the merger of MergerSub into TCI contemplated thereby (the "Merger"), the assignments described in paragraph 1 shall be rescinded.

3. The Malones confirm and agree that TCI has exercised its right under Section 7.9 of the Malone Call Agreement to require that, from and after the Merger (and after giving effect to the assignments provided for above), the Malone Call Agreement continue in effect in accordance with its terms and the following:

a. References to the "Company" will be references to AT&T and any successor (by merger, consolidation, sale, transfer, exchange, or otherwise) to all or substantially all of its business and assets, except as indicated below:

i. in order to effectively give LMC the rights and obligations it is intended to have after the assignments referred to in paragraph 1 above,

(x) the rights, interests, covenants and obligations of the "Company" under the first sentence of Section 2.1 and under Sections 2.2 through 7.16, inclusive, will be rights, interests, covenants and obligations of LMC and any successor (by merger, consolidation, sale, transfer, exchange, or otherwise) to all or substantially all of its business and assets (LMC or such successor being referred to as "Liberty"), and

- (y) references to the "Company" in the definitions of the terms "Board of Directors" and "Malone Group" in Section 1.1 will be references to Liberty;
- ii. references to the Company with respect to covenants of the Company that have been fully performed by TCI prior to the date hereof, including, without limitation, in the second sentence of Section 2.1, shall continue to refer to TCI, and
- iii references to the Company in the definitions of Magness Call Agreement and Stockholders Agreement refer to TCI.

b. The definition of the term "High Vote Stock" shall mean the Class B Liberty Media Group Common Stock, \$1.00 par value per share, issued by AT&T (or any successor referred to in paragraph 3(a) above), as it exists immediately after the Merger, and any capital stock into which the Class B Liberty Media Group Common Stock may thereafter be changed (whether as a result of a recapitalization, reorganization, merger, consolidation, share exchange, stock dividend, stock redemption, spinoff, split off or other transaction or event). The definition of the term "Low Vote Stock" shall mean the Class A Liberty Media Group Common Stock, \$1.00 par value per share, issued by AT&T (or any successor referred to in paragraph 3(a) above), as it exists immediately after the Merger, and any capital stock into which the Class A Liberty Media Group Common Stock may thereafter be changed (whether as a result of a recapitalization, reorganization, merger, consolidation, share exchange, stock dividend, stock redemption, spinoff, split off or other transaction or event).

c. The term "Sale of the Company" shall mean a transaction which results in a Change of Control of the issuer of the High Vote Stock (subject to the same exclusions as currently pertain in the definition of such term).

d. In any case where the Holder has the right to elect under Section 2.2(d) to receive payment of the Gross Purchase Price for any High Vote Stock included in the Subject Shares in shares of a corresponding series of Low Vote Stock, and in any case where the Company has the right under Section 3.1 to elect to pay all or any portion of the Closing Date Amount or Company Price in shares of Low Vote Stock, such election will not be effective unless Liberty arranges for AT&T to issue such Low Vote Stock and to grant to the selling Holder the registration rights with respect to such shares of Low Vote Stock contemplated by Section 2.2(e). Similarly, the Company's election under Section 3.1 will not be effective unless Liberty arranges for AT&T to comply with Section 3.2.

If the foregoing accurately expresses our understanding, please sign and return the enclosed counterpart of this letter.

Sincerely,

TELE-COMMUNICATIONS, INC.

By: _____

Stephen M. Brett
*Executive Vice President,
Secretary and General Counsel*

LIBERTY VENTURES GROUP LLC

By: _____

Stephen M. Brett
Vice President

LIBERTY MEDIA CORPORATION

By: _____

Stephen M. Brett
Vice President

Confirmed:

JOHN C. MALONE

LESLIE MALONE

QuickLinks

[Exhibit 10.27](#)

As of December 31, 2009

A table of subsidiaries of Liberty Media Corporation is set forth below, indicating as to each the state or jurisdiction of organization and the names under which such subsidiaries do business. Subsidiaries not included in the table are inactive or, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

<u>Name</u>	<u>State/Country of Formation</u>
1227844 Ontario Ltd.	CANADA (Ontario)
Affiliate Investment, Inc.	DE
Affiliate Relations Holdings, Inc.	DE
Affiliate Sales & Marketing, Inc.	DE
AI 2, Inc.	DE
AMI 2, Inc.	DE
Anchor Bay Entertainment Australia PTY LTD.	AUSTRALIA
Anchor Bay Entertainment Canada Co. (unlimited liability company)	NOVA SCOTIA
Anchor Bay Entertainment UK Limited	UK
Anchor Bay Entertainment, LLC	DE
Anchor Bay International Limited	UK
Aries Pictures LLC	CO
Atlanta Braves, Inc.	GA
Atlanta National League Baseball Club, Inc. (dba Gwinnett Braves; Rome Braves; Mississippi Braves; Richmond Braves; Danville Braves)	GA
Backcountry De Costa Rica Sociedad De Responsabilidad Limitada	COSTA RICA
Backcountry.com, Inc.	UT
Barefoot Acquisition, LLC	DE
BET Movies/STARZ13, LLC	DE
Big Horn Alternative Energy, LLC	DE
Bodybuilding.com, LLC	DE
Braves Productions, Inc.	GA
BRBA Holdings, Inc.	DE
BuySeasons, Inc.	DE
CDirect Mexico I, Inc.	DE
CDirect Mexico II, Inc.	DE
Chalk Line Productions, LLC	DE
Commerce Technologies, Inc. [dba Commerce Hub]	NY
Communication Capital, LLC	DE
Composer Films, LLC	DE
Conductor Films, LLC	DE
Cool Kicks Media, LLC	DE
Diamonique Canada Holdings, Inc.	DE
Diamonique Corporation	NJ
Digital Entertainment Limited	UK
DKP Effects, Inc.	CA
DMS DE, Inc.	DE
Dry Creek Productions LLC	CO
ER Development International, Inc. (dba QVC International Development)	PA
ER Marks, Inc.	DE
EZShop International, Inc.	DE
Fanball UK Limited	UK
Film Roman, LLC	DE

<u>Name</u>	<u>State/Country of Formation</u>
GSI Commerce, Inc.	DE
Higher Power Nutrition Common Holdings, LLC	DE
IC Marks, Inc.	DE
IM Experience, Inc.	PA
Influence Marketing Corp (dba QVC @ theMall) [Unlimited Liability Corp.]	NOVA SCOTIA
Influence Marketing Services, Inc.	CANADA (Ontario)
Informedia, LLC	DE
Innovative Retailing, Inc.	DE
iQVC GmbH	GERMANY
JJCK, LLC (dba EmFinders)	DE
KnowledgeWhere Holdings, Inc.	DE
KSI, Inc.	DE
LBTW I, LLC	DE
LCAP Investments, LLC	DE
LDIG 2, LLC	DE
LDIG Cars, Inc.	DE
LDIG Financing LLC	DE
Leisure Arts, Inc.	DE
Leisure Web LLC	DE
Liberty AEG, LLC	DE
Liberty Aero, LLC	DE
Liberty AGI, LLC	DE
Liberty Alternative Energy, LLC	DE
Liberty Animal Planet, LLC	CO
Liberty ANLBC, Inc.	DE
Liberty Asset Management, LLC	DE
Liberty Associated Holdings LLC	DE
Liberty Associated, Inc.	DE
Liberty ATCL, Inc.	CO
Liberty BC Capital, LLC	DE
Liberty Cayman Preferred Company	CAYMAN
Liberty CDE Investments, Inc.	DE
Liberty Centennial Holdings, Inc.	DE
Liberty Challenger, LLC	DE
Liberty Citation, Inc.	DE
Liberty CM, Inc.	DE
Liberty CNBC, Inc.	CO
Liberty Crown, Inc.	DE
Liberty Denver Arena LLC	DE
Liberty Fun Assets, LLC	DE
Liberty GI II, Inc.	DE
Liberty GI, Inc.	DE
Liberty GIC, Inc.	CO
Liberty IATV Holdings, Inc.	DE
Liberty IATV, Inc.	DE
Liberty IB2, LLC	DE
Liberty Java, Inc.	CO
Liberty KV, LLC	DE
Liberty LSAT II, LLC	DE
Liberty LSAT, LLC	DE
Liberty MCNS Holdings, Inc.	CO
Liberty Media LLC	DE

