

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

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

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 000-51990

LIBERTY MEDIA CORPORATION
(Exact name of Registrant as specified in its charter)

<Table>

<p><S></p> <p style="text-align: center;">STATE OF DELAWARE (State or other jurisdiction of incorporation or organization)</p> <p style="text-align: center;">12300 LIBERTY BOULEVARD ENGLEWOOD, COLORADO (Address of principal executive offices)</p>	<p><C></p>	<p style="text-align: right;">84-1288730 (I.R.S. Employer Identification No.)</p> <p style="text-align: right;">80112 (Zip Code)</p>
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REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (720) 875-5400

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

<Table>

TITLE OF EACH CLASS	NAME OF EXCHANGE ON WHICH REGISTERED
<hr/>	
<p><S></p> <p>Liberty Capital Series A Common Stock, par value \$.01 per share.....</p> <p>Liberty Capital Series B Common Stock, par value \$.01 per share.....</p> <p>Liberty Interactive Series A Common Stock, par value \$.01 per share..</p> <p>Liberty Interactive Series B Common Stock, par value \$.01 per share..</p>	<p><C></p> <p>Nasdaq National Market</p> <p>Nasdaq National Market</p> <p>Nasdaq National Market</p> <p>Nasdaq National Market</p>

</Table>

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 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 (as defined in Rule 12b-2 of the Act). Large accelerated filer Accelerated filer / / Non-accelerated filer / /

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, 2006, was approximately \$22.5 billion.

The number of shares outstanding of Liberty Media Corporation's common stock as of January 31, 2007 was:

Liberty Capital Series A Common Stock--134,503,546;
Liberty Capital Series B Common Stock--6,014,680;
Liberty Interactive Series A Common Stock--622,365,227; and
Liberty Interactive Series B Common Stock--29,971,039 shares.

Documents Incorporated by Reference

The Registrant's definitive proxy statement for its 2007 Annual Meeting of Shareholders is hereby incorporated by reference into Part III of this Annual Report on Form 10-K

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LIBERTY MEDIA CORPORATION
2006 ANNUAL REPORT ON FORM 10-K
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PART I.

ITEM 1. BUSINESS.

(a) GENERAL DEVELOPMENT OF BUSINESS

Liberty Media Corporation is a holding company which, 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. Through our subsidiaries, we operate in North America, Europe and Asia. Our principal businesses and assets include QVC, Inc. and Starz, LLC and interests in IAC/InterActiveCorp, Expedia, Inc. and News Corporation.

RECENT DEVELOPMENTS

On May 9, 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 new tracking stocks, Liberty Interactive common stock and Liberty Capital common stock. Each tracking stock issued in the restructuring is intended to track and reflect the economic performance of one of two newly designated groups, the Interactive Group and the Capital Group, respectively. We are the successor reporting company to Old Liberty.

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 and the Capital Group have separate collections of businesses, assets and liabilities attributed to them, neither 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. and BuySeasons, Inc., and our interests in Expedia, Inc. and IAC/InterActiveCorp. 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 \$3,108 million principal amount (as of December 31, 2006) of our existing publicly-traded debt to the Interactive 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. The assets and businesses attributed to the Capital Group include our subsidiaries: Starz Entertainment, LLC (formerly known as Starz Entertainment Group LLC), Starz Media, LLC (formerly known as IDT Entertainment, Inc.), TruePosition, Inc., FUN Technologies, Inc. and On Command Corporation; our equity affiliates: GSN, LLC and WildBlue Communications, Inc.; and our interests in News Corporation, 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 \$4,580 million principal amount (as of December 31, 2006) of our existing publicly traded debt to the Capital Group.

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

In connection with our restructuring and the issuance of our tracking stocks, our board of directors authorized the repurchase of up to \$1 billion of outstanding Liberty Interactive common stock and up to \$1 billion of Liberty Capital common stock in the open market or in privately negotiated transactions, subject to market conditions. Our board subsequently increased the aggregate amount of Liberty Interactive common stock that can be repurchased to \$2 billion. During the period from the restructuring to December 31, 2006, we repurchased 51.6 million shares of Liberty Interactive Series A common stock for aggregate cash consideration of \$954 million pursuant to our stock repurchase program.

In the fourth quarter of 2006, QVC, Inc., our wholly owned subsidiary, increased its borrowing capacity from \$3.5 billion to \$5.25 billion by entering into a new \$1.75 billion unsecured credit agreement. Such agreement has substantially the same terms as QVC's previously existing credit agreement and matures in October 2011. We used funds borrowed under QVC's credit facilities to retire our Senior Notes that matured in September 2006.

In December 2006, we announced that we had entered into an exchange agreement with News Corporation pursuant to which, if completed, we would exchange our approximate 16.2% ownership interest in News Corporation for a subsidiary of News Corporation, which would own News Corporation's approximate 38.5% interest in The DirecTV Group, Inc., three regional sports television networks and approximately \$550 million in cash. Consummation of the exchange, which is subject to various closing conditions, including approval by News Corporation's shareholders, regulatory approval and receipt of a favorable ruling from the IRS confirming that the exchange is tax-free, is expected in mid-2007.

* * * * *

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, anticipated programming and marketing costs at Starz Entertainment, 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;

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- 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;
- 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 and joint venturers;
- general economic and business conditions and industry trends;
- consumer spending levels, including the availability and amount of individual consumer debt;
- the regulatory and competitive environment of the industries in which we, and the entities in which we have interests, operate;
- 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;
- 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 minority 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

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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.

(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, earnings before income taxes 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 18 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 Capital Group and the Interactive Group.

CAPITAL GROUP

CONSOLIDATED SUBSIDIARIES

Starz, LLC
Starz Entertainment, LLC
Starz Media, LLC
TruePosition, Inc.
FUN Technologies, Inc. (TSX:FUN; AIM:FUN)
On Command Corporation (1)

EQUITY AND COST METHOD INVESTMENTS

GSN, LLC
WildBlue Communications, Inc.
News Corporation (NYSE:NWS; NYSE:NWSa)
Time Warner Inc. (NYSE:TWX) (2)
Sprint Nextel Corporation (NYSE:S) (2)

INTERACTIVE GROUP

CONSOLIDATED SUBSIDIARIES

QVC, Inc.
Provide Commerce, Inc.
BuySeasons, Inc.

EQUITY AND COST METHOD INVESTMENTS

Expedia, Inc. (Nasdaq:EXPE)
IAC/InterActiveCorp (Nasdaq:IACI)

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(1) In December 2006, we announced that we had entered into a definitive agreement to sell Ascent Entertainment Group, Inc., the parent company of On Command, to Lodgenet Entertainment Corporation for \$332 million in cash and 2.05 million shares of Lodgenet common stock valued at approximately \$50 million. The transaction, which is subject to regulatory approval and other customary closing conditions, is expected to close in mid-2007. We are accounting for Ascent Entertainment Group as assets held for sale and have presented its results of operations in earnings (loss) from discontinued operations in our consolidated statements of operations.

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(2) 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.

CAPITAL GROUP

The Capital Group is focused primarily on video programming and communications technology and services involving cable, satellite, the Internet

and other distribution media. 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 ENTERTAINMENT, LLC

Starz Entertainment, LLC ("Starz Entertainment"), a wholly-owned subsidiary, provides premium movie networks and programming distributed by cable, direct-to-home satellite, telephony, the Internet and other distribution media providers in the United States. Starz Entertainment's primary 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 is generally purchased by subscribers as an a-la-carte premium service for which subscribers pay a separate monthly charge. Distributors may also package Starz with other premium services. Encore is generally purchased by subscribers as part of a digital package, which includes a variety of general entertainment digital networks. Distributors may also sell Encore on an a-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 and a high definition feed of the Starz channel on StarzHD. In addition, Starz Entertainment distributes via the Internet Vongo, a subscription package comprising Starz plus approximately 1,000 movies and 1,500 other video selections on an on-demand basis, as well as other selected pay-per-view movies. As of December 31, 2006, Starz Entertainment had 15.5 million Starz subscriptions and 27.3 million Encore subscriptions.

Programming networks distribute their services through a number of distribution technologies, including cable television, direct-to-home satellite, broadcast television 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 movies to subscribers under long-term affiliation agreements with cable systems and direct broadcast satellite

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systems, including Comcast Cable, DirecTV, EchoStar, Time Warner, Charter Communications, Cox Communications, Cablevision Systems, Insight Communications, Mediacom Communications 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 September 2009 and Starz through December 2012. Starz Entertainment's affiliation agreement with EchoStar expires in June 2009. The affiliation agreement with DirecTV has expired, and Starz Entertainment is currently in negotiations regarding a multi-year distribution agreement for Starz Entertainment's service offerings. In addition, the affiliation agreement with Time Warner, which originally expired on December 31, 2006, has been extended through May 31, 2007 with provisions for further extensions through June 30, 2007. Starz Entertainment's other affiliation agreements expire between now and December 2009. For the year ended December 31, 2006, Starz Entertainment earned 67.8% of its total revenue from Comcast, DirecTV, EchoStar and Time Warner, collectively.

The costs of acquiring rights to programming, including Internet protocol

rights, are Starz Entertainment's principal expenses. 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, Disney, Revolution Studios, Sony's Columbia Pictures, Screen Gems and Sony Pictures Classics. Starz Entertainment also has exclusive rights to air first-run output from an independent studio. These output agreements expire between 2007 and 2011, with extensions, at the option of two studios, potentially extending the expiration dates of those agreements to 2013 and 2014.

Starz Entertainment uplinks its programming to five non-preemptible, protected transponders on three domestic satellites. "Protected" status means that, in the event of a transponder failure, Starz Entertainment'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, Starz Entertainment's transponders cannot be preempted in favor of a user of a "protected" failure. Starz Entertainment leases its transponders under long-term lease agreements. At December 31, 2006, 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.

STARZ MEDIA, LLC

In 2006, we acquired IDT Entertainment from IDT Corp. and renamed it Starz Media. Starz Media's operations include home video distribution, live-action television and film production, and theatrical and non-theatrical animation. Starz Media's home video distribution business is operated through its Starz Home Entertainment subsidiary utilizing the Anchor Bay and Manga brands. Anchor Bay and Manga acquire and license content for home video distribution and have a combined library of over 3,850 titles including THOMAS THE TANK ENGINE, 3RD ROCK FROM THE SUN, GREATEST AMERICAN HERO, and others. These titles are distributed through national retailers, including Wal-Mart, Target and Best Buy. Generally, these retailers have the right to return unsold products.

The live-action and animation television film production business comprises three business units: Starz Productions, Starz Animation and Film Roman. Starz Productions develops and produces proprietary live-action and animated content for television and direct-to-video/DVD distribution. The live-action operations focus on horror, science fiction, supernatural and thriller films and include

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MASTERS OF HORROR, a film series shown on Showtime, and MASTERS OF SCI FI, a film series to be shown on ABC. Animated series include ME, ELOISE, THE HAPPY ELF, and WOW! WOW! WUBZY being shown on Nick Jr.

Through studios based in the United States and Canada, Starz Animation and Film Roman develop and produce 2D and 3D animated content for distribution theatrically, on television and direct-to-video/DVD. Animation production is focused on proprietary content and is also performed for third parties. In the third quarter of 2006, Starz Animation released its first full-length animated film, EVERYONE'S HERO, in theaters. Starz Animation has two additional animated films currently in production that are expected to be released theatrically in 2008. Film Roman's third-party projects include THE SIMPSONS and KING OF THE HILL, which are owned and distributed by Fox TV.

Domestically, Starz Media utilizes Twentieth Century Fox ("Fox") to distribute and market its theatrical animated filmed products, while internationally it uses foreign sales agents to contract with foreign distributors. Fox is paid a distribution fee for its services. The domestic box office receipts are divided between the theatrical distributors and Starz Media based upon negotiated contractual arrangements on a film by film basis. The foreign sales agent will negotiate with distributors on a territory by territory basis with some contracts requiring minimum guarantees. The international theatrical sales for EVERYONE'S HERO were not significant due to the genre of the movie.

In the U.S., Starz Media 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 will incur 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.

Starz Entertainment and Starz Media are both wholly-owned subsidiaries of our newly formed subsidiary, Starz, LLC. We believe that the acquisition of Starz Media will provide opportunities to exploit all the key domestic and international video distribution vehicles: theatrical, premium television, home video, syndication and Internet. Starz, LLC will have the opportunity to test new programming ideas on a single platform and then migrate the successful ones

to other distribution outlets.

TRUEPOSITION, INC.

TruePosition, Inc. 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 worldwide. "E-911" or "Enhanced 911" refers to a Federal Communications Commission mandate requiring wireless carriers to implement wireless location capability. Cingular Wireless began deploying TruePosition's technology in late 2002, and T-Mobile USA began deploying such technology in 2003. As of December 31, 2006, both wireless carriers are actively deploying TruePosition's technology and using the technology for E-911. In addition, as of December 31, 2006 four smaller wireless carriers have deployed or started to deploy TruePosition's technology. Although many of the following services have not yet been developed, and may not be developed successfully or at all, TruePosition's wireless location technology could also be used to implement a number of commercial location-based services including (1) comfort and security related applications, including child, pet and elderly tracking; (2) convenience/information services such as "concierge" and "personal navigation" to identify and provide directions to the nearest restaurant, ATM, or gas station or allow travelers to obtain other information specific to their location; (3) corporate applications, such as fleet or asset tracking to enable enterprises to better manage mobile assets to optimize service or cut costs; (4) entertainment/community services such as "friend finder" or "m-dating" to allow mobile users to create a localized community of people with similar interests and receive notification when another group member is close-by; (5) mobile commerce services to help

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users shop or purchase goods or services from the retailer closest to their current location; and (6) safety related applications to help public or private safety organizations find or track mobile users in need of assistance or help locate stolen property.

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 not earned revenue from other location-based services to date. Substantially all of TruePosition's reported revenue in 2004, 2005 and 2006 was derived from Cingular Wireless. Recognition of revenue earned from T-Mobile is deferred in accordance with the software recognition rules under generally accepted accounting principles pending delivery of specified elements, which to date have not been delivered.

The TruePosition-Registered Trademark- Finder-TM- 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 patented time difference of arrival (TDOA) and angle of arrival (AOA) technology, the TruePosition Finder-TM- system calculates the latitude and longitude of a designated wireless telephone or other transmitter and forwards this information in real time to application software. TruePosition offerings cover multiple major wireless technologies including Time Division Multiple Access (TDMA), Analog Mobile Phone Service (AMPS) and Global System Mobile (GSM).

We own approximately 89% of the common equity of TruePosition and 100% of the TruePosition preferred stock, which preferred stock has a liquidation preference of \$427 million at December 31, 2006.

FUN TECHNOLOGIES INC.

FUN Technologies Inc's. primary business is the provision of online and interactive casual games and sports content. FUN provides its services through two divisions: FUN Games and FUN Sports. The FUN Games division operates a skill games business through which it operates and licenses various formats of skill games including (i) pay-for-play, person-to-person and tournament-based interactive skill games, (ii) free games, (iii) downloadable games and (iv) subscription games. The FUN Sports division operates fantasy sports services offering editorial content, sports data, games and leagues to consumers and corporate distributors.

FUN Games offers a wide range of free and cash-based skill games via its own Internet sites and its distribution partners. Cash-based skill games are games in which participants must pay an entry stake to compete against each other for a prize, and in which the winner is determined based on skill rather than on chance. FUN provides private-label gaming systems and services to large interactive entertainment groups, including America Online, EA Sports, Pogo and MSN. FUN Games earns revenue from fees collected for online tournaments and games managed as well as game download and subscription fees.

FUN Sports develops, operates and licenses fantasy league-hosting software,

content, real-time sports statistics and interactive games delivered via broadband. The FUN Sports division has private-label distribution agreements with America Online, the National Basketball Association and Nascar.com, among others. Through the Company's own websites, including www.fanball.com and www.CDMSports.com, FUN Sports provides fantasy sports contests, content, strategy and insight. It also owns Fanball.com radio and produces print publications called "Just Cheat Sheets", "Fantasy Racing" and "Fantasy Football Weekly".