<u>Name</u>	<u>State/Country of Formation</u>
Liberty MLP, Inc.	CO
Liberty NC, LLC	DE
Liberty NEA, Inc.	DE
Liberty PL2, Inc.	DE
Liberty PL3, LLC	DE
Liberty Programming Company LLC	DE
Liberty Property Holdings, Inc.	DE
Liberty Protein, Inc.	DE
Liberty QVC Holding, LLC	DE
Liberty Radio, LLC	DE
Liberty Satellite & Technology, Inc.	DE
Liberty Satellite Radio Holdings, LLC	DE
Liberty Satellite Radio, Inc.	DE
Liberty Satellite, LLC	DE
Liberty Sling, Inc.	DE
Liberty Sports Interactive, Inc.	DE
Liberty Tower, Inc.	DE
Liberty TP Management Holdings, LLC	DE
Liberty TS, Inc.	DE
Liberty TSAT, LLC	DE
Liberty TWSTY II, Inc.	CO
Liberty TWSTY III, Inc.	CO
Liberty USA Holdings, LLC	DE
Liberty Virtual Pets, LLC	DE
Liberty WDIG, Inc.	DE
Liberty Wireless 1, Inc.	DE
Liberty Wireless 10, Inc.	DE
Liberty Wireless 11, Inc.	DE
Liberty Wireless 2, Inc.	DE
Liberty Wireless 3, Inc.	DE
Liberty Wireless 4, Inc.	DE
Liberty Wireless 5, Inc.	DE
Liberty Wireless 7, Inc.	DE
Liberty Wireless 8, Inc.	DE
Liberty Wireless 9, Inc.	DE
Liberty XMSR, Inc.	DE
LMC BET, LLC	CO
LMC Capital LLC	DE
LMC Denver Arena, Inc.	DE
LMC IATV Events, LLC	DE
LMC Lockerz, LLC	DE
LMC Right Start, Inc.	DE
LMC TP Management, Inc.	DE
LMC Wireless 1, LLC	DE
LMC Wireless 2, LLC	DE
LMC Wireless 3, LLC	DE
LMC Wireless 4, LLC	DE
LMC Wireless 5, LLC	DE
LMC Wireless 6, LLC	DE
LMC Wireless Holdings, LLC	DE
LMC Wireless IV, LLC	DE
LMC/LSAT Holdings, LLC	DE

<u>Name</u>	<u>State/Country of Formation</u>
Lockerz, LLC	DE
LSAT Astro LLC	DE
LTP Wireless 1, LLC	DE
LTWX I, LLC	DE
LTWX V, Inc.	CO
MacNeil/Lehrer Productions [gp]	NY
Manga Entertainment Limited	UK
Manga Entertainment, LLC	DE
Mid-East Finder Sales, LLC	DE
Namor Productions, LLC	DE
NSTBC, Inc.	DE
Overture Films, LLC	DE
Overture P.R., LLC	PUERTO RICO
Party Down, LLC	DE
PA-Thai [inactive]	THAILAND
Provide Berries, Inc.	DE
Provide Cards, Inc.	CA
Provide Commerce, Inc. (dba Shari's Berries)	DE
Provide Gifts, Inc. (dba RedEnvelope)	DE
Q The Music, Inc.	DE
QC Marks, Inc.	DE
QDirect Ventures, Inc.	DE
QExhibits, Inc.	DE
QHealth, Inc.	DE
QK Holdings, Inc.	DE
QLocal, Inc.	DE
QS Holdings, Inc.	DE
QVC [English Unlimited Liability Company]	GREAT BRITAIN
QVC Britain [English Unlimited Liability Company]	ENGLAND
QVC Britain I Limited [English limited liability company]	ENGLAND
QVC Britain I, Inc.	DE
QVC Britain II, Inc.	DE
QVC Britain III, Inc.	DE
QVC Call Center GmbH & Co. KG	GERMANY
QVC Call Center Verwaltungs-GmbH	GERMANY
QVC Cayman Holdings LLC	DE
QVC Cayman, Ltd.	CAYMAN
QVC Chesapeake, Inc.	VA
QVC China Domain Limited	HONG KONG
QVC China, Inc.	DE
QVC Delaware, Inc.	DE
QVC Deutschland GP, Inc.	DE
QVC Deutschland Inc. & Co. KG (a partnership)	GERMANY
QVC eDistribution Inc. & Co. KG	GERMANY
QVC eProperty Management GmbH & Co. KG	GERMANY
QVC eService Inc. & Co. KG	GERMANY
QVC Germany I LLC	DE
QVC Germany II LLC	DE
QVC Global DDGS, Inc.	DE
QVC Grundstücksverwaltungs GmbH	GERMANY
QVC GV Real Estate GmbH & Co. KG	GERMANY
QVC Handel GmbH	GERMANY

<u>Name</u>	<u>State/Country of Formation</u>
QVC India, Ltd.	DE
QVC International LLC	DE
QVC International Management GP LLC	DE
QVC International Management LLC & Co KG (a partnership)	GERMANY
QVC Italia S.r.l. [Italian limited liability company]	ITALY
QVC Italy Holdings, LLC	DE
QVC Japan Holdings, Inc.	DE
QVC Japan Services, Inc.	DE
QVC Japan, Inc.	JAPAN
QVC Mexico II, Inc.	DE
QVC Mexico III, Inc.	DE
QVC Mexico, Inc.	DE
QVC of Thailand, Inc.	DE
QVC Pension Trustee Limited	UK
QVC Productworks, Inc.	DE
QVC Properties, Ltd.	BRITAIN
QVC Publishing, Inc.	DE
QVC Realty, Inc.	PA
QVC Rocky Mount, Inc.	NC
QVC RS Naples, Inc.	FL
QVC San Antonio, LLC	TX
QVC Satellite, Ltd	JAPAN
QVC St. Lucie, Inc.	FL
QVC Studio GmbH	GERMANY
QVC Suffolk, Inc.	MN
QVC TX, LLC	DE
QVC UK Holdings Limited	ENGLAND/WALES
QVC, Inc.	DE
QVC-QRT, Inc.	DE
RS Marks, Inc.	DE
RS Myrtle Beach, Inc.	SC
Satellite MGT, LLC	DE
Savor North Carolina, Inc.	NC
SEG Investments, Inc.	DE
SFD Productions, LLC	DE
Sheepish, LLC	DE
Sparty Films LA, LLC	DE
Sparty Investments, LLC	DE
Starz Animation Slate, LLC	DE
Starz Australia Holdings Pty Ltd.	AUSTRALIA
Starz Canada Holdings I B.V.	NETHERLANDS
Starz Canada Holdings I Co. (unlimited liability company)	NOVA SCOTIA
Starz Canada Holdings II B.V.	NETHERLANDS
Starz Entertainment, LLC	CO
Starz Foreign Holdings B.V.	NETHERLANDS
Starz Foreign Holdings, LLC	DE
Starz Independent, LLC	DE
Starz Media Canada Co. (unlimited liability company)	NOVA SCOTIA
Starz Media Film Productions Puerto Rico, LLC	PUERTO RICO
Starz Media Group, Inc.	DE
Starz Media Holdings, LLC	DE
Starz Media, LLC	DE

<u>Name</u>	<u>State/Country of Formation</u>
Starz UK Holdings Limited	UK
Starz, LLC	DE
TATV, Inc.	DE
TBH Marks, Inc.	DE
The Stadium Club, Inc.	GA
TOBH, Inc.	DE
TP Caribbean, LLC	DE
TP Israel, LLC	DE
TP Middle East, LLC	DE
TP UK, LLC	DE
TPES, LLC	DE
TPRT, LLC	DE
TPUP LLC	DE
TruePosition China, LLC	DE
TruePosition, Inc.	DE
TSAT Holding 1, Inc.	DE
TSAT Holding 2, Inc.	DE
UNT, LLC	DE
Useful Networks Europe AB	SWEDEN
Useful Networks, Inc.	DE
WFRV and WJMN Television Station, Inc.	WI
Yankee Irving, LLC	DE
Zoombak, LLC	DE
Zoombak, Ltd.	UK

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[EXHIBIT 21](#)

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Liberty Media Corporation:

We consent to the incorporation by reference in the following registration statements of Liberty Media Corporation (the Company) of our reports dated February 25, 2010 with respect to the consolidated balance sheets of Liberty Media Corporation and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, comprehensive earnings, cash flows, and equity for each of the years in the three-year period ended December 31, 2009, and the effectiveness of internal control over financial reporting, which reports appear in the December 31, 2009 annual report on Form 10-K of Liberty Media Corporation.

<u>Form</u>	<u>Registration statement no.</u>	<u>Description</u>
S-8	333-134115	2000 LMC Incentive Plan (amended 5/9/06)
S-8	333-142626	2007 LMC Incentive Plan
S-8	333-134114	2002 Nonemployee Director Plan (amended 5/9/06)
S-8	333-134067	LMC 401(k) Plan
S-8	333-149543	2002 Nonemployee Director Plan (amended 5/9/06)
S-8	333-149542	2000 LMC Incentive Plan (amended 2/22/07)
S-8	333-149544	2007 LMC Incentive Plan
S-8	333-149545	LMC 401(k) Plan

Our report on the consolidated financial statements of Liberty Media Corporation refers to the Company's adoption, effective January 1, 2009, of Statement of Financial Accounting Standards (SFAS) No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51* (included in FASB ASC Topic 810, *Consolidation*), and effective January 1, 2008, the Company's adoption of SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115* (included in FASB ASC Topic 825, *Financial Instruments*), and SFAS No. 157, *Fair Value Measurements* (included in FASB ASC Topic 820, *Fair Value Measurements and Disclosures*).

KPMG LLP

Denver, Colorado
February 25, 2010

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[Consent of Independent Registered Public Accounting Firm](#)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-134067) pertaining to the Liberty Media 401(k) Savings Plan;
- (2) Registration Statement (Form S-8 No. 333-134114) pertaining to the Liberty Media Corporation 2002 Nonemployee Director Incentive Plan (As Amended and Restated Effective August 15, 2007);
- (3) Registration Statement (Form S-8 No. 333-134115) pertaining the LMC Incentive Plan;
- (4) Registration Statement (Form S-8 No. 333-142626) pertaining to the Liberty Media Corporation 2007 Incentive Plan;
- (5) Registration Statement (Form S-8 No. 333-149542) pertaining the LMC Incentive Plan;
- (6) Registration Statement (Form S-8 No. 333-149543) pertaining to the Liberty Media Corporation 2002 Nonemployee Director Incentive Plan (As Amended and Restated Effective August 15, 2007);
- (7) Registration Statement (Form S-8 No. 333-149544) pertaining to the Liberty Media Corporation 2007 Incentive Plan;
- (8) Registration Statement (Form S-8 No. 333-149545) pertaining to the Liberty Media 401(k) Savings Plan;

of our report dated February 11, 2010, with respect to the consolidated financial statements of Expedia, Inc. included in this Annual Report (Form 10-K) of Liberty Media Corporation for the year ended December 31, 2009.

Ernst & Young LLP

Seattle, Washington
February 25, 2010

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[Consent of Independent Registered Public Accounting Firm](#)

CERTIFICATION

I, Gregory B. Maffei, certify that:

1. I have reviewed this annual report on Form 10-K of Liberty Media Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements and other financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and
 - d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2010

/s/ GREGORY B. MAFFEI

Gregory B. Maffei
Chief Executive Officer and President

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[CERTIFICATION](#)

CERTIFICATION

I, David J.A. Flowers, certify that:

1. I have reviewed this annual report on Form 10-K of Liberty Media Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements and other financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and
 - d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2010

/s/ DAVID J.A. FLOWERS

David J.A. Flowers
Senior Vice President and Treasurer

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[CERTIFICATION](#)

CERTIFICATION

I, Christopher W. Shean, certify that:

1. I have reviewed this annual report on Form 10-K of Liberty Media Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements and other financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and
 - d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2010

/s/ CHRISTOPHER W. SHEAN

Christopher W. Shean
Senior Vice President and Controller

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[CERTIFICATION](#)

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Liberty Media Corporation, a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the period ended December 31, 2009 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 25, 2010

/s/ GREGORY B. MAFFEI

Gregory B. Maffei
Chief Executive Officer and President

Dated: February 25, 2010

/s/ DAVID J.A. FLOWERS

David J.A. Flowers
Senior Vice President and Treasurer
(Principal Financial Officer)

Dated: February 25, 2010

/s/ CHRISTOPHER W. SHEAN

Christopher W. Shean
Senior Vice President and Controller
(Principal Accounting Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document.

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[Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(Subsections \(a\) and \(b\) of Section 1350, Chapter 63 of Title 18, United States Code\)](#)

Unaudited Attributed Financial Information for Tracking Stock Groups

On May 9, 2006, we completed a restructuring and recapitalization pursuant to which we issued two new tracking stocks, one ("Liberty Interactive Stock") intended to reflect the separate performance of our businesses engaged in video and on-line commerce, the second ("Old Liberty Capital Stock") intended to reflect the separate performance of all of our assets and businesses not attributed to the Interactive Group. Each share of our existing Series A and Series B common stock was exchanged for .25 of a share of the same series of Liberty Interactive Stock and .05 of a share of the same series of Liberty Capital Stock.

On March 3, 2008, we completed a reclassification of our Old Liberty Capital Stock, whereby each share of Old Liberty Capital Stock was reclassified into four shares of the same series of Liberty Entertainment Stock and one share of the same series of Liberty Capital Stock. Our Liberty Entertainment Stock was intended to reflect the separate performance of our Entertainment Group, which was comprised of certain of our businesses previously attributed to the Capital Group and which are engaged in video programming, direct-to-home satellite distribution and communications. Our Capital Group is comprised of our assets and businesses not attributed to either the Interactive Group or the Entertainment Group.

On November 19, 2009, we completed the redemption of a portion of the outstanding shares of Liberty Entertainment Stock for all of the outstanding shares of a newly formed, wholly owned subsidiary, Liberty Entertainment, Inc. ("LEI") (the "Redemption"). The Redemption and the resulting separation of LEI from us pursuant to the Redemption are referred to herein as the Split Off.

In connection with the Redemption, we redeemed 90% of the outstanding shares of each series of Liberty Entertainment common stock for 100% of the outstanding shares of the same series of LEI, with cash in lieu of fractional shares. Immediately following the Split-Off, LEI and The DIRECTV Group, Inc. completed the DTV Business Combination and each of LEI and DIRECTV have become wholly owned subsidiaries of a new public holding company named DIRECTV ("Holdings"). We have included the results of operations of LEI, along with the gain recognized on the DTV Business combination, in earnings from discontinued operations in our and the Starz Group's statement of operations.

Subsequent to the Split Off, the Liberty Entertainment group was renamed the Liberty Starz group.

The following tables present our assets, liabilities, revenue, expenses and cash flows as of and for the years ended December 31, 2009, 2008 and 2007. The tables further present our assets, liabilities, revenue, expenses and cash flows that are attributed to the Interactive Group, the Starz Group and the Capital Group, respectively. The financial information should be read in conjunction with our audited financial statements for the years ended December 31, 2009, 2008 and 2007 included in this Annual Report on Form 10-K. The attributed financial information presented in the tables has been prepared assuming the restructuring and the reclassification had been completed as of January 1, 2007 and does not reflect the impacts of the Reattribution described in note 2 to our consolidated financial statements included in this Annual Report on Form 10-K.

Notwithstanding the following attribution of assets, liabilities, revenue, expenses and cash flows to the Interactive Group, the Starz Group and the Capital Group, our tracking stock capital structure does not affect the ownership or the respective legal title to our assets or responsibility for our liabilities. We and our subsidiaries each continue to be responsible for our respective liabilities. Holders of Liberty Interactive Stock, Liberty Starz Stock and Liberty Capital Stock are holders of our common stock and continue to be subject to risks associated with an investment in our company and all of our businesses, assets and liabilities. The issuance of Liberty Interactive Stock, Liberty Starz Stock and Liberty Capital Stock does not affect the rights of our creditors.

SUMMARY ATTRIBUTED FINANCIAL DATA

Interactive Group

	December 31,		
	2009	2008	2007
	amounts in millions		
Summary Balance Sheet Data:			
Current assets	\$ 3,379	3,282	2,921
Cost investments	\$ 734	739	2,044
Equity investments	\$ 895	901	1,311
Total assets	\$ 17,343	17,487	19,326
Long-term debt, including current portion	\$ 6,073	7,131	7,177
Deferred income tax liabilities, noncurrent	\$ 1,939	1,999	2,670
Attributed net assts	\$ 6,794	6,303	7,530

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Summary Operations Data:			
Revenue	\$ 8,305	8,079	7,802
Cost of goods sold	(5,332)	(5,224)	(4,925)
Operating expenses	(752)	(748)	(712)
Selling, general and administrative expenses(1)	(614)	(584)	(516)
Depreciation and amortization	(566)	(561)	(536)
Impairment of long-lived assets	—	(56)	—
Operating income	1,041	906	1,113
Interest expense	(496)	(473)	(465)
Share of earnings (losses) of affiliates	(14)	(1,192)	77
Other than temporary declines in fair value of investments	—	(440)	—
Other income (expense), net	(80)	(39)	51
Income tax benefit (expense)	(154)	493	(306)
Net earnings (loss)	297	(745)	470
Less net earnings attributable to the noncontrolling interests	39	36	29
Net earnings (loss) attributable to Liberty Media Corporation stockholders	\$ 258	(781)	441

(1) Includes stock-based compensation of \$47 million, \$32 million and \$35 million for the years ended December 31, 2009, 2008 and 2007, respectively.