The FUN Sports division also provides real-time sports information services for sports enthusiasts through its destination site www.DonBest.com. DonBest provides subscription services for live odds,

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major line move alerts, injury reports, statistical reports, and offers customized information delivery services and publishes this information real time to its subscribers. DonBest does not participate in any gambling activities such as accepting or making wagers.

We own approximately 53% of the outstanding common shares of FUN.

ON COMMAND CORPORATION

On Command Corporation, a wholly-owned subsidiary, is a provider of in-room video entertainment and information services to hotels, motels and resorts (which we collectively refer to as hotels) primarily in the United States. On Command had an installed base of approximately 832,000 rooms at December 31, 2006.

The hotels providing On Command's services collect fees from their guests for the use of On Command's services and are provided a commission equal to a negotiated percentage of the net revenue earned by On Command for such usage. The amount of revenue realized by On Command is affected by a variety of factors, including among others, hotel occupancy rates, the "buy rate" or percentage of occupied rooms that buy movies or services, the quality of On Command's pay-per-view movie offerings, business and leisure travel patterns and changes in the number of rooms served. With the exception of December, which is generally On Command's lowest month for revenue, On Command typically does not experience significant variations in its monthly revenue that can be attributed solely to seasonal factors.

On Command primarily provides its services under long-term contracts to hotel corporations, hotel management companies, and individually owned and franchised hotel properties. On Command's services are offered predominantly in the large deluxe, luxury, and upscale hotel categories serving business travelers. At December 31, 2006, contracts covering approximately 34.3% of On Command's installed rooms have expired, or are scheduled to expire, if not otherwise renewed, during the two-year period ending December 31, 2008. Marriott, Hyatt and Hilton accounted for approximately 34.9%, 9.3% and 8.6% respectively, of On Command's room revenue for the year ended December 31, 2006. These revenue percentages represent all chain affiliations including owned, managed and franchised hotels.

As noted above, in December 2006, we announced that we had entered into a definitive agreement to sell Ascent Entertainment Group, Inc., the parent company of On Command, to Lodgenet Entertainment Corporation for \$332 million in cash and 2.05 million shares of Lodgenet common stock valued at approximately \$50 million. The transaction, which is subject to regulatory approval and other customary closing conditions, is expected to close in mid-2007.

GSN, LLC

GSN, LLC owns and operates GSN. With approximately 61 million Nielsen subscribers as of December 31, 2006, GSN is a basic cable network dedicated to game-related programming and interactive game playing. GSN offers 24-hour programming featuring game shows, casino games, reality series, documentaries and other game-related shows. GSN features a full prime-time schedule of interactive programming, which allows viewers a chance to play along with GSN's televised games via GSN.com. GSN programming also includes 12 hours per week of participation television branded as PLAYMANIA. PLAYMANIA contains live interactive game content where home viewers become contestants, playing a multitude of interactive word games, number games and puzzles.

GSN's revenue is primarily derived from the delivery of its programming to subscribers under long-term affiliation agreements with cable systems, direct broadcast satellite systems and Telco video providers and from the sale of advertising on its network. GSN's affiliation agreements provide for payments based on the number of subscribers that receive GSN's services and expire between now and

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2011. GSN is currently out of contract with DirecTV, a distributor that accounts for approximately 25% of GSN's current subscriber base, and is in negotiations

for the renewal of such contract. For the year ended December 31, 2006, GSN earned approximately 11% of its total revenue from each of Comcast and DirecTV.

We and Sony Pictures Entertainment, a division of Sony Corporation of America, which is a subsidiary of Sony Corporation, each own 50% of GSN, LLC. GSN's day-to-day operations are managed by a management committee of its board of managers. Pursuant to GSN's operating agreement, we and Sony each have the right to designate half of the members of the management committee. Also pursuant to the operating agreement, we and Sony have agreed that direct transfers of our interests in GSN and certain indirect transfers that result in a change of control of the transferring party are subject to a right of first refusal in favor of the non-transferring member.

WILDBLUE COMMUNICATIONS, INC.

WildBlue Communications, Inc. delivers two-way broadband Internet access via satellite to homes and small businesses in rural markets underserved by terrestrial broadband alternatives. WildBlue provides coverage across the continental United States using a 26-inch dish and satellite modem. WildBlue has a prepaid license for Ka-band capacity on a geostationary satellite located at 111.1 degrees West Longitude. The expected life of the satellite is approximately 15 years. In the event the satellite fails at any time through July 2007, WildBlue is entitled to reimbursement of the cash prepayments made for the license. In December 2006, WildBlue successfully launched a second satellite which is owned by WildBlue and is expected to be placed into commercial service late in the first quarter of 2007.

WildBlue launched its service in mid-2005 and generates revenue by charging subscription fees for its Internet access services as well as fees for equipment sales and related installation charges. At December 31, 2006, WildBlue had over 120,000 subscribers.

We own an approximate 32% equity interest in WildBlue.

NEWS CORPORATION

News Corporation is a diversified international media and entertainment company with operations in eight industry segments, including filmed entertainment, television, cable network programming, direct broadcast satellite television, magazines and inserts, newspapers, book publishing and other. News Corporation's activities are conducted principally in the United States, continental Europe, the United Kingdom, Asia, Australia and the Pacific Basin. News Corporation is a holding company that conducts all of its activities through subsidiaries and affiliates. Its principal subsidiaries and affiliates are Fox Entertainment Group, Inc., Twentieth Century Fox Film Corporation, Fox Television Holdings, Inc., Fox Broadcasting Company, Fox Sports Networks, Inc., NDS Group plc, News America Marketing In-Store Services, Inc., News American Marketing FSI, Inc., News International Limited, News Limited, HarperCollins Publishers, Inc., HarperCollins Publishers Limited, STAR Group Limited, BSKyB and The DIRECTV Group. We own shares representing an approximate 16.2% equity interest and an approximate 19% voting interest in News Corporation.

As discussed above, we have entered into an exchange agreement with News Corporation pursuant to which, if completed, we would exchange our ownership interest in News Corporation for a subsidiary of News Corporation which would own News Corporation's interests in The DirecTV Group, Inc., three regional sports television networks and approximately \$550 million in cash. Consummation of the exchange, which is subject to various closing conditions, including approval by News Corporation's shareholders, regulatory approval and receipt of a favorable ruling from the IRS confirming that the exchange is tax-free, is expected in mid-2007.

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INTERACTIVE GROUP

Anchored by QVC, the Interactive Group is focused on video and online commerce. Our strategy is to continue QVC's organic growth in its existing markets while exploring opportunities for expansion in additional international markets. We will also seek to leverage the strength of QVC as a video and web-based retailer by acquiring complementary businesses. In this regard, we acquired Provide Commerce and BuySeasons in 2006.

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 by means of merchandise-focused televised shopping programs on the QVC television networks 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 representing the product vendor, 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 networks, as well as other items that are available from QVC only via

its websites. For the year ended December 31, 2006, approximately 20% of QVC's domestic revenue and approximately 18% 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 three groups: home, apparel/accessories and jewelry. For the year ended December 31, 2006, home, apparel/ accessories and jewelry accounted for approximately 44%, 35% and 21%, respectively, of QVC's net revenue generated by its United States operations. QVC offers products in each of these merchandise groups that are exclusive to QVC, as well as popular brand name and other products also available from other retailers. QVC's exclusive products are often endorsed by celebrities, designers and other well known personalities. 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 video program distributors for retransmission to subscribers in the United States, the United Kingdom, Germany, Japan and neighboring countries that receive QVC's broadcast signals. In the U.S., QVC uplinks its programming from its uplink facility in Pennsylvania to a protected, non-preemptible transponder on a domestic satellite. 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 in 2019. QVC's transponder service agreements for its international transponders expire in 2008 through 2013.

QVC enters into long-term affiliation agreements with satellite and cable television operators who downlink QVC's programming and distribute the programming to their customers. QVC's affiliation agreements with these distributors have termination dates ranging from 2007 to 2016. 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 return for carrying the QVC signals, each programming distributor in the United States, the United Kingdom and Germany 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 Japan, some programming distributors receive an agreed-upon monthly fee per subscriber regardless of the net sales, while others earn a variable percentage of net sales. In

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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 on the distributor's channel line-up. QVC believes that a portion of its sales are attributable to purchases resulting from channel "browsing" and that a channel position near broadcast networks and more popular cable networks increases the likelihood of such purchases. As a result of the ongoing conversion of analog cable customers to digital, channel positioning has become more critical due to the increased channel options on the digital line-up.

QVC's shopping program is telecast live 24 hours a day to approximately 91 million homes in the United States. QVC Shopping Channel reaches approximately 19 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 19 million households and is broadcast live 24 hours a day.

QVC strives to maintain promptness and efficiency in order taking and fulfillment. QVC has four domestic phone centers that 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 hang-ups. QVC also has one phone center in each of the United Kingdom and Japan and two call centers in Germany. QVC also utilizes computerized voice response units, which handle approximately 34% of all orders taken. QVC has seven 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%-23% of its revenue in each of the first three quarters of the year and 32%-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. Provide Commerce combines an online storefront, proprietary supply chain management

technology, established supplier relationships and integrated logistical relationships with Federal Express 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 primarily 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; Uptown Prime, for premium meats and seafood; Secret Spoon, for fresh sweets and confections; and Shari's Berries, for chocolate-dipped berries and related gifting products. 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. Provide Commerce later expanded its offerings to include premium meats and seafood, fresh premium fruits and confections. The sale of flowers continues to be Provide Commerce's most significant product comprising approximately 94% of its sales. The sale of flowers is seasonal with over 65% of sales coming from purchases for Valentine's Day and Mother's Day in the first and second quarters of the year. Provide Commerce depends on three suppliers for approximately 55% 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 the ability to deliver products on time and fresher than its competitors thereby providing a better value for its customers. Provide

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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. Due to the retail nature of its business, no single customer accounted for more than 10% of Provide Commerce's revenue in 2006.

BUYSEASONS, INC.

BuySeasons, Inc., a wholly-owned subsidiary that we acquired in August 2006, operates BuyCostumes.com, an on-line retailer of costumes, accessories, decor and party supplies. BuyCostumes.com provides a single destination for children and adults looking for solutions for celebration and costuming events. BuySeasons earns revenue from the sale of its costumes and accessories to retail customers who order via the BuyCostumes.com website. Additionally, BuySeasons earns revenue from its BuySeasons Direct business which offers drop-ship fulfillment of its products for other retailers. While over 90% 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 products within its niche that BuySeasons offers. BuySeasons also has exclusive arrangements to purchase products that are only available from BuySeasons. BuySeasons works with manufacturers to design costumes and accessories for which BuySeasons has exclusive rights for a predetermined period of time. BuySeasons purchases its products from various suppliers, both domestic and international. BuySeasons depends on two suppliers for approximately 30% of its costumes and accessories. The loss of either of these suppliers could adversely impact BuySeasons.

BuySeasons believes that the key to its success is a 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 nearly 75% of its revenue earned in September and October due to the Halloween holiday. BuySeasons maintains a customer service center at its corporate headquarters. Customer service representatives are available 24 hours a day, seven days a week during its busy season to respond to customer questions. BuySeasons also leases warehouse space to store inventory and ship orders to customers. The customer service center and warehouse staffing is scalable, and BuySeasons employs contract labor to react to higher volume during the peak Halloween season.

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, Hotels.com, Hotwire, Expedia Corporate Travel, Classic Custom Vacations 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 allows 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.

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We indirectly own an approximate 21% equity interest and a 53% 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, is currently entitled to vote our shares of Expedia, subject to certain limitations. Through our governance arrangements we have the right to appoint and have appointed two of the ten members of Expedia's board of directors.

IAC/INTERACTIVECORP

IAC/InterActiveCorp is a multi-brand interactive commerce company transacting business worldwide via the Internet, television and the telephone. IAC's portfolio of companies collectively enables direct-to-consumer transactions across many areas, including home shopping, event ticketing, personals, travel, teleservices and local services.

IAC consists of the following sectors:

- Retailing, which includes HSN, Cornerstone Brands, Inc., Shoebuy.com and international home shopping channels;
- Services, which includes Ticketmaster, Lending Tree and its affiliated brands and businesses, and service outsourcers;
- Media and Advertising, which includes Ask.com and Citysearch; and
- Membership and Subscriptions, which includes match.com, Entertainment Publications, which promotes merchants through consumer savings, and Interval International, which offers services to time share vacation owners.

IAC's businesses largely act as intermediaries between suppliers and consumers. IAC aggregates supply from a variety of sources and captures consumer demand across a variety of channels.

We indirectly own an approximate 24% equity interest and a 57% voting interest in IAC. We have entered into governance arrangements pursuant to which Mr. Barry Diller, Chairman of the Board and CEO of IAC, is currently entitled to vote our shares of IAC, subject to certain limitations. Through our governance arrangements we have the right to appoint and have appointed two of thirteen members of IAC's board of directors.

REGULATORY MATTERS

PROGRAMMING AND INTERACTIVE TELEVISION SERVICES

In the United States, the FCC regulates the providers of satellite communications services and facilities for the transmission of programming services, the cable television systems that carry 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, and 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 multi-channel video programming distributors (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

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virtually all exclusive programming contracts between cable operators and satellite programmers affiliated with any cable operator (unless the FCC first

determines 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 multi-channel video programming distributors. Further, the 1992 Cable Act requires that such affiliated programmers make their programming services available to cable operators and competing multi-channel video programming distributors such as multi-channel multi-point distribution systems, which we refer to as MMDS, and direct broadcast satellite 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. 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. The prohibition on exclusive programming contracts is scheduled to sunset in 2007, but the FCC likely will initiate a rulemaking proceeding regarding extension of such prohibition of exclusive contracts.

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 multi-channel video programming distributors (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 to 40% of the first 75 activated channels on each of the cable operator's systems. The rules provided for the use of two additional channels or a 45% limit, whichever is greater, provided that the additional channels carried minority-controlled programming services. The regulations also grandfathered existing carriage arrangements that exceeded the channel limits, but required new channel capacity to be devoted to unaffiliated programming services until the system achieved compliance with the regulations. These channel occupancy limits applied only up to 75 activated channels on the cable system, and the rules did not apply to local or regional programming services. 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. The FCC presently is conducting a rulemaking regarding this ownership limitation and its ownership attribution standards.

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The FCC's rules also generally had prohibited common ownership of a cable system and broadcast television station with overlapping service areas. In 2002, the United States Court of Appeals for the District of Columbia Circuit held that the FCC's decision to retain the cable/broadcast cross-ownership rule was arbitrary and capricious and vacated the rule. The FCC did not seek Supreme Court review of this decision or initiate a new rulemaking proceeding. The FCC rules continue to prohibit common ownership of a cable system and MMDS with overlapping service areas.

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 companies in which we have interests by limiting the carriage of such services in cable systems with limited channel capacity. In 2001, the FCC adopted rules relating to the cable carriage of digital television signals. Among other things, the rules clarify that a digital-only television station can assert a right to analog or digital carriage on a cable system. The FCC initiated a further proceeding to determine whether television stations may assert rights to carriage of both analog and digital signals during the transition to digital television and to carriage of all digital signals. In 2005, the FCC denied mandatory dual carriage of a television station's analog and digital signals during the digital television transition and also denied mandatory carriage of all of a television station's digital signals, other than its "primary" signal. Television station owners continue to seek reconsideration of the FCC's decision and may seek judicial review or legislative change of the FCC's decision.

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 over an eight to ten year phase-in period, which began in 2000, with only limited exemptions. As a result, the programming companies in which we have interests may incur 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 "a-la-carte," i.e. on an individual or small tier basis. The Media Bureau released a report in 2004, which concluded that a-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. On February 9, 2006, the Media Bureau released a new report which stated that the 2004 report was flawed and which concluded that a-la-carte sales could be in the best interests of consumers. Although the FCC cannot mandate a-la-carte sales, its endorsement of the concept could encourage Congress to consider proposals to mandate a-la-carte sales or otherwise seek to impose greater regulatory controls on how cable programming is sold. The programming companies that distribute their services in tiers or packages of programming services would experience decreased distribution if a-la-carte carriage were mandated.