SUMMARY ATTRIBUTED FINANCIAL DATA

Starz Group

	December 31,		
	2009	2008	2007
	amounts in millions		
Summary Balance Sheet Data:			
Current assets	\$ 1,544	1,476	793
Assets of discontinued operations	\$ —	14,211	11,050
Total assets	\$ 2,198	16,352	13,808
Long-term debt, including current portion	\$ 48	52	473
Attributed net assts	\$ 2,040	12,180	9,457

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Summary Operations Data:			
Revenue	\$ 1,204	1,124	1,091
Operating expenses	(685)	(682)	(704)
Selling, general and administrative expenses(1)	(221)	(167)	(170)
Depreciation and amortization	(21)	(26)	(25)
Impairment of long-lived assets	(5)	(1,262)	(41)
Operating income (loss)	272	(1,013)	151
Interest expense	(2)	(22)	(25)
Share of losses of affiliates	(10)	(7)	—
Realized and unrealized gains on financial instruments	8	272	14
Other income, net	31	1	3
Income tax expense	(86)	(191)	(69)
Earnings (loss) from continuing operations	213	(960)	74
Earnings from discontinued operations	5,864	5,812	41
Net earnings	6,077	4,852	115
Less net loss attributable to the noncontrolling interests	—	—	(21)
Net earnings attributable to Liberty Media Corporation stockholders	\$ 6,077	4,852	136

(1) Includes stock-based compensation of \$76 million, \$15 million and \$42 million for the years ended December 31, 2009, 2008 and 2007, respectively.

SUMMARY ATTRIBUTED FINANCIAL DATA

Capital Group

	December 31,		
	2009	2008	2007
	amounts in millions		
Summary Balance Sheet Data:			
Current assets	\$ 4,087	2,973	2,759
Cost investments	\$ 3,355	2,118	4,873
Total assets	\$ 9,373	8,361	12,679
Long-term debt, including current portion	\$ 3,653	3,063	4,065
Deferred income tax liabilities, noncurrent	\$ 730	1,166	2,267
Attributed net assets	\$ 1,275	1,121	2,599

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Summary Operations Data:			
Revenue	\$ 649	614	485
Operating expenses	(486)	(515)	(480)
Selling, general and administrative expenses(1)	(343)	(398)	(227)
Depreciation and amortization	(79)	(101)	(102)
Impairment of long-lived assets	(4)	(251)	(182)
Operating loss	(263)	(651)	(506)
Interest expense	(130)	(172)	(151)
Realized and unrealized gains (losses) on derivative instruments, net	(42)	(292)	1,261
Gain on dispositions, net	215	16	635
Other income, net	91	75	114
Income tax benefit	256	440	62
Earnings (loss) from continuing operations	127	(584)	1,415
Earnings from discontinued operations, net of taxes	—	—	149
Net earnings (loss)	127	(584)	1,564
Less net earnings attributable to the noncontrolling interests	—	8	27
Net earnings (loss) attributable to Liberty Media Corporation stockholders	\$ 127	(592)	1,537

(1) Includes stock-based compensation of \$5 million, \$2 million and \$12 million for the years ended December 31, 2009, 2008 and 2007, respectively.

BALANCE SHEET INFORMATION
December 31, 2009
(unaudited)

	Attributed (note 1)			Inter-group eliminations	Consolidated Liberty
	Interactive Group	Starz Group	Capital Group		
amounts in millions					
<i>Assets</i>					
Current assets:					
Cash and cash equivalents	\$ 884	794	3,157	—	4,835
Trade and other receivables, net	1,250	191	77	—	1,518
Inventory, net	985	—	—	—	985
Program rights	—	469	—	—	469
Financial instruments	—	—	752	—	752
Current deferred tax assets	195	88	—	(283)	—
Other current assets	65	2	101	—	168
Total current assets	<u>3,379</u>	<u>1,544</u>	<u>4,087</u>	<u>(283)</u>	<u>8,727</u>
Investments in available-for-sale securities and other cost investments (note 2)	734	31	3,355	—	4,120
Investments in affiliates, accounted for using the equity method (note 3)	895	—	135	—	1,030
Property and equipment, net	1,030	109	166	—	1,305
Goodwill	5,891	133	201	—	6,225
Trademarks	2,492	2	14	—	2,508
Intangible assets subject to amortization, net	2,840	2	185	—	3,027
Other assets, at cost, net of accumulated amortization	82	377	1,230	—	1,689
Total assets	<u>\$ 17,343</u>	<u>2,198</u>	<u>9,373</u>	<u>(283)</u>	<u>28,631</u>
<i>Liabilities and Equity</i>					
Current liabilities:					
Accounts payable	\$ 578	7	13	—	598
Accrued liabilities	768	116	153	—	1,037
Intergroup payable (receivable)	116	(80)	(36)	—	—
Intergroup notes (note 1)	316	(158)	(158)	—	—
Financial instruments	143	—	859	—	1,002
Current portion of debt (note 4)	663	4	1,265	—	1,932
Current deferred tax liabilities	—	—	1,530	(283)	1,247
Other current liabilities	159	165	36	—	360
Total current liabilities	<u>2,743</u>	<u>54</u>	<u>3,662</u>	<u>(283)</u>	<u>6,176</u>
Long-term debt (note 4)	5,410	44	2,388	—	7,842
Long-term financial instruments	130	—	2	—	132
Deferred income tax liabilities (note 6)	1,939	6	730	—	2,675
Other liabilities	198	54	1,316	—	1,568
Total liabilities	<u>10,420</u>	<u>158</u>	<u>8,098</u>	<u>(283)</u>	<u>18,393</u>
Equity/Attributed net assets	6,794	2,040	1,275	—	10,109
Noncontrolling interests in equity of subsidiaries	129	—	—	—	129
Total liabilities and equity	<u>\$ 17,343</u>	<u>2,198</u>	<u>9,373</u>	<u>(283)</u>	<u>28,631</u>

BALANCE SHEET INFORMATION
December 31, 2008
(unaudited)

	Attributed (note 1)			Inter-group eliminations	Consolidated Liberty
	Interactive Group	Starz Group	Capital Group		
	amounts in millions				
<i>Assets</i>					
Current assets:					
Cash and cash equivalents	\$ 832	732	1,496	—	3,060
Trade and other receivables, net	1,171	181	156	—	1,508
Inventory, net	1,032	—	—	—	1,032
Program rights	—	492	—	(1)	491
Financial instruments	—	14	1,119	—	1,133
Current deferred tax assets	201	55	—	(256)	—
Other current assets	46	2	202	(18)	232
Assets of discontinued operations—current	—	163	—	—	163
Total current assets	<u>3,282</u>	<u>1,639</u>	<u>2,973</u>	<u>(275)</u>	<u>7,619</u>
Investments in available-for-sale securities and other cost investments (note 2)	739	—	2,118	—	2,857
Long-term financial instruments	—	—	1,166	—	1,166
Investments in affiliates, accounted for using the equity method (note 3)	901	12	223	—	1,136
Property and equipment, net	1,064	117	147	—	1,328
Goodwill	5,859	137	205	—	6,201
Trademarks	2,491	—	14	—	2,505
Other non-amortizable intangibles	—	—	158	—	158
Intangible assets subject to amortization, net	3,115	11	230	—	3,356
Other assets, at cost, net of accumulated amortization	36	388	1,127	(22)	1,529
Assets of discontinued operations	—	14,048	—	—	14,048
Total assets	<u>\$ 17,487</u>	<u>16,352</u>	<u>8,361</u>	<u>(297)</u>	<u>41,903</u>
<i>Liabilities and Equity</i>					
Current liabilities:					
Accounts payable	\$ 513	1	24	—	538
Accrued liabilities	741	140	212	(1)	1,092
Intergroup payable/receivable	71	15	(86)	—	—
Financial instruments	155	—	398	—	553
Current portion of debt (note 4)	175	4	437	—	616
Current deferred tax liabilities	—	—	1,029	(256)	773
Other current liabilities	55	180	71	(15)	291
Liabilities of discontinued operations—current	—	277	—	—	277
Total current liabilities	<u>1,710</u>	<u>617</u>	<u>2,085</u>	<u>(272)</u>	<u>4,140</u>
Long-term debt (note 4)	6,956	48	2,626	—	9,630
Long-term financial instruments	178	—	11	—	189
Deferred income tax liabilities (note 6)	1,999	—	1,166	(22)	3,143
Other liabilities	187	9	1,351	(1)	1,546
Liabilities of discontinued operations	—	3,498	—	—	3,498
Total liabilities	<u>11,030</u>	<u>4,172</u>	<u>7,239</u>	<u>(295)</u>	<u>22,146</u>
Equity/Attributed net assets	6,303	12,180	1,121	(2)	19,602
Noncontrolling interests in equity of subsidiaries	154	—	1	—	155
Total liabilities and equity	<u>\$ 17,487</u>	<u>16,352</u>	<u>8,361</u>	<u>(297)</u>	<u>41,903</u>

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS (LOSS) INFORMATION
Year ended December 31, 2009
(unaudited)

	Attributed (note 1)			Consolidated Liberty
	Interactive Group	Starz Group	Capital Group	
	amounts in millions			
Revenue:				
Net retail sales	\$ 8,305	—	—	8,305
Communications and programming services	—	1,204	649	1,853
	<u>8,305</u>	<u>1,204</u>	<u>649</u>	<u>10,158</u>
Operating costs and expenses:				
Cost of sales	5,332	—	—	5,332
Operating	752	685	486	1,923
Selling, general and administrative, including stock-based compensation (notes 1 and 5)	614	221	343	1,178
Depreciation and amortization	566	21	79	666
Impairment of long-lived assets	—	5	4	9
	<u>7,264</u>	<u>932</u>	<u>912</u>	<u>9,108</u>
Operating income (loss)	1,041	272	(263)	1,050
Other income (expense):				
Interest expense	(496)	(2)	(130)	(628)
Dividend and interest income	8	2	115	125
Intergroup interest income (expense)	(16)	8	8	—
Share of losses of affiliates, net	(14)	(10)	(34)	(58)
Realized and unrealized gains (losses) on financial instruments, net	(121)	8	(42)	(155)
Gains on dispositions, net	42	27	215	284
Other than temporary declines in fair value of investments	—	—	(9)	(9)
Loss on early extinguishment of debt	(11)	—	—	(11)
Other, net	18	(6)	11	23
	<u>(590)</u>	<u>27</u>	<u>134</u>	<u>(429)</u>
Earnings (loss) before income taxes	451	299	(129)	621
Income tax benefit (expense) (note 6)				
	(154)	(86)	256	16
Net earnings (loss) from continuing operations	297	213	127	637
Earnings from discontinued operations, net of taxes	—	5,864	—	5,864
Net earnings	297	6,077	127	6,501
Less net earnings attributable to the noncontrolling interests	39	—	—	39
Net earnings attributable to Liberty Media Corporation stockholders	<u>\$ 258</u>	<u>6,077</u>	<u>127</u>	<u>6,462</u>
Net earnings	<u>\$ 297</u>	<u>6,077</u>	<u>127</u>	<u>6,501</u>
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	1	—	2	3
Unrealized holding gains arising during the period	187	—	43	230
Recognition of previously unrealized gains on available-for-sale securities, net	(26)	—	(1)	(27)
Share of other comprehensive loss of equity affiliates	(5)	—	—	(5)
Other	47	—	(4)	43
Other comprehensive earnings from discontinued operations	—	31	—	31
Other comprehensive earnings	<u>204</u>	<u>31</u>	<u>40</u>	<u>275</u>
Comprehensive earnings	501	6,108	167	6,776
Less comprehensive earnings attributable to the noncontrolling interests	32	—	—	32
Comprehensive earnings attributable to Liberty Media Corporation stockholders	<u>\$ 469</u>	<u>6,108</u>	<u>167</u>	<u>6,744</u>

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS (LOSS) INFORMATION
Year ended December 31, 2008
(unaudited)

	Attributed (note 1)			Consolidated Liberty
	Interactive Group	Starz Group	Capital Group	
	amounts in millions			
Revenue:				
Net retail sales	\$ 8,079	—	—	8,079
Communications and programming services	—	1,124	614	1,738
	<u>8,079</u>	<u>1,124</u>	<u>614</u>	<u>9,817</u>
Operating costs and expenses:				
Cost of sales	5,224	—	—	5,224
Operating	748	682	515	1,945
Selling, general and administrative, including stock-based compensation (notes 1 and 5)	584	167	398	1,149
Depreciation and amortization	561	26	101	688
Impairment of long-lived assets	56	1,262	251	1,569
	<u>7,173</u>	<u>2,137</u>	<u>1,265</u>	<u>10,575</u>
Operating income (loss)	906	(1,013)	(651)	(758)
Other income (expense):				
Interest expense	(473)	(22)	(172)	(667)
Dividend and interest income	22	16	136	174
Share of losses of affiliates, net	(1,192)	(7)	(64)	(1,263)
Realized and unrealized gains (losses) on financial instruments, net	(240)	272	(292)	(260)
Gains (losses) on dispositions of assets, net	2	(3)	16	15
Other than temporary declines in fair value of investments	(440)	—	(1)	(441)
Gain on early extinguishment of debt	240	—	—	240
Other, net	(63)	(12)	4	(71)
	<u>(2,144)</u>	<u>244</u>	<u>(373)</u>	<u>(2,273)</u>
Loss from continuing operations before income taxes	(1,238)	(769)	(1,024)	(3,031)
Income tax benefit (expense) (note 6)	493	(191)	440	742
Loss from continuing operations	(745)	(960)	(584)	(2,289)
Earnings from discontinued operations, net of taxes	—	5,812	—	5,812
Net earnings (loss)	(745)	4,852	(584)	3,523
Less net earnings attributable to the noncontrolling interests	36	—	8	44
Net earnings (loss) attributable to Liberty Media Corporation stockholders	<u>\$ (781)</u>	<u>4,852</u>	<u>(592)</u>	<u>3,479</u>
Net earnings (loss)	<u>\$ (745)</u>	<u>4,852</u>	<u>(584)</u>	<u>3,523</u>
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	(10)	—	(9)	(19)
Unrealized holding losses arising during the period	(498)	—	(2)	(500)
Recognition of previously unrealized losses on available-for-sale securities, net	272	—	1	273
Share of other comprehensive loss of equity affiliates	(10)	—	—	(10)
Other	(60)	—	(2)	(62)
Other comprehensive loss from discontinued operations	—	(2,618)	—	(2,618)
Other comprehensive loss	<u>(306)</u>	<u>(2,618)</u>	<u>(12)</u>	<u>(2,936)</u>
Comprehensive earnings (loss)	(1,051)	2,234	(596)	587
Less comprehensive earnings attributable to the noncontrolling interests	63	—	8	71
Comprehensive earnings (loss) attributable to Liberty Media Corporation stockholders	<u>\$ (1,114)</u>	<u>2,234</u>	<u>(604)</u>	<u>516</u>

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS (LOSS) INFORMATION
Year ended December 31, 2007
(unaudited)

	Attributed (note 1)			Consolidated Liberty
	Interactive Group	Starz Group	Capital Group	
	amounts in millions			
Revenue:				
Net retail sales	\$ 7,802	—	—	7,802
Communications and programming services	—	1,091	485	1,576
	<u>7,802</u>	<u>1,091</u>	<u>485</u>	<u>9,378</u>
Operating costs and expenses:				
Cost of sales	4,925	—	—	4,925
Operating	712	704	480	1,896
Selling, general and administrative, including stock-based compensation (notes 1 and 5)	516	170	227	913
Depreciation and amortization	536	25	102	663
Impairment of long-lived assets	—	41	182	223
	<u>6,689</u>	<u>940</u>	<u>991</u>	<u>8,620</u>
Operating income (loss)	1,113	151	(506)	758
Other income (expense):				
Interest expense	(465)	(25)	(151)	(641)
Dividend and interest income	44	3	217	264
Share of earnings (losses) of affiliates, net	77	—	(68)	9
Realized and unrealized gains (losses) on financial instruments, net	(6)	14	1,261	1,269
Gains (losses) on dispositions of assets, net	12	(1)	635	646
Other than temporary declines in fair value of investments	—	—	(33)	(33)
Other, net	1	1	(2)	—
	<u>(337)</u>	<u>(8)</u>	<u>1,859</u>	<u>1,514</u>
Earnings from continuing operations before income taxes	776	143	1,353	2,272
Income tax benefit (expense) (note 6)	(306)	(69)	62	(313)
Earnings from continuing operations	470	74	1,415	1,959
Earnings from discontinued operations, net of taxes	—	41	149	190
Net earnings	470	115	1,564	2,149
Less net earnings (loss) attributable to the noncontrolling interests	29	(21)	27	35
Net earnings attributable to Liberty Media Corporation stockholders	\$ 441	136	1,537	2,114
Net earnings	<u>\$ 470</u>	<u>115</u>	<u>1,564</u>	<u>2,149</u>
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	102	—	(1)	101
Unrealized holding losses arising during the period	(394)	—	(845)	(1,239)
Recognition of previously unrealized gains on available-for-sale securities, net	—	—	(375)	(375)
Share of other comprehensive earnings of equity affiliates	3	—	—	3
Other	(46)	—	—	(46)
Other comprehensive loss from discontinued operations	—	(317)	—	(317)
Other comprehensive loss	<u>(335)</u>	<u>(317)</u>	<u>(1,221)</u>	<u>(1,873)</u>
Comprehensive earnings (loss)	135	(202)	343	276
Less comprehensive earnings (loss) attributable to the noncontrolling interests	35	(21)	27	41
Comprehensive earnings (loss) attributable to Liberty Media Corporation stockholders	<u>\$ 100</u>	<u>(181)</u>	<u>316</u>	<u>235</u>