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

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(SESAC), each with rights to the music of various artists. The programming companies in which we have interests generally have obtained the necessary rights through separate agreements with ASCAP, BMI and SESAC, which have negotiated agreements with some programmers that include new rate structures and may require retroactive rate increases. Certain of the programming companies also have obtained licenses for music performance rights outside the United States through various licensing agencies located in the foreign countries in which their services are distributed.

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 the cable industry. 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. With regard to state and local taxes, legislation enacted by Congress in 2004 extended the moratorium on such taxes on Internet access and commerce until November 1, 2007.

Congress and individual states may consider additional online privacy legislation. Other Internet-related laws and regulations enacted in the future may cover issues such as defamatory speech, copyright infringement, pricing and characteristics and quality of products and services. The future adoption of such laws or regulations may slow the growth of commercial online services and the Internet, which could in turn cause a decline in the demand for the services and products of the Internet companies in which we have interests and increase such companies' costs of doing business or otherwise have an adverse effect on their businesses, operating results and financial conditions. Moreover, the applicability to commercial online services and the Internet of existing laws governing issues such as property ownership, libel, personal privacy and taxation is uncertain and could expose these companies to substantial liability.

OTHER REGULATION

We also have significant ownership interests on a cost basis in other entities, such as News Corporation and Sprint Nextel Corporation, which are extensively regulated. For example, the broadcast stations owned and the direct broadcast satellite service controlled by News Corp. are subject to a variety of FCC regulations. 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.

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PROPOSED CHANGES IN REGULATION

The regulation of programming services, cable television systems and satellite licensees 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 IAC's subsidiary, Home Shopping Network, 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 Hallmark 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, convenience, price, website performance, customer service and accuracy of order shipment.

Our businesses that distribute programming for cable and satellite television compete with other programmers for distribution on a limited number of channels. Increasing concentration in the multichannel video distribution industry could adversely affect the programming companies in which we have interests by reducing the number of distributors to whom they sell their programming, subjecting more of their programming sales to volume discounts and increasing the distributors' bargaining power in negotiating new affiliation agreements. Once distribution is obtained, the programming services of our programming businesses compete for viewers and advertisers 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. Our programming businesses also compete for creative talent and programming content. In addition, Starz Entertainment relies on third parties for substantially all of its programming content whereas Starz Entertainment's competitors produce some of their own programming content. We believe that the principal competitive factors for our programming businesses are prices charged for programming, the quantity, quality and variety of the programming offered and the effectiveness of marketing efforts.

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.

Starz Media faces competition from companies within the entertainment business and from alternative forms of leisure entertainment. Starz Media's animated films compete directly with other animation producer/motion picture studio teams including Pixar, Disney, DreamWorks, and Blue Sky/ Twentieth Century Fox, among others. Because of the importance of the domestic theatrical market in determining revenue from other sources, the primary competition for Starz Media's planned theatrical films and its other filmed products comes from both animated and live-action films that are targeted at

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similar audiences and released into the domestic theatrical market at approximately the same time as Starz Media's films. In addition to competing for box office receipts, Starz Media competes with other film studios over optimal release dates and the number of motion picture screens on which movies are exhibited. In addition, it competes with other films released into the international theatrical market and the worldwide home video/DVD and television markets. Starz Media also competes with other movie studios for the services of creative and technical personnel, particularly in the fields of animation and technical direction.

The Anchor Bay and Manga distribution operations compete with the distribution divisions of major theatrical production companies, as well as with several other independent home video/DVD distribution companies, including GoodTimes Entertainment, Lyrick Studios, Sony Wonder and VIZ Entertainment.

EMPLOYEES

As of December 31, 2006, we had 65 corporate employees, and our consolidated subsidiaries had an aggregate of approximately 14,700 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 18 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 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 FACTORS RELATING TO THE OWNERSHIP OF OUR COMMON STOCK

The risks described below apply to the ownership of tracking stock in general, and our common stock in particular.

OUR BOARD OF DIRECTORS CAN CAUSE A SEPARATION OF EITHER GROUP FROM OUR COMPANY BY REDEMING STOCK OF THAT GROUP FOR STOCK OF A "QUALIFYING" SUBSIDIARY, IN WHICH CASE OUR STOCKHOLDERS MAY SUFFER A LOSS IN VALUE. Our board of directors may, without stockholder approval, redeem all or a portion of the shares of

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Liberty Interactive common stock or Liberty Capital common stock for shares of one or more of our "qualifying" subsidiaries that own only assets and liabilities attributed to the Interactive Group or the Capital Group, as the case may be, provided that our board of directors has determined that the redemption is expected to qualify for nonrecognition of gain or loss (in whole or in part) for U.S. federal income tax purposes to the holders of the common stock being redeemed. Such a redemption would result in the subsidiary or subsidiaries becoming independent of us. If our board of directors chooses to redeem shares of common stock of a group:

- the value of the subsidiary shares received in the redemption could be or become less than the value of the common stock redeemed; and/or
- the market value of any remaining shares of Liberty Interactive common stock or Liberty Capital common stock may decrease from their market value immediately before the redemption.

The value of the subsidiary shares and/or the market value of the remaining shares of Liberty Interactive common stock and/or Liberty Capital common stock may decrease in part because the subsidiary and/or our remaining businesses may no longer benefit from the advantages of doing business under common ownership.

HOLDERS OF LIBERTY INTERACTIVE 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 OWNS SHARES OF ONLY THE COMMON STOCK OF ONE OF OUR 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 attributed to either the Interactive Group or the Capital Group. Holders of Liberty Interactive common stock and Liberty Capital common stock do not have any legal rights related to specific assets attributed to either of the Interactive Group or the Capital Group and, in any liquidation, holders of Liberty Interactive common stock and holders of Liberty Capital common stock are entitled to receive a pro rata share of our available net assets based on the number of liquidation units that are attributed to each group.

WE COULD BE REQUIRED TO USE ASSETS ATTRIBUTED TO ONE GROUP TO PAY LIABILITIES ATTRIBUTED TO ANOTHER GROUP. The assets attributed to one group are potentially subject to the liabilities, including tax liabilities, attributed to the other group, even if those liabilities arise from lawsuits, contracts or indebtedness that are attributed to such other group. 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, no provision of our amended charter prevents us from satisfying liabilities of one group with assets of the other group, and our creditors are not in any way 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 AND LIBERTY CAPITAL COMMON STOCK MAY NOT REFLECT THE PERFORMANCE OF THE INTERACTIVE GROUP AND THE CAPITAL GROUP, RESPECTIVELY, AS WE INTEND. We cannot assure you that the market price of the common stock of a group does, in fact, reflect the performance of the group of businesses, assets and liabilities attributed to that group. Holders of Liberty Interactive 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 THE LIBERTY INTERACTIVE COMMON STOCK AND THE LIBERTY CAPITAL COMMON STOCK MAY BE VOLATILE, COULD FLUCTUATE SUBSTANTIALLY AND COULD BE AFFECTED BY FACTORS THAT DO NOT AFFECT TRADITIONAL

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COMMON STOCK. To the extent the market price of the Liberty Interactive common stock or the Liberty Capital common stock track the performance of more focused groups of businesses, assets and liabilities than those of our company as a whole, the market prices of these stocks may be more volatile than the market prices of our common stock would have been had we never implemented our tracking stock structure. The market prices of the Liberty Interactive common stock and the Liberty Capital common stock may be materially affected by, among other things:

- actual or anticipated fluctuations in either group's operating results or in the operating results of particular companies attributable to either group;

- potential acquisition activity by us or the companies in which we invest;
- issuances of debt or equity securities to raise capital by us 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 the Liberty Interactive common stock or the Liberty Capital common stock or the companies attributable to either group;
- the complex nature and the potential difficulties investors may have in understanding the terms of the Liberty Interactive common stock and the Liberty Capital common stock, as well as concerns regarding the possible effect of certain of those terms on an investment in the stock relating to either group; or
- general market conditions.

THE MARKET VALUE OF BOTH THE LIBERTY INTERACTIVE COMMON STOCK AND THE LIBERTY CAPITAL COMMON STOCK COULD BE ADVERSELY AFFECTED BY EVENTS INVOLVING THE ASSETS AND BUSINESSES ATTRIBUTED TO ONLY ONE OF SUCH GROUPS. Events relating 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 adversely affect the market value of the common stock of both of our groups. Because we are the issuer of both the Liberty Interactive common stock and the Liberty Capital common stock, an adverse market reaction to events relating to the assets and businesses attributed to one of our groups may, by association, cause an adverse reaction to the common stock of the other group. 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, would continue to affect our credit rating, and that of our subsidiaries, and therefore could increase the borrowing costs of businesses attributable to the other group or the borrowing costs of our company as a whole.

WE MAY NOT PAY DIVIDENDS EQUALLY OR AT ALL ON LIBERTY INTERACTIVE COMMON STOCK OR LIBERTY CAPITAL COMMON STOCK. We do not presently intend to pay cash dividends on either the Liberty Interactive common stock or the Liberty Capital common stock for the foreseeable future. However, we have the right to pay dividends on the shares of common stock of each group in equal or unequal amounts. In addition, any dividends or distributions on, or repurchases of, shares relating to either group will reduce our assets legally available to be paid as dividends on the shares relating to the other group.

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 the other group. In addition, given the nature of their businesses, there may be inherent conflicts of interests between the Interactive 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,

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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 the Interactive Group and the Capital Group or the terms of any transfer of assets between the groups;
- decisions as to the allocation of consideration between the holders of the Liberty Interactive common stock and the Liberty Capital common stock, or between the stocks relating to either group, to be received in connection with a merger involving our company;
- decisions as to the allocation of corporate opportunities between the two groups, especially where the opportunities might meet the strategic business objectives of both groups;
- decisions as to operational, financial and tax matters that could be considered detrimental to one group but beneficial to the other;
- decisions as to the conversion of shares of Liberty Interactive common stock into shares of Liberty Capital common stock;
- decisions regarding the creation of, and, if created, the subsequent increase or decrease of any inter-group interest that one group may own in the other;

- decisions as to the internal or external financing attributable to businesses or assets attributed to either group;
- decisions as to the dispositions of assets of either group; and
- decisions as to the payment of dividends on the stock relating to either group.

In addition, if directors own disproportionate interests (in percentage or value terms) in the Liberty Interactive common stock or the Liberty Capital 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 the Liberty Interactive common stock and the Liberty Capital common stock.

OTHER THAN PURSUANT TO CERTAIN GENERAL 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 THE TWO DIFFERENT GROUPS, OR AMONG HOLDERS OF DIFFERENT SERIES OF STOCK RELATING TO A SPECIFIC GROUP. Our board of directors has adopted certain general management and allocation policies to serve as guidelines in making decisions regarding the relationships between the Interactive Group and the Capital Group with respect to matters such as tax liabilities and benefits, inter-group loans, attribution of assets to either group, financing alternatives, corporate opportunities and similar items. These procedures are general and do not provide specific guidance for addressing matters involving a divergence of interests among holders of shares of stock relating to the two 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 its best interests and the best interests of all of our stockholders.

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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, our 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. Recent 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 challenge decisions that you believe have a disparate impact upon the stockholders of the two groups if our board of directors is disinterested, adequately informed with respect to its decisions and acts in good faith, on behalf of all its stockholders.

OUR BOARD OF DIRECTORS MAY CHANGE THE MANAGEMENT AND ALLOCATION POLICIES TO THE DETRIMENT OF EITHER 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 the Interactive Group and the Capital Group with respect to matters such as tax liabilities and benefits, inter-group loans, attribution of assets to either group, financing alternatives, corporate opportunities and similar items. 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 group while advantaging the other group.

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 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 and holders of Liberty Capital common stock or to the holders of different series of stock, and neither the holders of Liberty Interactive common stock nor the holders of Liberty Capital 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 between holders of Liberty Interactive 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 stock, might have materially different results, the consideration to be received by holders of Liberty Interactive 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.

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WE MAY DISPOSE OF ASSETS OF EITHER THE INTERACTIVE GROUP OR THE CAPITAL 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 either group. As long as the assets attributed to either the Interactive Group or the Capital Group represent less than substantially all of our assets, we may approve sales and other dispositions of any amount of the assets of that group without any stockholder approval. Based on the current composition of the groups, we believe that a sale of all or substantially all of the assets of either 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 either 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 will 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 according to ratios set out in our amended charter; and/or
- convert all of the disposing group's outstanding common stock into common stock of the other group.

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. In addition, there is no requirement that any such transaction be tax-free to the holders of the disposing group's common stock.

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 either group of our common stock.

HOLDERS OF LIBERTY INTERACTIVE COMMON STOCK OR LIBERTY CAPITAL 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 or the Capital 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 might receive a greater amount of proceeds than the holders of Liberty Interactive common stock or Liberty Capital 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 or Liberty Capital 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.

FOLLOWING MAY 9, 2007, THE FIRST ANNIVERSARY OF THE IMPLEMENTATION OF OUR

TRACKING STOCK STRUCTURE (ABSENT AN EARLIER TRIGGERING EVENT), OUR BOARD OF DIRECTORS MAY IN ITS SOLE DISCRETION ELECT TO CONVERT LIBERTY INTERACTIVE COMMON STOCK INTO LIBERTY CAPITAL COMMON STOCK, 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, after May 9, 2007 (absent an earlier triggering event), to convert each share of Liberty Interactive Series A, Series B and Series C common stock into a number of shares of the corresponding series of Liberty Capital common stock at a ratio based on the relative trading prices of the Liberty Interactive Series A common stock (or another series of Liberty Interactive common stock subject to certain limitations) and the Liberty Capital Series A common stock (or another series of Liberty Capital common stock

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subject to certain limitations) over a specified 60-trading day period. 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 us. In addition, our board of directors may effect such a conversion at a time when the market value of its stock could cause the stockholders of one group to be disadvantaged.

HOLDERS OF LIBERTY INTERACTIVE COMMON STOCK AND HOLDERS OF LIBERTY CAPITAL COMMON STOCK VOTE TOGETHER AND HAVE LIMITED SEPARATE VOTING RIGHTS. Holders of Liberty Interactive 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 either group have no voting rights, other than those required under Delaware law. When holders of Liberty Interactive common stock and Liberty Capital common stock vote together as a single class, holders having a majority of the votes are 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 AND THE CAPITAL GROUP ARE NOT INDEPENDENT COMPANIES MAY INHIBIT OR PREVENT ACQUISITION BIDS FOR THE INTERACTIVE GROUP OR THE CAPITAL GROUP. If the Interactive Group and the Capital Group were separate independent companies, any person interested in acquiring either the Interactive Group or the Capital 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 and Liberty Capital common stock to reflect the separate economic performance of the Interactive 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.

CHANGES IN THE TAX LAW OR IN THE INTERPRETATION OF CURRENT TAX LAW MAY RESULT IN THE CESSATION OF THE ISSUANCE OF SHARES OF LIBERTY INTERACTIVE COMMON STOCK AND/OR LIBERTY CAPITAL COMMON STOCK OR THE CONVERSION OF LIBERTY INTERACTIVE COMMON STOCK INTO LIBERTY CAPITAL COMMON STOCK. If, due to a change in tax law or a change in the interpretation of current tax law, there are adverse tax consequences resulting from the issuance of Liberty Interactive common stock and/or Liberty Capital common stock, it is possible that we would not issue additional shares of Liberty Interactive common stock and/or Liberty Capital common stock even if we would otherwise choose to do so. This possibility could affect the value of Liberty Interactive common stock and Liberty Capital common stock then outstanding. In addition, we may elect to convert Liberty Interactive common stock into Liberty Capital common stock, thereby diluting the interests of holders of Liberty Capital common stock and changing the nature of your investment, which could result in a loss in value.

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;

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- 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, has the power to direct the vote of approximately 30% of our outstanding voting power and approximately 90% of our outstanding Series B shares.

RISK FACTORS RELATING TO OUR COMPANY, THE INTERACTIVE GROUP AND THE CAPITAL GROUP

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

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 stake) attributed to either the Interactive Group or the Capital Group. 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 its stockholders or partners, they will not enable us to cause these actions to be taken.

IF WE FAIL TO MEET REQUIRED CAPITAL CALLS TO A BUSINESS AFFILIATE, WE COULD BE FORCED TO SELL OUR INTEREST IN THAT COMPANY, OUR INTEREST IN THAT COMPANY COULD BE DILUTED OR WE COULD FORFEIT IMPORTANT RIGHTS. We are a party to stockholder and partnership agreements relating to our equity interest in business affiliates that provide for possible capital calls on stockholders and partners. Our failure to meet a capital call, or other commitment to provide capital or loans to a particular business affiliate, may have adverse consequences to us and the group to which that business affiliate is attributed. These consequences may include, among others, the dilution of our equity interest in that company, the forfeiture of our right to vote or exercise other rights, the right of the other stockholders or partners to force us to sell our interest at less than fair value, the forced dissolution of the company to which we have made the commitment or, in some instances, a breach of contract action for damages against us. Our ability to meet capital calls or other capital or loan commitments is subject to our ability to access cash. See "--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" below.

THE LIQUIDITY AND VALUE OF OUR INTERESTS IN OUR BUSINESS AFFILIATES MAY BE AFFECTED BY MARKET CONDITIONS BEYOND OUR CONTROL THAT COULD CAUSE US TO TAKE SIGNIFICANT IMPAIRMENT CHARGES DUE TO OTHER THAN TEMPORARY DECLINES IN THE MARKET VALUE OF OUR AVAILABLE FOR SALE SECURITIES. Included among the assets attributable to each 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

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conditions that are beyond our control. We are required by U.S. generally accepted accounting principles to determine, from time to time, whether a decline in the market value of any of those investments below our cost for that investment is other than temporary. If we determine that the decline is other than temporary, we are required to write down its cost to a new cost basis, with the amount of the write-down accounted for as a realized loss in the determination of net income for the period in which the write-down occurs. We have at times realized significant losses due to other than temporary declines in the fair value of certain of our available for sale securities, and our company and either group may be required to realize further losses of this nature in future periods. A number of factors are used in determining the fair value of an investment and whether any decline in an investment is other than temporary. As the assessment of fair value and any resulting impairment losses requires a high degree of judgment and includes significant estimates and

assumptions, the actual amount we may eventually realize for an investment could differ materially from our assessment of the value of that investment made in an earlier period. 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, 2006, Liberty Media LLC, which is a wholly owned subsidiary of our company, had \$7.7 billion principal amount of debt outstanding. Our ability to meet the financial obligations of Liberty Media LLC and our other financial obligations will depend upon 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, 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.

BOTH THE INTERACTIVE GROUP AND THE CAPITAL GROUP DEPEND ON A LIMITED NUMBER OF POTENTIAL CUSTOMERS FOR CARRIAGE OF THEIR PROGRAMMING. The cable television and direct-to-home satellite industries have been undergoing a period of consolidation. As a result, the number of potential buyers of the programming services attributable to these groups is decreasing. In this more concentrated market, there can be no assurance that the owned and affiliated program suppliers attributed to either group 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 BOTH GROUP'S 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 assurance 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.

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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 EITHER GROUP. 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 either group.

ADVERSE EVENTS OR TRENDS IN THE INDUSTRIES IN WHICH THE SUBSIDIARIES AND BUSINESS AFFILIATES ATTRIBUTED TO EITHER GROUP OPERATE COULD HARM THAT GROUP. In general, the subsidiaries and business affiliates in both groups are sensitive to trends and events that are outside their control. For example, adverse trends or events, such as general economic downturns, decreases in consumer spending and natural or other disasters, among other adverse events and trends, could have a significantly negative impact on both 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 carriers 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 entities. 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

the Interactive Group's 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 business and the business of the affiliates 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.

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THE SUCCESS OF CERTAIN OF THE SUBSIDIARIES AND BUSINESS AFFILIATES ATTRIBUTED TO EACH GROUP IS DEPENDENT UPON AUDIENCE ACCEPTANCE OF ITS PROGRAMS AND PROGRAMMING SERVICES WHICH IS DIFFICULT TO PREDICT. Entertainment content production and premium subscription television program services are inherently risky businesses because the revenue derived from the production and distribution of a cable program and the exhibition of theatrical feature films and other programming depend primarily upon their acceptance by the public, which is difficult to predict. The commercial success of a cable program or premium subscription television service depends upon the quality and acceptance of other competing programs and films released into the marketplace at or near 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 program services are important factors when cable television and DTH satellite providers negotiate affiliation agreements and, in the case of cable programming, when advertising rates are negotiated. Consequently, low public acceptance of cable programs and premium subscription television program services will have an adverse effect on the results of operations of the Interactive Group and the Capital Group.

INCREASED PROGRAMMING AND CONTENT COSTS MAY ADVERSELY AFFECT PROFITS. Subsidiaries and business affiliates attributable to each group produce programming and incur costs for all types of creative talent including actors, writers and producers. 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 may lead to decreased profitability.

RISK FACTORS RELATING TO QVC

The risks described below are unique to QVC, which 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'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, they will be able to recruit and retain acceptable replacements because the market for such employees is very competitive and limited.

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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 and Bochum, Germany, as well as a call center and warehouse in Knowsley, United Kingdom. QVC owns a distribution center in Hucklehoven, Germany and distribution centers in Lancaster, Pennsylvania, Suffolk, Virginia and Rocky Mount, North Carolina. 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.

Starz Entertainment owns its corporate headquarters in Englewood, Colorado. In addition, Starz Entertainment leases office space for its business affairs and sales staff at five 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, Vancouver, British Columbia, London, England and Melbourne, Australia.

On Command leases its corporate headquarters in Denver, Colorado. It also leases 120,000 square feet of light manufacturing and storage space in Denver, Colorado and 42,000 square feet of office space in San Jose, California. On Command also has a number of small leased facilities in the United States, Canada and Mexico.

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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.

KLESCH & COMPANY LIMITED V. LIBERTY MEDIA CORPORATION, JOHN C. MALONE AND ROBERT R. BENNETT. On September 4, 2001, we entered into agreements with Deutsche Telekom AG pursuant to which we would purchase its entire interest in six of nine regional cable television companies in Germany. In February 2002, we failed to receive regulatory approval for our proposed acquisition. On July 27, 2001, Klesch & Company Limited initiated a lawsuit against us, our chairman, John C. Malone, and our former chief executive officer, Robert R. Bennett, in the United States District Court for the District of Colorado alleging, among other things, breach of fiduciary duty, fraud and breach of contract in connection with actions alleged to have been taken by us with respect to what then was a proposed transaction with Deutsche Telekom. Klesch sought damages in an unspecified amount in that action, which was the subject of a jury trial that began on August 30, 2004. On September 28, 2004, the jury returned a verdict in our favor on all of the legal claims asserted by the plaintiff. The jury also rejected the plaintiff's claims that Messrs. Malone and Bennett had committed fraud in their dealings with the plaintiff. On March 30, 2005, the court entered a judgment in accordance with the jury's verdict, and in addition ruled in our favor on various equitable claims asserted by the plaintiffs. The plaintiff has appealed the judgment to the United States Court of Appeals for the Tenth Circuit. Both sides have submitted briefs, and oral arguments were held on November 15, 2006. To date, we have not received notice of any decision by the Court.

DR. LEO KIRCH, INDIVIDUALLY AND AS ASSIGNEE, KGL POOL GMBH, AND INTERNATIONAL TELEVISION TRADING CORP. V. LIBERTY MEDIA CORPORATION, JOHN MALONE, DEUTSCHE BANK, AG, AND DR. ROLF-ERNST BREUER. Dr. Kirch was the primary owner of KirchGroup, a German cable television and media conglomerate. On September 4, 2001, we entered into agreements with Deutsche Telekom AG pursuant to which we would purchase its entire interest in six of nine regional cable television companies in Germany. In February 2002, we failed to receive regulatory approval for our proposed acquisition and the transactions with Deutsche Telekom were never consummated. On January 14, 2004, Dr. Kirch, KGL Pool GBH, and International Television Trading Corp. added our company, and our chairman, John C. Malone, to a lawsuit they had initiated against Deutsche Bank and Dr. Breuer on February 3, 2003. In that lawsuit, which was filed in the United States District Court for the Southern District of New York, the plaintiffs' claims against us included, among other things, interference with contract, and interference with prospective economic advantage arising from an alleged conspiracy among our company, Dr. Malone, Deutsche Bank and Dr. Breuer pursuant to which we allegedly were involved in effecting transactions that led to the collapse of the KirchGroup's control of the German cable market in an effort to facilitate our agreements with Deutsche Telekom. Dr. Kirch, KGL Pool and International Television sought damages in an unspecified amount. We and Dr. Malone filed a motion to dismiss the lawsuit for failure to state a claim upon which relief can be granted. That motion, as well as the other defendants' motion to dismiss on the same grounds, was granted by the court on September 24, 2004. The plaintiffs appealed the court's dismissal of the case to the United States Court of Appeals for the Second Circuit. On appeal, the case was remanded to the trial court for a determination on the issue of whether the case should be dismissed on grounds of FORUM NON CONVENIENS. On November 8, 2006, the trial court ruled on this issue and dismissed the suit on such grounds. To date, we have not received notice of any further actions taken by the plaintiffs with respect to the claims made in this proceeding.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

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PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

MARKET INFORMATION

We issued our tracking stocks, Liberty Capital Series A and Series B common stock (LCAPA and LCAPB) and Liberty Interactive Series A and Series B common stock (LINTA and LINTB), on May 10, 2006. Holders of our predecessor's common stock received .25 of a share of LINTA and .05 of a share of LCAPA in exchange for each share of Series A common stock held and .25 of a share of LINTB and .05 of a share of LCAPB in exchange for each share of Series B common stock held.

Each series of our tracking stock trades on the Nasdaq National Market. Prior to May 10, 2006, our two series of common stock, Series A and Series B, traded on the New York Stock Exchange under the symbols L and LMC.B, respectively. 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, 2006 and 2005.

<Table>
<Caption>

	SERIES A (L)		SERIES B (LMC.B)	
	HIGH	LOW	HIGH	LOW
	<C>	<C>	<C>	<C>
<S>				
2005				
First quarter.....	\$10.93	9.97	11.60	10.30
Second quarter.....	\$10.64	10.01	11.06	10.20
Third quarter through July 20, 2005*.....	\$10.28	9.89	10.75	10.00
July 21 through September 30, 2005*.....	\$ 8.90	7.98	10.15	8.12
Fourth quarter.....	\$ 8.18	7.59	8.56	7.55
2006				
First quarter.....	\$ 8.44	7.73	8.50	7.80
Second quarter through May 9, 2006.....	\$ 8.76	8.20	8.90	8.20

</Table>

<Table>
<Caption>

	LIBERTY CAPITAL			
	SERIES A (LCAPA)		SERIES B (LCAPB)	
	HIGH	LOW	HIGH	LOW
<C>	<C>	<C>	<C>	
<S>				
2006				
Second quarter--May 10, 2006 through June 30, 2006.....	\$83.95	77.00	87.99	79.26
Third quarter.....	\$87.02	80.01	87.25	80.73
Fourth quarter.....	\$98.80	83.32	99.46	84.34

</Table>

<Table>
<Caption>

	LIBERTY INTERACTIVE			
	SERIES A (LINTA)		SERIES B (LINTB)	
	HIGH	LOW	HIGH	LOW
<C>	<C>	<C>	<C>	
<S>				
2006				
Second quarter--May 10, 2006 through June 30, 2006.....	\$20.25	16.28	20.09	15.98
Third quarter.....	\$20.60	15.84	20.50	16.00
Fourth quarter.....	\$23.29	19.85	23.13	19.61

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* Our spin off of DHC was completed on July 21, 2005.

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HOLDERS

As of January 31, 2007, there were approximately 68,000 and less than 1,000 beneficial holders of our Liberty Capital Series A and Series B common stock, respectively, and approximately 74,000 and less than 1,000 beneficial holders of our Liberty Interactive Series A and Series B common stock, respectively.

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 2007 Annual Meeting of shareholders.

PURCHASES OF EQUITY SECURITIES BY THE ISSUER

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LIBERTY INTERACTIVE SERIES A COMMON STOCK

PERIOD	(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 (1)
October 2006.....	5,129,246	\$ 21.22	5,129,246	\$ 160.5 million
November 2006.....	3,443,499	\$ 22.51	3,443,499	\$ 1,082.9 million
December 2006.....	1,578,700	\$ 22.66	1,578,700	\$ 1,047.2 million
Total.....	10,151,445		10,151,445	

</Table>

(1) Our program to repurchase shares of Liberty Interactive common stock was approved by our board of directors and disclosed in our 2006 Annual Proxy dated April 7, 2006. In November 2006, our board of directors increased the aggregate amount of Liberty Interactive common stock that can be repurchased from \$1 billion to \$2 billion. We may alter or terminate the program at any time.

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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.

<Table>
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	DECEMBER 31,				
	2006	2005	2004	2003 (2)	2002
	(AMOUNTS IN MILLIONS)				
SUMMARY BALANCE SHEET DATA(1):					
Investments in available-for-sale securities and other cost investments.....	\$21,622	18,489	21,834	19,544	14,156
Investment in affiliates.....	\$ 1,842	1,908	784	745	3,420
Assets of discontinued operations.....	\$ 512	516	6,258	9,741	8,985
Total assets.....	\$47,638	41,965	50,181	54,225	40,324
Long-term debt(3).....	\$ 8,909	6,370	8,566	9,417	3,646
Stockholders' equity.....	\$21,633	19,120	24,586	28,842	24,682

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	YEARS ENDED DECEMBER 31,				
	2006	2005	2004	2003 (2)	2002
	(AMOUNTS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)				
SUMMARY STATEMENT OF OPERATIONS DATA(1):					
Revenue.....	\$8,613	7,646	6,743	2,934	1,010
Operating income (loss) (4).....	\$1,021	944	788	(841)	189
Realized and unrealized gains (losses) on financial instruments, net.....	\$ (279)	257	(1,284)	(661)	2,127
Gains (losses) on dispositions, net.....	\$ 607	(361)	1,411	1,128	(526)
Nontemporary declines in fair value of investments....	\$ (4)	(449)	(129)	(22)	(5,793)
Earnings (loss) from continuing operations(4).....	\$ 709	(43)	105	(1,144)	(2,783)
Basic and diluted earnings (loss) from continuing operations per common share(5):					
Liberty common stock.....	\$.07	(.02)	.04	(.42)	(1.07)
Liberty Capital common stock.....	\$.24	--	--	--	--
Liberty Interactive common stock.....	\$.73	--	--	--	--

(1) In the fourth quarter of 2006, we executed agreements to sell our interests in OpenTV Corp. ("OPTV") and Ascent Entertainment Group ("AEG"), which is the parent company of On Command Corporation, in separate transactions to

unrelated third parties. Our consolidated financial statements and selected financial information have been prepared to reflect OPTV and AEG as discontinued operations. Accordingly, the assets and liabilities, and revenue, costs and expenses of OPTV and AEG have been excluded from the respective captions in our consolidated financial statements and selected financial information and have been reported under the heading of discontinued operations. See note 5 to our consolidated financial statements for additional information regarding OPTV and AEG.

- (2) On September 17, 2003, we completed our acquisition of Comcast Corporation's approximate 56% ownership in QVC, Inc. for approximately \$7.9 billion, comprised of cash, floating rate senior notes and shares of our Series A common stock. When combined with our previous ownership of approximately 42% of QVC, we owned 98% of QVC upon consummation of the transaction, which is deemed to have occurred on September 1, 2003, and we have consolidated QVC's financial position and results of operations since that date.

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- (3) Excludes the call option portion of our exchangeable debentures. See note 9 to our consolidated financial statements.
- (4) Our 2003 operating loss and loss from continuing operations include a \$1,352 million goodwill impairment charge related to our wholly-owned subsidiary, Starz Entertainment, LLC (formerly known as Starz Entertainment Group LLC).
- (5) Basic and diluted earnings per share have been calculated for Liberty Capital and Liberty Interactive common stock for the period from May 10, 2006 to December 31, 2006. 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 are a holding company that owns 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 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, other distributors and via the Internet throughout the United States.