STATEMENT OF CASH FLOWS INFORMATION
Year ended December 31, 2009
(unaudited)

	Attributed (note 1)			Consolidated Liberty
	Interactive Group	Starz Group	Capital Group	
	amounts in millions			
Cash flows from operating activities:				
Net earnings	\$ 297	6,077	127	6,501
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Earnings from discontinued operations	—	(5,864)	—	(5,864)
Depreciation and amortization	566	21	79	666
Impairment of long-lived assets	—	5	4	9
Stock-based compensation	47	76	5	128
Cash payments for stock based compensation	(9)	(2)	—	(11)
Noncash interest expense	97	—	—	97
Share of losses of affiliates, net	14	10	34	58
Realized and unrealized losses (gains) on financial instruments, net	121	(8)	42	155
Gains on disposition of assets, net	(42)	(27)	(215)	(284)
Other than temporary declines in fair value of investments	—	—	9	9
Deferred income tax expense (benefit)	(203)	(8)	53	(158)
Other noncash charges (credits), net	(6)	21	60	75
Intergroup tax allocation	224	97	(321)	—
Intergroup tax payments	(168)	(96)	264	—
Other intergroup cash transfers, net	2	(10)	8	—
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions:				
Current and other assets	5	(15)	29	19
Payables and other current liabilities	142	(21)	(74)	47
Net cash provided by operating activities	1,087	256	104	1,447
Cash flows from investing activities:				
Cash proceeds from dispositions	306	—	251	557
Proceeds from settlement of financial instruments	7	21	1,346	1,374
Cash paid for acquisitions, net of cash acquired	(2)	(1)	(1)	(4)
Investments in and loans to cost and equity investees	(24)	—	(726)	(750)
Repayment of loan by equity investee	—	—	634	634
Capital expended for property and equipment	(208)	(10)	(46)	(264)
Net decrease (increase) in restricted cash	(12)	—	66	54
Other investing activities, net	(19)	—	72	53
Net cash provided by investing activities	48	10	1,596	1,654
Cash flows from financing activities:				
Borrowings of debt	1,277	—	2,061	3,338
Intergroup debt borrowings	510	(255)	(255)	—
Repayments of debt	(2,538)	(3)	(2,141)	(4,682)
Repurchases of Liberty common stock	—	(13)	(5)	(18)
Settlement of financial instruments	(177)	—	28	(149)
Premium proceeds from financial instruments	177	—	155	332
Repayment of intergroup loan	(194)	97	97	—
Other financing activities, net	(121)	99	21	(1)
Net cash used by financing activities	(1,066)	(75)	(39)	(1,180)
Effect of foreign currency rates on cash	(17)	(8)	—	(25)
Net cash provided to discontinued operations:				
Cash used by operating activities	—	(5)	—	(5)
Cash used by investing activities	—	(15)	—	(15)
Cash provided by financing activities	—	—	—	—
Change in available cash held by discontinued operations	—	(101)	—	(101)
Net cash provided to discontinued operations	—	(121)	—	(121)
Net increase in cash and cash equivalents	52	62	1,661	1,775
Cash and cash equivalents at beginning of year	832	732	1,496	3,060
Cash and cash equivalents at end year	<u>\$ 884</u>	<u>794</u>	<u>3,157</u>	<u>4,835</u>

STATEMENT OF CASH FLOWS INFORMATION
Year ended December 31, 2008
(unaudited)

	Attributed (note 1)			Consolidated Liberty
	Interactive Group	Starz Group	Capital Group	
	amounts in millions			
Cash flows from operating activities:				
Net earnings (loss)	\$ (745)	4,852	(584)	3,523
Adjustments to reconcile net earnings (loss) to net cash provided (used) by operating activities:				
Earnings from discontinued operations		(5,812)		(5,812)
Depreciation and amortization	561	26	101	688
Impairment of long-lived assets	56	1,262	251	1,569
Stock-based compensation	32	15	2	49
Cash payments for stock-based compensation	(9)	(14)	(1)	(24)
Noncash interest expense	7		1	8
Share of losses of affiliates, net	1,192	7	64	1,263
Realized and unrealized losses (gains) on financial instruments, net	240	(272)	292	260
Losses (gains) on dispositions of assets, net	(2)	3	(16)	(15)
Other than temporary declines in fair value of investments	440		1	441
Deferred income tax expense (benefit)	(828)	131	(300)	(997)
Other noncash charges (credits), net	(178)		98	(80)
Intergroup tax allocation	239	59	(298)	
Intergroup tax payments	(190)	(79)		269
Other intergroup cash transfers, net	(68)	9	59	
Changes in operating assets and liabilities, net of the effects of acquisitions:				
Current and other assets	(74)	60	(129)	(143)
Payables and other current liabilities	(165)	(23)	100	(88)
Net cash provided (used) by operating activities	<u>508</u>	<u>224</u>	<u>(90)</u>	<u>642</u>
Cash flows from investing activities:				
Cash proceeds from dispositions	18		17	35
Proceeds from settlement of financial instruments			33	33
Cash paid for acquisitions, net of cash acquired	(69)	(7)	(1)	(77)
Investment in and loans to cost and equity investees	(340)	(19)	(232)	(591)
Capital expended for property and equipment	(166)	(7)	(29)	(202)
Net decrease in restricted cash			383	383
Other investing activities, net	16	(11)	(88)	(83)
Net cash provided (used) by investing activities	<u>(541)</u>	<u>(44)</u>	<u>83</u>	<u>(502)</u>
Cash flows from financing activities:				
Borrowings of debt	1,483		1,548	3,031
Repayments of debt	(1,437)	(3)	(1,323)	(2,763)
Repurchases of Liberty common stock	(75)		(462)	(537)
Settlement of financial instruments	(56)	(13)	(277)	(346)
Intergroup cash transfers, net		450	(450)	
Reattribution of cash	380	(380)		
Other financing activities, net	(17)	15	(8)	(10)
Net cash provided (used) by financing activities	<u>278</u>	<u>69</u>	<u>(972)</u>	<u>(625)</u>
Effect of foreign currency rates on cash	30		(13)	17
Net cash provided by discontinued operations:				
Cash provided by operating activities		2		2
Cash used by investing activities		(1,464)		(1,464)
Cash provided by financing activities		1,930		1,930
Change in available cash held by discontinued operations		(68)		(68)
Net cash provided by discontinued operations		<u>400</u>		<u>400</u>
Net increase (decrease) in cash and cash equivalents	275	649	(992)	(68)
Cash and cash equivalents at beginning of year	557	83	2,488	3,128
Cash and cash equivalents at end of year	<u>\$ 832</u>	<u>732</u>	<u>1,496</u>	<u>3,060</u>

STATEMENT OF CASH FLOWS INFORMATION
Year ended December 31, 2007
(unaudited)