In 2006, we began implementing a strategy to convert passive investments into operating businesses. We exchanged our cost investment in IDT Corporation for IDT's subsidiary IDT Entertainment, and we signed an agreement with News Corporation to exchange our investment in News Corporation for a News Corporation subsidiary which would own News Corporations' 38.5% interest in The DirectTV Group, three regional sports television networks and cash. In addition, we acquired controlling interests in Provide Commerce, Inc., FUN Technologies, Inc. and BuySeasons, Inc.

Our "Corporate and Other" segment includes our other consolidated subsidiaries and corporate expenses. Our other consolidated subsidiaries include Provide Commerce, Inc., Starz Media, LLC, FUN Technologies, Inc., TruePosition, Inc. and BuySeasons, Inc. Provide, which we acquired in February 2006, operates an e-commerce marketplace of websites for perishable goods, including flowers, gourmet foods, fruits and desserts. Starz Media, which we acquired in the third quarter of 2006, is focused on developing, acquiring, producing and distributing live-action, computer-generated and traditional television animated productions for the home video, film, broadcast and direct-to-consumer markets. FUN, in which we acquired a 55% common stock interest in March 2006, operates websites that offer casual gaming, sports information and fantasy sports services. TruePosition provides equipment and technology that deliver location-based services to wireless users. BuySeasons, which we acquired in August 2006, operates BuyCostumes.com, an on-line retailer of costumes, accessories, decor and party supplies.

In addition to the foregoing businesses, we hold an approximate 21% interest in Expedia, Inc., which we account for as an equity method investment, and we continue to maintain significant investments and related derivative positions in public companies such as News Corporation, IAC/ InterActiveCorp, Time Warner Inc. and Sprint Nextel Corporation, which are accounted for at their respective fair market value and are included in corporate and other.

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On May 9, 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 new tracking stocks, Liberty Interactive common stock and Liberty Capital common stock. Each tracking stock issued in the restructuring is intended to track and reflect the economic performance of one of two newly designated groups, the Interactive Group and the Capital Group, respectively.

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 and the Capital Group have separate collections of businesses, assets and liabilities attributed to them, neither 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. 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 and BuySeasons and our interests in Expedia and IAC/InterActiveCorp. 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. In addition, we have attributed \$3,108 million principal amount (as of December 31, 2006) of our existing publicly-traded debt to the Interactive 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. The assets and businesses attributed to the Capital Group include our subsidiaries Starz Entertainment, Starz Media, FUN and TruePosition, our equity affiliates GSN, LLC and WildBlue Communications, Inc. and our interests in News Corporation, Time Warner Inc. and Sprint Nextel Corporation. 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. In addition, we have attributed \$4,580 million principal amount (as of December 31, 2006) of our existing publicly-traded 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.

DISCONTINUED OPERATIONS

In the fourth quarter of 2006, we committed to two separate transactions pursuant to which we intend to sell our interests in OpenTV Corp and Ascent Entertainment Group ("AEG") to unrelated third parties. The agreement to sell OpenTV was executed in October 2006 and provided for us to sell all of our controlling interest in OpenTV for approximately \$132 million in cash. Pursuant to an agreement with OpenTV, we would pay OpenTV up to approximately \$20 million of the sales proceeds on the first anniversary of the closing, subject to the satisfaction of certain conditions. The transaction was completed on January 16, 2007. The agreement to sell AEG, of which the primary asset is 100% of the common stock of On Command Corporation, was executed in December 2006 and provides that if the transaction is completed, we would sell our interest in AEG for \$332 million in cash and 2.05 million shares of common stock of the buyer valued at approximately \$50 million. The transaction,

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which is subject to regulatory approval and customary closing conditions, is expected to close in mid-2007.

OpenTV and AEG each meet the criteria of Statement of Financial Accounting Standards No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS, for classification as assets held for sale as of December 31, 2006 and were included in the Capital Group.

On July 21, 2005, we completed the spin off of our wholly-owned subsidiary, Discovery Holding Company ("DHC"), to our shareholders. At the time of the spin off, DHC's assets were comprised of our 100% ownership interest in Ascent Media Group, our 50% ownership interest in Discovery Communications, Inc. and \$200 million in cash. The spin off is intended to qualify as a tax-free spin off. We recognized no gain or loss in connection with the spin off due to the

pro rata nature of the distribution.

On June 7, 2004, we completed the spin off of our wholly-owned subsidiary, Liberty Media International, Inc. ("LMI"), to our shareholders. Substantially all of the assets and businesses of LMI were attributed to our International Group segment. The spin off is intended to qualify as a tax-free spin off. For accounting purposes, the spin off is deemed to have occurred on June 1, 2004, and we recognized no gain or loss in connection with the spin off due to the pro rata nature of the distribution.

During the fourth quarter of 2004, the executive committee of our board of directors approved a plan to dispose of our approximate 56% ownership interest in Maxide Acquisition, Inc. (d/b/a DMX Music, "DMX"). On February 14, 2005, DMX commenced proceedings under Chapter 11 of the United States Bankruptcy Code. On May 16, 2005, The Bankruptcy Court approved the sale of substantially all of the operating assets of DMX to an independent third party. As a result of the DMX bankruptcy filing, we deconsolidated DMX effective December 31, 2004.

Our consolidated financial statements and accompanying notes have been prepared to reflect OpenTV, AEG, DHC, LMI and DMX 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 has identified improved domestic growth and continued international growth as key areas of focus in 2007. QVC's steps to achieving these goals will include (1) continued domestic and international efforts to increase the number of customers who have access to and use its service, (2) continued expansion of brand selection and available domestic products and (3) continued development and enhancement of the QVC websites to drive Internet commerce. The key challenges to achieving these goals in both the U.S. and international markets are (1) increased competition from other home shopping and Internet retailers, (2) advancements in technology, such as video on demand and personal video recorders, which may alter TV viewing habits, (3) maintaining favorable channel positioning as digital TV penetration increases and (4) successful management transition.

Starz Entertainment views (1) negotiating new affiliation agreements with key distributors and (2) increasing subscribers to its on-demand and more traditional cable and satellite delivered services, as well as its Internet delivered services, as key initiatives in 2007. Starz Entertainment faces several key obstacles 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 video on demand and personal video recorders; (3) continued consolidation in the

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broadband and satellite distribution industries; and (4) an increasing number of alternative movie and programming sources.

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 of our reportable segments categorized by the tracking stock group to which those segments are attributed. The "corporate and other" category for each tracking stock group consists of those assets within the category which are attributed to such tracking stock group. For a more detailed discussion and analysis of the financial results of the principal reporting segments of each tracking stock group, see "Interactive Group" and "Capital Group" below.

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CONSOLIDATED OPERATING RESULTS

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<Caption>

	YEARS ENDED DECEMBER 31,		
	2006	2005	2004
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
REVENUE			
Interactive Group			
QVC.....	\$7,074	6,501	5,687
Corporate and Other.....	252	--	--
	-----	-----	-----

	7,326	6,501	5,687
	-----	-----	-----
Capital Group			
Starz Entertainment.....	1,033	1,004	963
Corporate and Other.....	254	141	93
	-----	-----	-----
	1,287	1,145	1,056
	-----	-----	-----
Consolidated Liberty.....	\$8,613	7,646	6,743
	=====	=====	=====
OPERATING CASH FLOW (DEFICIT)			
Interactive Group			
QVC.....	\$1,656	1,422	1,230
Corporate and Other.....	24	(5)	(6)
	-----	-----	-----
	1,680	1,417	1,224
	-----	-----	-----
Capital Group			
Starz Entertainment.....	186	171	239
Corporate and Other.....	(83)	(47)	(72)
	-----	-----	-----
	103	124	167
	-----	-----	-----
Consolidated Liberty.....	\$1,783	1,541	1,391
	=====	=====	=====
OPERATING INCOME (LOSS)			
Interactive Group			
QVC.....	\$1,130	921	760
Corporate and Other.....	--	(5)	(12)
	-----	-----	-----
	1,130	916	748
	-----	-----	-----
Capital Group			
Starz Entertainment.....	163	105	148
Corporate and Other.....	(272)	(77)	(108)
	-----	-----	-----
	(109)	28	40
	-----	-----	-----
Consolidated Liberty.....	\$1,021	944	788
	=====	=====	=====

</Table>

REVENUE. Our consolidated revenue increased 12.6% in 2006 and 13.4% in 2005, as compared to the corresponding prior year. The 2006 increase is due primarily to an 8.8% or \$573 million increase at QVC and our 2006 acquisitions of Provide (\$220 million), Starz Media (\$86 million), FUN (\$42 million) and BuySeasons (\$32 million). The 2005 increase was driven primarily by growth of 14.3% at QVC and growth of 4.3% at Starz Entertainment. In addition, TruePosition's revenue increased \$77 million as it continued to increase delivery and acceptance of its equipment in Cingular Wireless's markets. See Management's Discussion and Analysis for the Interactive Group and the Capital Group below for a more complete discussion of QVC's and Starz Entertainment's results of operations.

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In November 2006, TruePosition signed an amendment to its existing services contract with Cingular Wireless that requires TruePosition to develop and deliver additional software features. Because vendor specific objective evidence related to the value of these additional features does not exist, TruePosition is required to defer revenue recognition until all of the features have been delivered. TruePosition estimates that these features will be delivered in the first quarter of 2008. Accordingly, TruePosition will not recognize any revenue under this contract until 2008. TruePosition recognized approximately \$105 million of revenue under this contract in 2006 prior to signing the amendment.

OPERATING CASH FLOW. We define Operating Cash Flow 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, 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, Operating Cash Flow 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 18 to the accompanying consolidated financial statements for a reconciliation of Operating Cash Flow to Earnings (Loss) From Continuing Operations Before Income Taxes and Minority Interest.

Consolidated Operating Cash Flow increased \$242 million or 15.7% and \$150 million or 10.8% in 2006 and 2005, respectively, as compared to the corresponding prior year. The 2006 increase is due to a \$234 million or 16.5% increase at QVC and a \$15 million or 8.8% increase at Starz Entertainment. Operating cash flow for Provide of \$24 million and BuySeasons of \$6 million were offset by operating cash flow deficits for Starz Media of \$24 million and FUN of \$11 million. The 2005 increase is due to a \$192 million increase for QVC and a \$30 million improvement for TruePosition, partially offset by a \$68 million decrease for Starz Entertainment.

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.

Effective January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123R (revised 2004), "SHARE-BASED PAYMENT" ("Statement 123R"). Statement 123R requires that we amortize the grant date fair value of our stock option and SAR awards that qualify as equity awards as stock compensation expense over the vesting period of such awards. Statement 123R also requires that we record our liability awards at fair value each reporting period and that the change in fair value be reflected as stock compensation expense in our consolidated statement of operations. Prior to adoption of Statement 123R, the amount of expense associated with stock-based compensation was generally based on the vesting of the related stock options and stock appreciation rights and the market price of the underlying common stock, as well as the vesting of PSARs and the equity value of the related subsidiary. The expense reflected in our consolidated financial statements was based on the market price of the underlying common stock as of the date of the financial statements.

In connection with our adoption of Statement 123R, we recorded an \$89 million transition adjustment, net of related income taxes of \$31 million, which primarily reflects the fair value of the

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liability portion of QVC's stock option awards at January 1, 2006. The transition adjustment is reflected in the accompanying consolidated statement of operations as the cumulative effect of accounting change. In addition, we recorded \$67 million of stock compensation expense for the year ended December 31, 2006, compared with \$52 million for the comparable period in 2005. The 2006 stock compensation expense is net of a \$24 million credit related to the terminations of QVC's stock option plan as described in note 13 to the accompanying consolidated financial statements. As of December 31, 2006, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately \$59 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 2 years.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization increased in 2006 due to our acquisitions and capital expenditures partially offset by a decrease at Starz Entertainment due to certain intangibles becoming fully amortized. As the businesses we acquired in 2006 are not capital intensive, we do not expect them to have a significant impact on our depreciation in the future. Depreciation and amortization decreased slightly in 2005 due to certain assets becoming fully amortized, partially offset by an increase in depreciable assets due to capital expenditures.

IMPAIRMENT OF LONG-LIVED ASSETS. We acquired our interest in FUN in March 2006. Subsequent to our acquisition, the market value of FUN's stock has declined significantly due to the performance of certain of FUN's subsidiaries and uncertainty surrounding government legislation of Internet gambling which we believe the market perceives as potentially impacting FUN's skill gaming business. In connection with our annual evaluation of the recoverability of FUN's goodwill, we received a third-party valuation, which indicated that the carrying value of FUN's goodwill exceeded its market value. Accordingly, we recognized a \$111 million impairment charge related to goodwill and a \$2 million impairment charge related to trademarks.

OPERATING INCOME (LOSS). We generated consolidated operating income of \$1,021 million, \$944 million and \$788 million in 2006, 2005 and 2004, respectively. The 2006 increase is due to increases for QVC (\$209 million) and Starz Entertainment (\$58 million), partially offset by losses generated by FUN (\$140 million, including the above-described impairment charges) and Starz Media (\$29 million) as well as an increase in corporate stock compensation expense of \$34 million due to the adoption of Statement 123R. Our operating income in 2005 is attributable to QVC (\$921 million) and Starz Entertainment (\$105 million) partially offset by operating losses of our other consolidated subsidiaries and corporate expenses.

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OTHER INCOME AND EXPENSE

Components of Other Income (Expense) are as follows:

<Table>

<Caption>

	YEARS ENDED DECEMBER 31,		
	2006	2005	2004
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Interest expense			
Interactive Group.....	\$ (417)	(374)	(385)
Capital Group.....	(263)	(252)	(234)
	-----	-----	-----
Consolidated Liberty.....	\$ (680)	(626)	(619)
	=====	=====	=====
Dividend and interest income			
Interactive Group.....	\$ 40	35	20
Capital Group.....	174	108	110
	-----	-----	-----
Consolidated Liberty.....	\$ 214	143	130
	=====	=====	=====
Share of earnings of affiliates			
Interactive Group.....	\$ 47	9	(3)
Capital Group.....	44	4	18
	-----	-----	-----
Consolidated Liberty.....	\$ 91	13	15
	=====	=====	=====
Realized and unrealized gains (losses) on financial instruments, net			
Interactive Group.....	\$ 20	(17)	(17)
Capital Group.....	(299)	274	(1,267)
	-----	-----	-----
Consolidated Liberty.....	\$ (279)	257	(1,284)
	=====	=====	=====
Gains (losses) on dispositions, net			
Interactive Group.....	\$ --	40	7
Capital Group.....	607	(401)	1,404
	-----	-----	-----
Consolidated Liberty.....	\$ 607	(361)	1,411
	=====	=====	=====
Nontemporary declines in fair value of investments			
Interactive Group.....	\$ --	--	--
Capital Group.....	(4)	(449)	(129)
	-----	-----	-----
Consolidated Liberty.....	\$ (4)	(449)	(129)
	=====	=====	=====
Other, net			
Interactive Group.....	\$ 23	(38)	4
Capital Group.....	(5)	(1)	(30)
	-----	-----	-----
Consolidated Liberty.....	\$ 18	(39)	(26)
	=====	=====	=====

</Table>

INTEREST EXPENSE. Consolidated interest expense increased 8.6% and 1.1% for the years ended December 31, 2006 and 2005, respectively, as compared to the corresponding prior year. Interest expense attributable to the Interactive Group increased 11.5% in 2006 due to increased borrowings by QVC, which were used to retire certain of our publicly-traded debt and for repurchases of Liberty Interactive common stock. The increase in 2005 is due to lower outstanding debt balances, more than offset by higher interest rates on our variable rate debt.

DIVIDEND AND INTEREST INCOME. Interest income for the Capital Group increased in 2006 due to higher invested cash balances. Interest and dividend income for the year ended December 31, 2006 was comprised of interest income earned on invested cash (\$84 million), dividends on News Corporation common stock (\$57 million), dividends on other available-for-sale ("AFS") securities (\$20 million) and

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other (\$13 million). If our exchange transaction with News Corporation described below is completed as currently contemplated, we expect that our dividend income from News Corporation in 2007 will be approximately 50% of the 2006 amount and zero in subsequent years.