	Attributed (note 1)			Consolidated Liberty
	Interactive Group	Starz Group	Capital Group	
	amounts in millions			
Cash flows from operating activities:				
Net earnings	\$ 470	115	1,564	2,149
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Earnings from discontinued operations	—	(41)	(149)	(190)
Depreciation and amortization	536	25	102	663
Impairment of long-lived assets	—	41	182	223
Stock-based compensation	35	42	12	89
Cash payments for stock-based compensation	(37)	—	(3)	(40)
Noncash interest expense	4	—	5	9
Share of losses (earnings) of affiliates, net	(77)	—	68	(9)
Realized and unrealized losses (gains) on financial instruments, net	6	(14)	(1,261)	(1,269)
Losses (gains) on dispositions of assets, net	(12)	1	(635)	(646)
Other than temporary declines in fair value of investments	—	—	33	33
Deferred income tax expense (benefit)	(128)	48	200	120
Other noncash charges (credits), net	(1)	—	142	141
Intergroup tax allocation	278	21	(299)	—
Intergroup tax payments	(321)	(50)	371	—
Other intergroup cash transfers, net	54	—	(54)	—
Changes in operating assets and liabilities, net of the effects of acquisitions:				
Current and other assets	(290)	21	(165)	(434)
Payables and other current liabilities	87	(41)	223	269
Net cash provided by operating activities	<u>604</u>	<u>168</u>	<u>336</u>	<u>1,108</u>
Cash flows from investing activities:				
Cash proceeds from dispositions	12	—	483	495
Proceeds from settlement of financial instruments	—	—	75	75
Cash received in exchange transactions	—	—	1,154	1,154
Cash paid for acquisitions, net of cash acquired	(236)	—	(7)	(243)
Investment in special purpose entity	—	—	(750)	(750)
Capital expended for property and equipment	(289)	(10)	(16)	(315)
Net increase in restricted stock	—	—	(882)	(882)
Other investing activities, net	(74)	3	(98)	(169)
Net cash used by investing activities	<u>(587)</u>	<u>(7)</u>	<u>(41)</u>	<u>(635)</u>
Cash flows from financing activities:				
Borrowings of debt	1,112	—	757	1,869
Repayments of debt	(332)	(3)	(163)	(498)
Repurchases of Liberty common stock	(1,224)	—	(1,305)	(2,529)
Intergroup cash transfers, net	—	(111)	111	—
Contribution from noncontrolling owner	—	—	751	751
Other financing activities, net	28	1	(27)	2
Net cash provided (used) by financing activities	<u>(416)</u>	<u>(113)</u>	<u>124</u>	<u>(405)</u>
Effect of foreign currency rates on cash	10	—	(2)	8
Net cash provided by discontinued operations:				
Cash provided by operating activities	—	50	8	58
Cash provided (used) by investing activities	—	7	(9)	(2)
Cash used by financing activities	—	(106)	—	(106)
Change in available cash held by discontinued operations	—	2	2	4
Net cash provided (used) by discontinued operations	<u>—</u>	<u>(47)</u>	<u>1</u>	<u>(46)</u>
Net increase (decrease) in cash and cash equivalents	(389)	1	418	30
Cash and cash equivalents at beginning of year	946	82	2,070	3,098
Cash and cash equivalents at end of year	<u>\$ 557</u>	<u>83</u>	<u>2,488</u>	<u>3,128</u>

Notes to Attributed Financial Information

(unaudited)

- (1) The assets attributed to our Interactive Group as of December 31, 2009 include our consolidated subsidiaries QVC, Inc., Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC and BuySeasons, Inc., and our interests in IAC/InterActiveCorp, Expedia, Inc., GSI Commerce, Inc., HSN, Inc., Interval Leisure Group, Inc., Ticketmaster Entertainment, Inc. and Tree.com, Inc. Accordingly, the accompanying attributed financial information for the Interactive Group includes the foregoing investments, as well as the assets, liabilities, revenue, expenses and cash flows of QVC, Provide, Backcountry, Bodybuilding and BuySeasons. We have also attributed certain of our debt obligations (and related interest expense) to the Interactive Group based upon a number of factors, including the cash flow available to the Interactive Group and its ability to pay debt service and our assessment of the optimal capitalization for the Interactive Group. The specific debt obligations attributed to each of the Interactive Group, the Starz Group and the Capital Group are described in note 4 below. In addition, we have allocated certain corporate general and administrative expenses among the Interactive Group, the Starz Group and the Capital Group as described in note 5 below.

The Interactive Group focuses on video and on-line commerce businesses. Accordingly, we expect that businesses that we may acquire in the future that we believe are complementary to this strategy will also be attributed to the Interactive Group.

The Starz Group consists primarily of our subsidiary Starz Entertainment, LLC, and approximately \$542 million of corporate cash. Accordingly, the accompanying attributed financial information for the Starz Group includes the assets, liabilities, revenue, expenses and cash flows of Starz Entertainment.

The Starz Group focuses primarily on programming businesses. Accordingly, we expect that businesses that we may acquire in the future that we believe are complementary to Starz Entertainment will also be attributed to the Starz Group.

The Capital Group consists of all of our businesses not included in the Interactive Group or the Starz Group, including our consolidated subsidiaries Starz Media, LLC, Atlanta National League Baseball Club, Inc. and TruePosition, Inc., and certain cost and equity investments. Accordingly, the accompanying attributed financial information for the Capital Group includes these investments and the assets, liabilities, revenue, expenses and cash flows of these consolidated subsidiaries. In addition, we have attributed to the Capital Group all of our notes and debentures (and related interest expense) that have not been attributed to the Interactive Group or the Starz Group. See note 4 below for the debt obligations attributed to the Capital Group.

Any businesses that we may acquire in the future that we do not attribute to the Interactive Group or the Starz Group will be attributed to the Capital Group.

While we believe the allocation methodology described above is reasonable and fair to each group, we may elect to change the allocation methodology in the future. In the event we elect to transfer assets or businesses from one group to the other, such transfer would be made on a fair value basis and would be accounted for as a short-term loan unless our board of directors determines to account for it as a long-term loan or through an inter-group interest.

Notes to Attributed Financial Information (Continued)

(unaudited)

- (2) Investments in AFS securities, which are recorded at their respective fair market values, and other cost investments are summarized as follows:

	December 31,	
	2009	2008
amounts in millions		
Capital Group		
Time Warner Inc.(a)	\$ 997	1,033
Time Warner Cable Inc.(a)	356	—
Sprint Nextel Corporation(a)	260	160
Motorola, Inc.(a)	403	328
Viacom, Inc.	226	145
CenturyTel, Inc./Embarq Corporation(a)	195	157
Other available-for-sale equity securities(a)	220	40
Other available-for-sale debt securities	676	224
Other cost investments and related receivables	22	31
Total attributed Capital Group	3,355	2,118
Interactive Group		
IAC/InterActiveCorp	492	638
Other	242	101
Total attributed Interactive Group	734	739
Starz Group		
Other	31	—
Total attributed Starz Group	31	—
Consolidated Liberty	\$ 4,120	2,857

- (a) Includes shares pledged as collateral for share borrowing arrangements.

- (3) The following table presents information regarding certain equity method investments attributed to each of the Interactive Group and the Capital Group:

	December 31, 2009			Share of earnings (losses) years ended December 31,		
	Percentage ownership	Carrying value	Market value	2009	2008	2007
dollar amounts in millions						
Interactive Group						
Expedia(a)	24%	\$ 631	1,781	72	(726)	68
Capital Group						
Sirius	40%	\$ 33	(b)	(28)	—	—

- (a) Our share of losses of Expedia for the year ended December 31, 2008 includes the write off of our excess basis in the amount of \$119 million.
- (b) As of December 31, 2009, the Sirius Preferred Stock had a market value of \$1,552 million based on the value of the common stock into which it is convertible.

Notes to Attributed Financial Information (Continued)

(unaudited)

- (4) Debt attributed to the Interactive Group, the Capital Group and the Starz Group is comprised of the following:

	December 31, 2009	
	Outstanding principal	Carrying value
amounts in millions		
Interactive Group		
5.7% Senior Notes due 2013	\$ 803	801
8.5% Senior Debentures due 2029	287	284
8.25% Senior Debentures due 2030	504	501
3.25% Exchangeable Senior Debentures due 2031	541	320
QVC 7.5% Senior Secured Notes due 2019	1,000	983
QVC bank credit facilities	2,996	2,996
Other debt	188	188
Total Interactive Group debt	6,319	6,073
Capital Group		
3.125% Exchangeable Senior Debentures due 2023	1,138	1,157
4% Exchangeable Senior Debentures due 2029	469	243
3.75% Exchangeable Senior Debentures due 2030	460	237
3.5% Exchangeable Senior Debentures due 2031	494	297
Liberty bank facility	750	750
Liberty derivative loan	838	838
Subsidiary debt	131	131
Total Capital Group debt	4,280	3,653
Starz Group		
Subsidiary debt	48	48
Total debt	\$ 10,647	9,774

- (5) Cash compensation expense for our corporate employees has been allocated among the Interactive Group, the Starz Group and the Capital Group based on the estimated percentage of time spent providing services for each group. Stock-based compensation expense for our corporate employees has been allocated among the Interactive Group, the Starz Group and the Capital Group based on the compensation derived from the equity awards for the respective tracking stock. Other general and administrative expenses are charged directly to the groups whenever possible and are otherwise allocated based on estimated usage or some other reasonably determined methodology. Amounts allocated from the Capital Group to the Interactive Group and the Starz Group, including stock-based compensation, are as follows:

	Years ended December 31,		
	2009	2008	2007
amounts in millions			
Interactive Group	\$ 26	19	17
Starz Group	\$ 46	11	19

Notes to Attributed Financial Information (Continued)

(unaudited)

While we believe that this allocation method is reasonable and fair to each group, we may elect to change the allocation methodology or percentages used to allocate general and administrative expenses in the future.