SHARE OF EARNINGS OF AFFILIATES. Our 2006 share of earnings of affiliates are attributable to Expedia (\$50 million) and other investees (\$41 million). In December 2006, we announced that we had entered into an exchange agreement with

News Corporation pursuant to which, if completed, we would exchange our approximate 16.2% ownership interest in News Corporation for a subsidiary of News Corporation, which would own News Corporation's approximate 38.5% interest in The DirecTV Group, Inc., three regional sports television networks and approximately \$550 million in cash. Consummation of the exchange, which is subject to various closing conditions, including approval by News Corporation's shareholders, regulatory approval and receipt of a favorable ruling from the IRS that the exchange is tax free, is expected in mid- 2007. Upon consummation, if completed, we will account for our interest in The DirecTV Group using the equity method of accounting, which could result in a significant increase in our share of earnings of affiliates in future periods. In this regard, The DirecTV Group announced that its net income for the year ended December 31, 2006 was \$1,420 million.

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:

<Table>
<Caption>

	YEARS ENDED DECEMBER 31,		
	2006	2005	2004

	(AMOUNTS IN MILLIONS)		
	<C>	<C>	<C>
Exchangeable debenture call option obligations.....	\$ (353)	172	(129)
Equity collars.....	(59)	311	(941)
Borrowed shares.....	(32)	(205)	(227)
Put options.....	--	(66)	2
Other derivatives.....	165	45	11
	-----	-----	-----
	\$ (279)	257	(1,284)
	=====	=====	=====

</Table>

GAINS (LOSSES) ON DISPOSITIONS. Aggregate gains (losses) from dispositions are comprised of the following.

<Table>
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TRANSACTION	YEARS ENDED DECEMBER 31,		
	2006	2005	2004

	(AMOUNTS IN MILLIONS)		
	<C>	<C>	<C>
CAPITAL GROUP			
Sale of investment in Court TV.....	\$303	--	--
Sale of investment in Freescale.....	256	--	--
Sale of investment in Telewest Global, Inc.....	--	(266)	--
Sale of investment in Cablevision S.A.....	--	(188)	--
Sale of News Corporation non-voting shares.....	--	--	844
Exchange transaction with Comcast.....	--	--	387
Other, net.....	48	53	173
	-----	-----	-----
	607	(401)	1,404
	-----	-----	-----
INTERACTIVE GROUP			
Other, net.....	--	40	7
	-----	-----	-----
	\$607	(361)	1,411
	=====	=====	=====

</Table>

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In the above transactions, the gains or losses were calculated based upon the difference between the carrying value of the assets relinquished, as determined on an average cost basis, compared to the fair value of the assets received. See notes 6, 11 and 15 to the accompanying consolidated financial statements for a discussion of the foregoing transactions.

NONTEMPORARY DECLINES IN FAIR VALUE OF INVESTMENTS. During 2006, 2005 and 2004, 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 nontemporary declines in fair value of investments in our consolidated statements of operations. The impairment recorded in 2005 includes \$352 million related to our investment in News Corporation voting shares.

INCOME TAXES. Our effective tax rate was 26.2% in 2006, 74.6% in 2005 and

60.2% in 2004. Our 2006 rate is less than the U.S. federal income tax rate of 35% due, in part, to a deferred tax benefit we recognized when we decided to effect a restructuring transaction which was effective on April 1, 2006, and which enabled us to include TruePosition in our Federal consolidated tax group on a prospective basis. As a result of this decision and considering our overall tax position, we reversed \$89 million of valuation allowance recorded against TruePosition's net deferred tax assets into our statement of operations as a deferred tax benefit in 2006. This valuation allowance did not relate to net operating loss carryforwards or some other future tax deduction of TruePosition, but rather related to temporary differences caused by revenue and cost amounts that were recognized for tax purposes in prior periods, but have been deferred for financial reporting purposes until future periods. In addition, we recorded deferred tax benefits of \$105 million for changes in our estimated foreign tax rate based on our projections of our ability to use foreign tax credits in the future and \$25 million for changes in our estimated state tax rate used to calculate our deferred tax liabilities. These benefits were partially offset by current tax expense of \$43 million on the gain on sale of Court TV for which we had higher book basis than tax basis and \$39 million for impairment of goodwill that is not deductible for tax purposes. In addition, we recorded state (\$34 million) and foreign (\$20 million) tax expense.

Our effective tax rate in 2005 was greater than the U.S. federal income tax rate of 35% primarily due to a tax benefit of \$147 million that we recorded as a result of a change in our estimated effective state and foreign tax rates. In the third quarter of 2005, we assessed our weighted average state tax rate in connection with our spin off of Discovery Holding Company. As a result of this assessment, we decreased our state tax rate used in calculating the amount of our deferred tax liabilities and recognized a deferred income tax benefit of \$131 million. Also in 2005, we reduced our estimated foreign tax rate related to QVC and recognized a tax benefit of \$16 million. These tax benefits were partially offset by our foreign tax expense and an increase in our valuation allowance for deferred tax assets of subsidiaries that we do not consolidate for tax purposes. Our effective tax rate in 2004 differed from the U.S. federal income tax rate of 35% primarily due to foreign and state taxes.

Historically, we have not made federal income tax payments due to our ability to use prior year net operating and capital losses carryforwards to offset current year taxable income. However, based on current projections, we believe that we will use our available net operating and capital losses in 2007, and that we will start making federal income tax payments to the extent that we continue to generate taxable income in the future. These payments could prove to be significant.

NET EARNINGS (LOSS). Our net earnings (loss) was \$840 million, (\$33) million and \$46 million for the years ended December 31, 2006, 2005 and 2004, respectively, and was the result of the above-described fluctuations in our revenue and expenses. In addition, we recognized earnings (loss) from discontinued operations of \$220 million, \$10 million and (\$59) million for the years ended December 31, 2006, 2005 and 2004, respectively. Included in our 2006 earnings from discontinued operations are tax benefits of

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\$236 million related to our excess outside tax basis in OPTV and AEG over our basis for financial reporting.

LIQUIDITY AND CAPITAL RESOURCES

While the Interactive 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 the other group, 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.

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.

INTERACTIVE GROUP. During the year ended December 31, 2006, the Interactive Group's primary uses of cash were the retirement of \$1,369 million principal amount of senior notes that matured in September 2006, funding the acquisition of Provide (\$465 million), repurchases of QVC common stock (\$331 million), capital expenditures (\$259 million), tax payments to the Capital Group (\$173 million), stock compensation payments (\$111 million) and the repurchase of outstanding Liberty Interactive common stock. Our board of directors has authorized a share repurchase program pursuant to which we may repurchase up to \$2 billion of outstanding shares of Liberty Interactive common stock in the open market or in privately negotiated transactions, from time to time, subject to

market conditions. During the period from May 10, 2006 to December 31, 2006, we repurchased 51.6 million shares of Liberty Interactive Series A common stock for aggregate cash consideration of \$954 million pursuant to this share repurchase program. We may alter or terminate the stock repurchase program at any time.

The Interactive Group's uses of cash in 2006 were primarily funded with cash from operations and borrowings under QVC's credit facilities. As of December 31, 2006, the Interactive Group had a cash balance of \$946 million.

The projected uses of Interactive Group cash for 2007 include approximately \$430 million for interest payments on QVC debt and parent debt attributed to the Interactive Group, \$350 million for capital expenditures, additional tax payments to the Capital Group and additional repurchases of Liberty Interactive 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.

Effective March 3, 2006, QVC refinanced its existing bank credit facility with a new \$3.5 billion bank credit facility, which was subsequently amended on October 4, 2006 (the "March 2006 Credit Agreement"). The March 2006 Credit Agreement is comprised of an \$800 million U.S. dollar term loan that was drawn at closing, an \$800 million U.S. dollar term loan that was drawn on September 18, 2006, a \$600 million multi-currency term loan that was drawn in U.S. dollars on September 18, 2006, a \$650 million U.S. dollar revolving loan and a \$650 million multi-currency revolving loan. The foregoing multi-currency loans can be made, at QVC's option, in U.S. dollars, Japanese yen, U.K. pound sterling or euros. All loans are due and payable on March 3, 2011, and accrue interest at a rate equal to (i) LIBOR for the interest period selected by QVC plus a margin that varies based on QVC's leverage ratio or (ii) the higher of the Federal Funds Rate plus 0.50% or the prime rate announced by JP Morgan Chase Bank, N.A. from time to time. QVC is required to pay a commitment fee quarterly in arrears on the unused portion of the commitments.

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On October 4, 2006, QVC entered into a new credit agreement (the "October 2006 Credit Agreement"), which provides for an additional unsecured \$1.75 billion credit facility, consisting of an \$800 million initial term loan made on October 13, 2006 and \$950 million of delayed draw term loans to be made after closing from time to time upon the request of QVC. The delayed draw term loans are available until September 30, 2007 and are subject to reductions in the principal amount available starting on March 31, 2007. The loans will bear interest at a rate equal to (i) LIBOR for the interest period selected by QVC plus a margin that varies based on QVC's leverage ratio or (ii) the higher of the Federal Funds Rate plus 0.50% or the prime rate announced by Wachovia Bank, N.A. from time to time. The loans are scheduled to mature on October 4, 2011.

Aggregate commitments under the March 2006 Credit Agreement and the October 2006 Credit Agreement are \$5.25 billion, and outstanding borrowings aggregated \$3.225 billion at December 31, 2006. QVC's ability to borrow the unused capacity is dependent on its continuing compliance with the covenants contained in the agreements at the time of, and after giving effect to, a requested borrowing.

CAPITAL GROUP. During the year ended December 31, 2006, the Capital Group's primary uses of cash were the acquisition of Starz Media (\$290 million) and FUN (\$200 million), loans to WildBlue Communications, an equity affiliate (\$187 million), and net cash transfers of \$293 million to the Interactive Group prior to the Restructuring. These investing activities were funded with available cash on hand and proceeds from derivative settlements and asset sales.

The projected uses of Capital Group cash for 2007 include approximately \$130 million for interest payments on debt attributed to the Capital Group. In addition, we may make additional investments in existing or new businesses and attribute such investments to the Capital Group. However, we do not have any commitments to make new investments at this time.

In connection with the issuance of our tracking stocks, our board of directors authorized a share repurchase program pursuant to which we may repurchase up to \$1 billion of outstanding shares of Liberty Capital common stock in the open market or in privately negotiated transactions, from time to time, subject to market conditions. We may alter or terminate the stock repurchase program at any time. As of December 31, 2006, we have not repurchased any shares of Liberty Capital common stock pursuant to this repurchase program.

We expect that the Capital Group's investing and financing activities will be funded with a combination of cash on hand, cash proceeds from sales of OpenTV, AEG and our exchange transaction with News Corporation, cash provided by operating activities, tax payments from the Interactive Group, proceeds from collar expirations and dispositions of non-strategic assets. At December 31, 2006, the Capital Group's sources of liquidity include \$2,288 million in cash and marketable debt securities and \$7,386 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.

Our derivatives ("AFS Derivatives") related to certain of our AFS investments provide the Capital Group with an additional source of liquidity. Based on the put price and assuming we deliver owned or borrowed shares to settle each of the AFS Derivatives as they mature and excluding any provision for income taxes, the Capital Group would have attributed to it cash proceeds of approximately \$322 million in 2007, zero in 2008, \$1,180 million in 2009, \$1,680 million in 2010, \$446 million in 2011 and \$866 million in 2013 upon settlement of its AFS Derivatives.

Prior to the maturity of the equity collars, the terms of certain of the equity collars allow borrowings against the future put option proceeds at LIBOR or LIBOR plus an applicable spread, as the case may be. As of December 31, 2006, such borrowing capacity aggregated approximately \$4,494 million. Such borrowings would reduce the cash proceeds upon settlement noted in the

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preceding paragraph. In the event we complete our exchange transaction with News Corporation as currently contemplated, such borrowing capacity would be reduced by \$916 million.

OFF-BALANCE SHEET ARRANGEMENTS AND AGGREGATE CONTRACTUAL OBLIGATIONS

CAPITAL GROUP

The following contingencies and obligations have been attributed to the Capital 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, 2006 is reflected as a liability in the accompanying consolidated balance sheet. The balance due as of December 31, 2006 is payable as follows: \$110 million in 2007; \$9 million in 2008; and \$8 million thereafter.

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, 2006. Starz Entertainment's estimate of amounts payable under these agreements is as follows: \$538 million in 2007; \$148 million in 2008; \$93 million in 2009; \$87 million in 2010; \$31 million in 2011 and \$67 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 through 2009, all qualifying films that are released theatrically in the United States by studios owned by Sony Pictures Entertainment through 2010 and all qualifying films produced for theatrical release in the United States by Revolution Studios through 2006. 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 addition to the foregoing contractual film obligations, each of Disney and Sony has the right to extend its contract for an additional three years. If Sony elects to extend its contract, Starz Entertainment has agreed to pay Sony a total of \$190 million in four annual installments of \$47.5 million beginning in 2011. This option expires December 31, 2007. If made, Starz Entertainment's payments to Sony would be amortized ratably over the extension period beginning in 2011. An extension of this agreement would also result in the payment by Starz Entertainment of Programming Fees for qualifying films released by Sony during the extension period. If Disney elects to extend its contract, Starz Entertainment is not obligated to pay any amounts in excess of its Programming Fees for qualifying films released by Disney during the extension period.

Liberty guarantees Starz Entertainment's film licensing obligations under certain of its studio output agreements. At December 31, 2006, Liberty's guarantees for studio output obligations for films released by such date aggregated \$695 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 commitment of Starz Entertainment, a consolidated subsidiary of ours, we have not recorded a separate liability for our guarantees of these obligations.

Since the date we issued our exchangeable debentures, we have claimed interest deductions on such exchangeable debentures for federal income tax

purposes based on the "comparable yield" at which we could have issued a fixed-rate debenture with similar terms and conditions. In all instances, this policy has resulted in us claiming interest deductions significantly in excess of the cash interest

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currently paid on our exchangeable debentures. In this regard, we have deducted \$2,218 million in cumulative interest expense associated with the exchangeable debentures since our 2001 split off from AT&T Corp. Of that amount, \$629 million represents cash interest payments. Interest deducted in prior years on our exchangeable debentures has contributed to net operating losses ("NOLs") that may be carried to offset taxable income in 2006 and later years. These NOLs and current interest deductions on our exchangeable debentures are being used to offset taxable income currently being generated.

The IRS has issued Technical Advice Memorandums ("TAMs") challenging the current deductibility of interest expense claimed on exchangeable debentures issued by other companies. The TAMs conclude that such interest expense must be capitalized as basis to the shares referenced in the exchangeable debentures. If the IRS were to similarly challenge our tax treatment of these interest deductions, and ultimately win such challenge, there would be no impact to our reported total tax expense as the resulting increase in current tax expense would be offset by a decrease in our deferred tax expense. However, we would be required to make current federal income tax payments and may be required to make interest payments to the IRS. These payments could prove to be significant.

Pursuant to a tax sharing agreement (the "AT&T Tax Sharing Agreement") between us and AT&T when we were a subsidiary of AT&T, we received a cash payment from AT&T in periods when we generated taxable losses and such taxable losses were utilized by AT&T to reduce its consolidated income tax liability. To the extent such losses were not utilized by AT&T, such amounts were available to reduce federal taxable income generated by us in future periods, similar to a net operating loss carryforward. While we were a subsidiary of AT&T, we recorded our stand-alone tax provision on a separate return basis. Subsequent to our spin off from AT&T, if adjustments are made to amounts previously paid under the AT&T Tax Sharing Agreement, such adjustments are reflected as adjustments to additional paid-in capital. During the period from March 10, 1999 to December 31, 2002, we received cash payments from AT&T aggregating \$670 million as payment for our taxable losses that AT&T utilized to reduce its income tax liability.