- (6) We have accounted for income taxes for the Interactive Group, the Starz Group and the Capital Group in the accompanying attributed financial information in a manner similar to a stand-alone company basis. To the extent this methodology differs from our tax sharing policy, differences have been reflected in the attributed net assets of the groups.

Interactive Group

The Interactive Group's income tax benefit (expense) consists of:

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Current:			
Federal	\$ (223)	(220)	(280)
State and local	(49)	(19)	(64)
Foreign	(85)	(96)	(90)
	<u>(357)</u>	<u>(335)</u>	<u>(434)</u>
Deferred:			
Federal	173	708	94
State and local	27	110	33
Foreign	3	10	1
	<u>203</u>	<u>828</u>	<u>128</u>
Income tax benefit (expense)	<u>\$ (154)</u>	<u>493</u>	<u>(306)</u>

The Interactive Group's 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,		
	2009	2008	2007
	amounts in millions		
Computed expected tax benefit (expense)	\$ (158)	433	(272)
State and local income taxes, net of federal income taxes	(20)	57	(19)
Foreign taxes, net of foreign tax credits	(4)	28	(10)
Change in valuation allowance affecting tax expense	—	15	5
Nondeductible losses related to the Company's common stock	20	(57)	—
Recognition of tax benefits (expense) not previously recognized, net	—	19	(5)
Expenses not deductible for income tax purposes	(1)	—	(1)
Other, net	9	(2)	(4)
Income tax benefit (expense)	<u>\$ (154)</u>	<u>493</u>	<u>(306)</u>

Notes to Attributed Financial Information (Continued)

(unaudited)

The tax effects of temporary differences that give rise to significant portions of the Interactive Group's deferred tax assets and deferred tax liabilities are presented below:

	December 31,	
	2009	2008
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	\$ 36	42
Accrued stock compensation	17	11
Other accrued liabilities	169	197
Deferred revenue	16	9
Investments	124	181
Other future deductible amounts	90	121
Deferred tax assets	452	561
Valuation allowance	(1)	—
Net deferred tax assets	451	561
Deferred tax liabilities:		
Intangible assets	1,881	1,959
Discount on exchangeable debentures	225	300
Other	89	100
Deferred tax liabilities	2,195	2,359
Net deferred tax liabilities	\$ 1,744	1,798

Starz Group

The Starz Group's income tax benefit (expense) consists of:

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Current:			
Federal	\$ (83)	(50)	(20)
State and local	(9)	(9)	1
Foreign	(2)	(1)	(2)
	(94)	(60)	(21)
Deferred:			
Federal	4	(116)	(39)
State and local	4	(15)	(9)
Foreign	—	—	—
	8	(131)	(48)
Income tax expense	\$ (86)	(191)	(69)

Notes to Attributed Financial Information (Continued)

(unaudited)

The Starz Group's 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,		
	2009	2008	2007
	amounts in millions		
Computed expected tax benefit (expense)	\$ (104)	270	(50)
State and local income taxes, net of federal income taxes	(4)	(16)	(6)
Change in valuation allowance affecting tax expense	3	(17)	—
Impairment of goodwill not deductible for tax purposes	—	(442)	(11)
Expenses not deductible for income tax purposes	(3)	—	—
Excess tax deductions over book expense	19	—	—
Other, net	3	14	(2)
Income tax expense	<u>\$ (86)</u>	<u>(191)</u>	<u>(69)</u>

The tax effects of temporary differences that give rise to significant portions of the Starz Group's deferred tax assets and deferred tax liabilities are presented below:

	December 31,	
	2009	2008
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	\$ 3	7
Accrued stock compensation	87	69
Intangible assets	7	11
Other future deductible amounts	8	14
Deferred tax assets	<u>105</u>	<u>101</u>
Valuation allowance	(5)	(6)
Net deferred tax assets	<u>100</u>	<u>95</u>
Deferred tax liabilities:		
Other	18	18
Deferred tax liabilities	<u>18</u>	<u>18</u>
Net deferred tax assets	<u>\$ (82)</u>	<u>(77)</u>

Notes to Attributed Financial Information (Continued)

(unaudited)

Capital Group

The Capital Group's income tax benefit (expense) consists of:

	Years ended December 31,		
	2009	2008	2007
	amounts in millions		
Current:			
Federal	\$ 287	128	281
State and local	22	9	(18)
Foreign	—	3	(1)
	<u>309</u>	<u>140</u>	<u>262</u>
Deferred:			
Federal	(69)	266	(208)
State and local	16	34	8
Foreign	—	—	—
	<u>(53)</u>	<u>300</u>	<u>(200)</u>
Income tax benefit	<u>\$ 256</u>	<u>440</u>	<u>62</u>

The Capital Group's 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,		
	2009	2008	2007
	amounts in millions		
Computed expected tax benefit (expense)	\$ 45	359	(473)
Nontaxable exchange of investments for subsidiaries and cash	—	(2)	541
State and local income taxes, net of federal income taxes	20	28	(10)
Change in valuation allowance affecting tax expense	6	(3)	(10)
Recognition of tax benefits not previously recognized, net	201	56	—
Expenses not deductible for income tax purposes	(12)	—	(2)
Other, net	(4)	2	16
Income tax benefit	<u>\$ 256</u>	<u>440</u>	<u>62</u>

Notes to Attributed Financial Information (Continued)

(unaudited)

The tax effects of temporary differences that give rise to significant portions of the Capital Group's deferred tax assets and deferred tax liabilities are presented below:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
	<u>amounts in millions</u>	
Deferred tax assets:		
Net operating and capital loss carryforwards	\$ 135	287
Accrued liabilities	66	70
Deferred revenue	403	359
Other	62	17
Deferred tax assets	666	733
Valuation allowance	(11)	(17)
Net deferred tax assets	655	716
Deferred tax liabilities:		
Investments	1,660	1,414
Intangible assets	147	146
Discount on exchangeable debentures	738	1,351
Deferred gain on debt retirements	316	—
Other	54	—
Deferred tax liabilities	2,915	2,911
Net deferred tax liabilities	<u>\$ 2,260</u>	<u>2,195</u>

- (7) The Liberty Interactive Stock, the Liberty Starz Stock and the Liberty Capital Stock have voting and conversion rights under our amended charter. Following is a summary of those rights. Holders of Series A common stock of each group are entitled to one vote per share, and holders of Series B common stock of each group are entitled to ten votes per share. Holders of Series C common stock of each group, if issued, will be entitled to 1/100th of a vote per share in certain limited cases and will otherwise not be entitled to vote. In general, holders of Series A and Series B common stock vote as a single class. In certain limited circumstances, the board may elect to seek the approval of the holders of only Series A and Series B Liberty Interactive Stock, the approval of the holders of only Series A and Series B Liberty Starz Stock or the approval of the holders of only Series A and Series B Liberty Capital Stock.

At the option of the holder, each share of Series B common stock will be convertible into one share of Series A common stock of the same group. At the discretion of our board, the common stock related to one group may be converted into common stock of the same series that is related to one of our other groups.

QuickLinks

[Unaudited Attributed Financial Information for Tracking Stock Groups](#)
[Notes to Attributed Financial Information \(unaudited\)](#)

Liberty Media Corporation
Reconciliation of Liberty Media Corporation ("LMC") Net Assets and
Net Earnings to Liberty Media LLC ("LM LLC") Net Assets and Net Earnings

December 31, 2009 (unaudited)
amounts in millions

Liberty Media Corporation Net Assets	\$ 10,238
Reconciling items:	
LMC put option obligations	97
Liberty Media LLC Net Assets	<u>\$ 10,335</u>
Liberty Media Corporation Net Earnings	\$ 6,501
Reconciling items:	
LMC selling, general and administrative expenses	4
Intercompany interest income	158
Unrealized gain on LMC put options	(59)
LM LLC income tax expense	(62)
Liberty Media LLC Net Earnings	<u>\$ 6,542</u>

QuickLinks

[Liberty Media Corporation Reconciliation of Liberty Media Corporation \("LMC"\) Net Assets and Net Earnings to Liberty Media LLC \("LM LLC"\) Net Assets and Net Earnings](#)