Also, pursuant to the AT&T Tax Sharing Agreement and in connection with our split off from AT&T, AT&T was required to pay us an amount equal to 35% of the amount of the net operating loss carryforward ("TCI NOLs") reflected in TCI's final federal income tax return that had not been used as an offset to our obligations under the AT&T Tax Sharing Agreement and that had been, or were reasonably expected to be, utilized by AT&T. In connection with our split off from AT&T, we received an \$803 million payment for the TCI NOLs and recorded such payment as an increase to additional paid-in capital. We were not paid for certain of the TCI NOLs ("SRLY NOLs") due to limitations and uncertainty regarding AT&T's ability to use them to offset taxable income in the future. In the event AT&T was ultimately able to use any of the SRLY NOLs, they would be required to pay us 35% of the amount of the SRLY NOLs used. In the fourth quarter of 2004 and in connection with the completion of an IRS audit of TCI's tax return for 1994, it was determined that we were required to recognize additional taxable income related to the recapitalization of one of our investments resulting in a tax liability of approximately \$30 million. As a result of the tax assessment, we also received a corresponding amount of additional tax basis in the investment. However, we were able to cause AT&T to use a portion of the SRLY NOLs to offset this taxable income, the benefit of which resulted in the elimination of the \$30 million tax liability and an increase to additional paid-in capital.

In the fourth quarter of 2004, AT&T requested a refund from us of \$70 million, plus accrued interest, relating to losses that it generated in 2002 and 2003 and was able to carry back to offset taxable income previously offset by our losses. AT&T has asserted that our losses caused AT&T to pay \$70 million in alternative minimum tax ("AMT") that it would not have been otherwise required to pay had our losses not been included in its return. In 2004, we estimated that we may ultimately pay AT&T up to \$30 million of the requested \$70 million because we believed AT&T received an AMT credit of \$40 million against income taxes resulting from the AMT previously paid. Accordingly, we accrued a \$30 million liability with an offsetting reduction of additional paid-in capital. The net effect of the

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completion of the IRS tax audit noted above (including the benefit derived from AT&T for the utilization of the SRLY NOLs) and our accrual of amounts due to AT&T was an increase to our deferred tax assets and an increase to our other liabilities.

In the fourth quarter of 2005, AT&T requested an additional \$21 million relating to additional losses it generated and was able to carry back to offset

taxable income previously offset by our losses. In addition, the information provided to us in connection with AT&T's request showed that AT&T had not yet claimed a credit for AMT previously paid. Accordingly, in the fourth quarter of 2005, we increased our accrual by approximately \$40 million (with a corresponding reduction of additional paid-in capital) representing our estimate of the amount we may ultimately pay (excluding accrued interest, if any) to AT&T as a result of this request. Although we have not reduced our accrual for any future refunds, we believe we are entitled to a refund when AT&T is able to realize a benefit in the form of a credit for the AMT previously paid.

In March 2006, AT&T requested an additional \$21 million relating to additional losses and IRS audit adjustments that it claims it is able to use to offset taxable income previously offset by our losses. We have reviewed this claim and we believe that our accrual as of December 31, 2005 is adequate. Accordingly, no additional accrual was made for AT&T's March 2006 request.

Although for accounting purposes we have accrued a portion of the amounts claimed by AT&T to be owed by us under the AT&T Tax Sharing Agreement, we believe there are valid defenses or set-off or similar rights in our favor that may cause the total amount that we owe AT&T to be less than the amounts accrued; and under certain interpretations of the AT&T Tax Sharing Agreement, we may be entitled to further reimbursements from AT&T.

CAPITAL GROUP AND INTERACTIVE GROUP

In connection with agreements for the sale of certain assets, we typically 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 guarantees typically extend for a number of years. We are unable to estimate the maximum potential liability for these types of indemnification guarantees as the sale agreements typically do 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 guarantees.

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 at December 31, 2006 is summarized below:

<Table>
<Caption>

	PAYMENTS DUE BY PERIOD				
	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	AFTER 5 YEARS
	(AMOUNTS IN MILLIONS)				
<S>	<C>	<C>	<C>	<C>	<C>
ATTRIBUTED CAPITAL GROUP CONTRACTUAL OBLIGATIONS					
Long-term debt(1).....	\$ 4,738	103	1,812	66	2,757
Interest payments(2).....	2,520	128	235	218	1,939
Long-term derivative instruments.....	1,901	1,484	--	155	262
Operating lease obligations.....	61	10	18	12	21
Programming Fees(3).....	1,091	648	258	118	67
Purchase orders and other obligations.....	21	21	--	--	--
Total Capital Group.....	10,332	2,394	2,323	569	5,046
ATTRIBUTED INTERACTIVE GROUP CONTRACTUAL OBLIGATIONS					
Long-term debt(1).....	6,400	11	925	3,243	2,221
Interest payments(2).....	3,987	427	825	570	2,165
Long-term derivative instruments.....	9	--	--	9	--
Operating lease obligations.....	72	18	27	17	10
Purchase orders and other obligations.....	1,013	1,013	--	--	--
Total Interactive Group.....	11,481	1,469	1,777	3,839	4,396
CONSOLIDATED CONTRACTUAL OBLIGATIONS					
Long-term debt(1).....	11,138	114	2,737	3,309	4,978
Interest payments(2).....	6,507	555	1,060	788	4,104

Long-term derivative instruments.....	1,910	1,484	--	164	262
Operating lease obligations.....	133	28	45	29	31
Programming Fees (3).....	1,091	648	258	118	67
Purchase orders and other obligations.....	1,034	1,034	--	--	--
	-----	-----	-----	-----	-----
Total consolidated.....	\$21,813	3,863	4,100	4,408	9,442
	=====	=====	=====	=====	=====

</Table>

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- (1) Includes all debt instruments, including the call option feature related to our exchangeable debentures. Amounts are stated at the face amount at maturity 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, 2006, (ii) assume the interest rates on our floating rate debt remain constant at the December 31, 2006 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 February 2006, the FASB issued Statement of Financial Accounting Standards No. 155, "ACCOUNTING FOR CERTAIN HYBRID FINANCIAL INSTRUMENTS, AN AMENDMENT OF FASB STATEMENTS NO. 133 AND 140." Statement 155, among other things, amends Statement of Financial Accounting Standards No. 133, "ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES," and permits fair value

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remeasurement of hybrid financial instruments that contain an embedded derivative that otherwise would require bifurcation. Statement 155 is effective after the beginning of an entity's first fiscal year that begins after September 15, 2006. We intend to adopt the provisions of Statement 155 effective January 1, 2007 and to account for our senior exchangeable debentures at fair value rather than bifurcating such debentures into a debt instrument and a derivative instrument as required by Statement 133. If we had adopted Statement 155 as of December 31, 2006, we would have recorded an increase to long-term debt of \$1.9 billion, a decrease to long-term derivative instruments of \$1.3 billion and an increase to accumulated deficit of \$600 million.

In June 2006, the FASB issued FASB Interpretation No. 48, "ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES, AN INTERPRETATION OF FASB STATEMENT NO. 109." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements, and prescribes 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. FIN 48 is effective for fiscal years beginning after December 15, 2006. While we have not completed our evaluation of the impact of FIN 48 on our financial statements, we believe that the application of FIN 48 will result in the derecognition of certain tax liabilities currently reflected in our consolidated balance sheet with a corresponding decrease to our accumulated deficit. We are unable to quantify the amount of these adjustments at this time.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "FAIR VALUE MEASUREMENTS", which defines fair value, establishes a framework for measuring fair value under GAAP and expands disclosures about fair value measurements. Statement 157 applies to other accounting pronouncements that require or permit fair value measurements. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. We are currently evaluating the potential impact of the adoption of Statement 157 on our consolidated balance sheet, statements of operations and comprehensive earnings (loss), and statements of cash flows.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "THE FAIR VALUE OPTION FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES, INCLUDING AN AMENDMENT OF FASB STATEMENT NO. 115." Statement 159 permits entities to choose to measure many financial instruments, such as available-for-sale 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. Currently under Statement of Financial Accounting Standards No. 115, entities are required to recognize changes in fair value of available-for-sale securities in the balance sheet in accumulated other comprehensive earnings. Statement 159 is effective as of the beginning of an entity's fiscal year that begins after November 15, 2007. We are currently evaluating the potential impacts of Statement 159 on our financial statements and have not made a determination as to which of our financial instruments, if

any, we will choose to apply the provisions of Statement 159.

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.

CARRYING VALUE OF INVESTMENTS. Our cost and equity method investments comprise a significant portion of our total assets at each of December 31, 2006 and 2005. We account for these investments

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pursuant to Statement of Financial Accounting Standards No. 115, Statement of Financial Accounting Standards No. 142, Accounting Principles Board Opinion No. 18, EITF Topic 03-1 and SAB No. 59. These accounting principles require us to periodically evaluate our investments to determine if decreases in fair value below our cost bases are other than temporary or "nontemporary." If a decline in fair value is determined to be nontemporary, we are required to reflect such decline in our statement of operations. Nontemporary declines in fair value of our cost investments are recognized on a separate line in our statement of operations, and nontemporary declines in fair value of our equity method investments are included in share of losses of affiliates in our statement of operations.

The primary factors we consider in our determination of whether declines in fair value are nontemporary are the length of time that the fair value of the investment is below our carrying value; 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 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 statement of operations in the period in which they occur to the extent such decreases are deemed to be nontemporary. Subsequent increases in fair value will be recognized in our statement of operations only upon our ultimate disposition of the investment.

At December 31, 2006, we had unrealized holding losses of \$1 million related to certain of our AFS equity securities.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS. We use various derivative instruments, including equity collars, written put and call options, interest rate swaps and foreign exchange contracts, to manage fair value and cash flow risk associated with many of our investments, some of our debt and transactions denominated in foreign currencies. We account for these derivative instruments pursuant to Statement 133 and Statement of Financial Accounting Standards No. 149, "AMENDMENT OF STATEMENT NO. 133 ON DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES." Statement 133 and Statement 149 require that all derivative instruments be recorded on the balance sheet at fair value. Changes in the fair value of our derivatives are included in realized and unrealized gains (losses) on derivative instruments in our statement of operations.

We use the Black-Scholes model to estimate the fair value of our derivative instruments that we use to manage market risk related to certain of our AFS securities. 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. We obtain volatility rates from independent sources based on the expected volatility of the underlying security over the term of the derivative instrument. The volatility assumption is evaluated annually to determine if it should be adjusted, or more often if there

are indications that it should be adjusted. We obtain a discount rate at the inception of the derivative instrument and update such rate each reporting period based on our

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estimate of the discount rate at which we could currently settle the derivative instrument. At December 31, 2006, the expected volatilities used to value our AFS Derivatives generally ranged from 19% to 26% and the discount rates ranged from 5.1% to 5.4%. Considerable management judgment is required in estimating the Black-Scholes variables. Actual results upon settlement or unwinding of our derivative instruments may differ from these estimates.

Changes in our assumptions regarding (1) the discount rate and (2) the volatility rates of the underlying securities that are used in the Black-Scholes model would have the most significant impact on the valuation of our AFS Derivatives. The table below summarizes changes in these assumptions and the resulting impacts on our estimate of fair value.

<Table>

<Caption>

ASSUMPTION - - - - -	ESTIMATED AGGREGATE FAIR VALUE OF AFS DERIVATIVES		DOLLAR VALUE CHANGE

	(AMOUNTS IN MILLIONS)		
<S>	<C>		<C>
As recorded at December 31, 2006.....	\$ 983		--
25% increase in discount rate.....	\$ 830		(153)
25% decrease in discount rate.....	\$1,136		153
25% increase in expected volatilities.....	\$ 925		(58)
25% decrease in expected volatilities.....	\$1,060		77

</Table>

CARRYING VALUE OF LONG-LIVED ASSETS. Our property and equipment, intangible assets and goodwill (collectively, our "long-lived assets") also comprise a significant portion of our total assets at December 31, 2006 and 2005. We account for our long-lived assets pursuant to Statement of Financial Accounting Standards No. 142 and Statement of Financial Accounting Standards No. 144. These accounting standards require that we periodically, or upon the occurrence of certain triggering events, assess the recoverability of our long-lived assets. 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. In addition, we may obtain independent third-party appraisals in certain circumstances. 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. Accordingly, 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.

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 statement of operations. For the years ended December 31, 2006 and 2005, sales returns represented 18.5% and 18.0% of QVC's gross product revenue, respectively. The inventory obsolescence is calculated as a percent of QVC's inventory at the end of a reporting period, and is included in cost of goods sold in our statement of operations. At December 31, 2006, QVC's inventory is \$915 million and the obsolescence adjustment is \$95 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 statement of operations. At December 31, 2006, QVC's trade accounts receivable are \$973 million, net of the allowance for doubtful accounts of \$60 million. Each of these adjustments requires management judgment and may not reflect actual results.

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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

On May 9, 2006, our stockholders approved our corporate restructuring which, among other things, resulted in the creation of two tracking stocks, one of which is intended to reflect the separate performance of the Interactive Group. The Interactive Group consists of our subsidiaries QVC, Provide and BuySeasons, our interests in IAC/InterActiveCorp and Expedia and \$3,108 million principal amount (as of December 31, 2006) of our existing publicly-traded debt.

The following discussion and analysis provides information concerning the results of operations and financial condition of the Interactive Group, which is principally comprised of QVC. Although our restructuring was not completed until May 9, 2006, the following discussion is presented as though the restructuring had been completed on January 1, 2004. The results of operations of Provide and BuySeasons are included in Corporate and Other since their respective date of acquisition in the tables below. Fluctuations in Corporate and Other from 2005 to 2006 are due primarily to the acquisitions of Provide and BuySeasons in 2006. 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

<Table>
<Caption>

	YEARS ENDED DECEMBER 31,		
	2006	2005	2004

	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
REVENUE			
QVC.....	\$7,074	6,501	5,687
Corporate and Other.....	252	--	--
	-----	-----	-----
	\$7,326	6,501	5,687
	-----	-----	-----
OPERATING CASH FLOW (DEFICIT)			
QVC.....	\$1,656	1,422	1,230
Corporate and Other.....	24	(5)	(6)
	-----	-----	-----
	\$1,680	1,417	1,224
	-----	-----	-----
OPERATING INCOME (LOSS)			
QVC.....	\$1,130	921	760
Corporate and Other.....	--	(5)	(12)
	-----	-----	-----
	\$1,130	916	748
	=====	=====	=====

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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 programs are 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.

<Table>
<Caption>

	YEARS ENDED DECEMBER 31,		
	2006	2005	2004

	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Net revenue.....	\$7,074	6,501	5,687
Cost of sales.....	(4,426)	(4,112)	(3,594)
	-----	-----	-----
Gross profit.....	2,648	2,389	2,093
Operating expenses.....	(579)	(570)	(497)
SG&A expenses (excluding stock-based compensation).....	(413)	(397)	(366)
	-----	-----	-----
Operating cash flow.....	1,656	1,422	1,230
Stock-based compensation.....	(50)	(52)	(33)
Depreciation and amortization.....	(476)	(449)	(437)

Operating income.....	\$1,130	921	760
	=====	=====	=====

</Table>

Net revenue is generated in the following geographical areas:

<Table>
<Caption>

	YEARS ENDED DECEMBER 31,		
	2006	2005	2004

	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
QVC-US.....	\$4,983	4,640	4,141
QVC-UK.....	612	554	487
QVC-Germany.....	848	781	643
QVC-Japan.....	631	526	416
	-----	-----	-----
	\$7,074	6,501	5,687
	=====	=====	=====

</Table>

QVC's net revenue increased 8.8% and 14.3% for the years ended December 31, 2006 and 2005, respectively, as compared to the corresponding prior year, as average sales per customer increased in both years. The 2006 increase in revenue is comprised of a \$582 million increase due to an increase in the number of units shipped from 154.4 million to 165.7 million and an \$88 million increase due to a 2.0% increase in the average sales price per unit ("ASP"). The revenue increases were partially offset by a \$11 million decrease due to unfavorable foreign currency rates and an \$86 million decrease due primarily to an increase in estimated product returns. Returns as a percent of gross product revenue increased from 18.0% in 2005 to 18.5% in 2006 due to a continued shift in the mix from home products to apparel and accessories products, which typically have higher return rates.

The 2005 increase in revenue is comprised of a \$779 million increase due to an increase in the number of units shipped from 138.0 million to 154.4 million and a \$204 million increase due to a 3.7% increase in the ASP. The revenue increases were partially offset by a \$145 million decrease due primarily to an increase in product returns and a \$24 million decrease due to unfavorable foreign currency exchange rates. Returns as a percent of gross product revenue increased from 17.6% in 2004 to 18.0% in 2005 due to a shift in the sales mix from home products to jewelry, apparel and accessories products.

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The number of homes receiving QVC's services are as follows:

<Table>
<Caption>

	HOMES (IN MILLIONS)		
	DECEMBER 31,		
	2006	2005	2004
	-----	-----	-----
<S>	<C>	<C>	<C>
QVC-US.....	90.7	90.0	88.4
QVC-UK.....	19.4	17.8	15.6
QVC-Germany.....	37.9	37.4	35.7
QVC-Japan.....	18.7	16.7	14.7

</Table>

The QVC service is already received by substantially all of the cable television and direct broadcast satellite homes in the U.S. and Germany. In addition, the rate of growth in households is expected to diminish in the UK and Japan. As these markets continue to mature, QVC also expects its consolidated rate of growth in revenue to diminish. Future sales growth will primarily depend on continued additions of new customers from homes already receiving the QVC service and continued 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.

As noted above, during the years ended December 31, 2006 and 2005, the changes in revenue and expenses were also 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 in revenue for each of QVC's geographic areas in dollars and in local

currency is as follows:

<Table>
<Caption>

	PERCENTAGE INCREASE IN NET REVENUE			
	YEAR ENDED DECEMBER 31, 2006		YEAR ENDED DECEMBER 31, 2005	
	U.S. DOLLARS	LOCAL CURRENCY	U.S. DOLLARS	LOCAL CURRENCY
<S>	<C>	<C>	<C>	<C>
QVC-US.....	7.4%	7.4%	12.1%	12.1%
QVC-UK.....	10.5%	8.4%	13.8%	15.1%
QVC-Germany.....	8.6%	7.1%	21.5%	21.9%
QVC-Japan.....	20.0%	26.1%	26.4%	29.4%

QVC's gross profit percentage was 37.4%, 36.7% and 36.8% for the years ended December 31, 2006, 2005 and 2004, respectively. The increase in the gross profit percentage in 2006 was due to higher initial margins due to a shift in the sales mix from home products to higher margin apparel and accessories products and to a lower inventory obsolescence provision. The slight gross profit percentage decrease in 2005 was due primarily to a higher inventory obsolescence provision.

QVC's operating expenses are comprised of commissions and license fees, order processing and customer service expense, credit card processing fees, telecommunications expense and provision for doubtful accounts. Operating expenses increased 1.6% and 14.7% for the years ended December 31, 2006 and 2005, respectively, as compared to the corresponding prior year period. The 2005 increase is primarily due to the increase in sales volume. Operating expenses increased at a lower rate than sales in 2006 due primarily to commissions and bad debt expense. As a percentage of net revenue, operating expenses were 8.2%, 8.8% and 8.7% for 2006, 2005 and 2004, respectively. Commissions, as a percent of net revenue, were fairly consistent in 2004 and 2005 and decreased in 2006, as compared to 2005. The decrease in 2006 is due to a greater percentage of Internet sales for which lower commissions are required to be paid. In addition, commissions decreased as a percentage of revenue in QVC-Japan where certain distributors are paid the greater of (i) a fixed fee per subscriber and (ii) a specified

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percentage of sales. In 2006, more distributors started to receive payments based on sales volume rather than a fixed fee per subscriber. QVC's bad debt provision decreased as a percent of net revenue in 2006 due to lower write-offs on QVC's private label credit card. As a percent of net revenue, order processing and customer service expenses remained constant in 2006, but decreased in each segment in 2005 as compared to 2004. The 2005 decrease is the result of reduced personnel expense due to increased Internet sales, and operator efficiencies in call handling and staffing. QVC's telecommunications expenses as a percent of revenue remained consistent in 2006, but decreased in 2005 due to new contracts with certain of its service providers. Credit card processing fees remained consistent as a percent of net revenue for each of the years ended December 31, 2006, 2005 and 2004.

QVC's SG&A expenses include personnel, information technology, marketing and advertising expenses. Such expenses increased 4.0% and 8.5% during the years ended December 31, 2006 and 2005, respectively, as compared to the corresponding prior year. Due to the fixed cost and discretionary nature of many of these expenses, SG&A expenses increased at a lower rate than revenue in 2006. In addition, QVC settled certain franchise tax audit issues and reversed \$15 million of reserves recorded in prior years. The majority of the 2005 increase reflects a \$23 million increase in personnel costs due to the addition of employees to support the increased sales of QVC's foreign operations. In addition, statutory sales and use tax increased \$6 million in 2005.

QVC's depreciation and amortization expense increased for the years ended December 31, 2006 and 2005. Such increases are due to fixed asset and software additions.

CAPITAL GROUP

The other tracking stock created in our restructuring is intended to reflect the separate performance of the Capital Group. The Capital Group is comprised of our subsidiaries and assets not attributed to the Interactive Group, including controlling interests in Starz Entertainment, Starz Media, FUN and TruePosition, as well as minority investments in News Corporation, Time Warner Inc., Sprint Nextel Corporation and other public and private companies and \$4,580 million principal amount (as of December 31, 2006) of our existing publicly-traded debt.

We acquired the U.S. and U.K. operations of Starz Media from IDT Corporation ("IDT") in August 2006, and the Canadian and Australian operations in September 2006. The aggregate consideration was valued for accounting purposes at \$525 million and was comprised of 14.9 million shares of IDT Class B common

stock, 7,500 shares of IDT Telecom, Inc., a subsidiary of IDT, and \$290 million in cash. Starz Media's operations include animated feature film production, proprietary live action and animated series production, contracted 2D animation production and DVD distribution.

The following discussion and analysis provides information concerning the attributed results of operations and financial condition of the Capital Group. Although our restructuring was not completed until May 9, 2006, the following discussion is presented as though the restructuring had been completed on January 1, 2004. 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.

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<Page>

RESULTS OF OPERATIONS

<Table>

<Caption>

	YEARS ENDED DECEMBER 31,		
	2006	2005	2004
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
REVENUE			
Starz Entertainment.....	\$1,033	1,004	963
Corporate and Other.....	254	141	93
	-----	-----	-----
	\$1,287	1,145	1,056
	=====	=====	=====
OPERATING CASH FLOW (DEFICIT)			
Starz Entertainment.....	\$ 186	171	239
Corporate and Other.....	(83)	(47)	(72)
	-----	-----	-----
	\$ 103	124	167
	=====	=====	=====
OPERATING INCOME (LOSS)			
Starz Entertainment.....	\$ 163	105	148
Corporate and Other.....	(272)	(77)	(108)
	-----	-----	-----
	\$ (109)	28	40
	=====	=====	=====

</Table>

REVENUE. The Capital Group's combined revenue increased \$142 million or 12.4% and \$89 million or 8.4% for the years ended December 31, 2006 and 2005, respectively, as compared to the corresponding prior year. The 2006 increase is due to Starz Entertainment, as well as our acquisitions of Starz Media and FUN, which contributed \$86 million and \$42 million of revenue, respectively. The 2005 revenue increase was driven primarily by a \$77 million increase for TruePosition and a \$41 million increase for Starz Entertainment. TruePosition's revenue increased as it continued to increase delivery and acceptance of its equipment in Cingular Wireless's markets.

In November 2006, TruePosition signed an amendment to its existing services contract with Cingular Wireless that requires TruePosition to develop and deliver additional software features. Because vendor specific objective evidence related to the value of these additional features does not exist, TruePosition is required to defer revenue recognition until all of the features have been delivered. TruePosition estimates that these features will be delivered in the first quarter of 2008. Accordingly, TruePosition will not recognize any revenue under this contract until 2008. TruePosition recognized approximately \$105 million of revenue under this contract in 2006 prior to signing the amendment.

OPERATING CASH FLOW. The Capital Group's Operating Cash Flow decreased \$21 million or 16.9% and \$43 million or 25.7% in 2006 and 2005, respectively, as compared to the corresponding prior year. The decrease in 2006 is due primarily to an operating cash flow deficit generated by Starz Media, as advertising costs for the animated film EVERYONE'S HERO exceeded the revenue it earned. The increase in operating cash flow for Starz Entertainment was partially offset by an operating cash flow deficit of \$11 million for FUN. The 2005 decrease is due primarily to a \$68 million decrease for Starz Entertainment, partially offset by a \$30 million improvement for TruePosition.

IMPAIRMENT OF LONG-LIVED ASSETS. We acquired our interest in FUN in March 2006. Subsequent to our acquisition, the market value of FUN's stock has declined significantly due to the performance of certain of FUN's subsidiaries and uncertainty surrounding government legislation of Internet gambling which we believe the market perceives as potentially impacting FUN's skill gaming business. In connection with our annual evaluation of the recoverability of FUN's goodwill, we received a third-party valuation, which indicated that the

carrying value of FUN's goodwill exceeded its market value. Accordingly, we recognized a \$111 million impairment charge related to goodwill and a \$2 million impairment charge related to trademarks.

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OPERATING INCOME (LOSS). The improvement in operating income for Starz Entertainment in 2006 was more than offset by operating losses for Starz Media and FUN, as well as an increase in corporate stock compensation expense. The 2005 decrease in operating income for Starz Entertainment was partially offset by lower amortization of corporate intangibles and lower corporate stock compensation expense.

STARZ ENTERTAINMENT. Historically, Starz Entertainment has provided premium programming distributed by cable operators, direct-to-home satellite providers and other distributors throughout the United States. In addition, Starz Entertainment has launched Vongo, a subscription Internet service which is comprised of Starz and other movie and entertainment content. Vongo also offers content on a pay-per-view basis. Through 2006, virtually all of Starz Entertainment's revenue continues to be 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. 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, and these agreements, expire in 2007 through 2012. During the year ended December 31, 2006, 67.8% of Starz Entertainment's revenue was generated by its four largest customers, Comcast, Echostar Communications, DirecTV and Time Warner. Starz Entertainment's affiliation agreement with DirecTV expired on June 30, 2006. In addition, the affiliation agreement with Time Warner, which originally expired on December 31, 2006, has been extended through May 31, 2007 with provisions for further extensions through June 30, 2007. Starz Entertainment is currently in negotiations with DirecTV and Time Warner regarding new agreements. There can be no assurance that any new agreements with DirecTV or Time Warner will have economic terms comparable to the old agreements.

Starz Entertainment's operating results are as follows:

<Table>

<Caption>

	YEARS ENDED DECEMBER 31,		
	2006	2005	2004
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Revenue.....	\$1,033	1,004	963
Operating expenses.....	(741)	(706)	(603)
SG&A expenses.....	(106)	(127)	(121)
	-----	-----	-----
Operating cash flow.....	186	171	239
Stock-based compensation.....	3	(17)	(28)
Depreciation and amortization.....	(26)	(49)	(63)
	-----	-----	-----
Operating income.....	\$ 163	105	148
	=====	=====	=====

</Table>

Starz Entertainment's revenue increased 2.9% and 4.3% for the years ended December 31, 2006 and 2005, respectively, as compared to the corresponding prior year. The 2006 increase is due to a \$56 million increase resulting from an increase in the average number of subscription units for Starz Entertainment's services partially offset by a \$27 million decrease due to a decrease in the effective rate for Starz Entertainment services. The 2005 increase in revenue is due to an \$85 million increase resulting from a rise in the average number of subscription units for Starz Entertainment's services partially offset by a \$52 million decrease due to a reduction in the effective rate for Starz Entertainment's services.

Starz Entertainment's Starz movie service and its Encore and Thematic Multiplex channels ("EMP") movie service are the primary drivers of Starz Entertainment's revenue. Starz average subscriptions increased 5.7% and 6.7% in 2006 and 2005, respectively; and EMP average subscriptions increased 6.6% and 8.0% in 2006 and 2005, respectively. The effects on revenue of these increases in

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subscriptions units are somewhat mitigated by the fixed-rate affiliation agreements that Starz Entertainment has entered into in recent years.

At December 31, 2006, cable, direct broadcast satellite, and other

distribution represented 66.6%, 31.6% and 1.8%, respectively, of Starz Entertainment's total subscription units.

Starz Entertainment's operating expenses increased \$35 million or 5.0% and \$103 million or 17.1% for the years ended December 31, 2006 and 2005, respectively, as compared to the corresponding prior year. Such increases are due primarily to increases in programming costs, which increased from \$564 million in 2004 to \$668 million in 2005 and to \$703 million in 2006. The 2006 programming increase is due primarily to \$63 million of additional amortization of deposits previously made under certain of its output arrangements. Such amortization was partially offset by a lower cost per title for movies under certain license agreements and a decrease in programming costs due to a lower percentage of first-run movie exhibitions (which have a relatively higher cost per title) as compared to the number of library product exhibitions. The 2005 increase in programming costs is due to (1) a \$55 million increase resulting from a higher percentage of first-run movie exhibitions as compared to the number of library product exhibitions in 2005 and (2) a \$49 million increase due to a higher cost per title for movie titles under certain of Starz Entertainment's license agreements.

Starz Entertainment expects that its programming costs in 2007 will be 6%-9% lower than the 2006 costs due to Starz Entertainment receiving fewer first-run titles under certain of its output arrangements in 2007. This estimate is subject to a number of assumptions that could change depending on the number and timing of movie titles actually becoming available to Starz Entertainment and their ultimate box office performance. Accordingly, the actual amount of costs experienced by Starz Entertainment may differ from the amounts noted above.

Starz Entertainment's SG&A expenses decreased \$21 million or 16.5% and increased \$6 million or 5.0% during 2006 and 2005, respectively, as compared to the corresponding prior year. The 2006 decrease is due primarily to lower sales and marketing expenses of \$18 million due to the elimination of certain marketing support commitments under the Comcast affiliation agreement and less marketing with other affiliates, partially offset by marketing expenses related to the commercial launch of Vongo. The 2005 increase in SG&A expenses is due to (1) \$11 million of consulting and marketing expenses incurred in connection with Starz Entertainment's 2005 development and 2006 launch of Vongo, and (2) a \$12 million credit recorded by Starz Entertainment in 2004 related to the recovery of certain accounts receivable from Adelphia Communications and other customers. These increases were offset by a \$16 million decrease in sales and marketing as Starz Entertainment participated in fewer national marketing campaigns and obtained reduced marketing commitments under a new affiliation agreement with Comcast in 2005.

Starz Entertainment has outstanding phantom stock appreciation rights held by its former chief executive officer. Compensation relating to the phantom stock appreciation rights has been recorded based upon the estimated fair value of Starz Entertainment. The amount of expense associated with the phantom stock appreciation rights is generally based on the vesting of such rights and the change in the fair value of Starz Entertainment.

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 financial activities and 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.

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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 entering into interest rate swap arrangements and 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 and (ii) issuing variable rate debt with appropriate maturities and interest rates. As of December 31, 2006, the face amount of the Interactive Group's fixed rate debt (considering the effects of interest rate swap agreements) was \$5,374 million, which had a weighted average interest rate of 6.5%. The Interactive Group's variable rate debt of \$1,026 million had a weighted average interest rate of 6.1% at December 31, 2006. As of December 31, 2006, the face amount of the Capital Group's fixed rate debt was \$4,584 million, which had a weighted average interest rate of 2.6%.

Each of the Interactive Group and the Capital Group is exposed to changes in stock prices primarily as a result of our significant holdings in publicly

traded securities. We continually monitor changes in stock markets, in general, and changes in the stock prices of our holdings, specifically. We believe that changes in stock prices can be expected to vary as a result of general market conditions, technological changes, specific industry changes and other factors. We use equity collars, written put and call options and other financial instruments to manage market risk associated with certain investment positions. These instruments are recorded at fair value based on option pricing models. Equity collars provide us with a put option that gives us 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.

Among other factors, changes in the market prices of the securities underlying our AFS Derivatives affect the fair market value of such AFS Derivatives. The following table illustrates the impact that changes in the market price of the securities underlying our equity collars that have been attributed to the Capital Group would have on the fair market value of such derivatives. Such changes in fair market value would be included in realized and unrealized gains (losses) on financial instruments in our consolidated statement of operations.

<Table>
<Caption>

	ESTIMATED AGGREGATE FAIR VALUE		
	EQUITY COLLARS	OTHER	TOTAL
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Fair value at December 31, 2006.....	\$ 802	181	983
5% increase in market prices.....	\$ 663	208	871
10% increase in market prices.....	\$ 521	235	756
5% decrease in market prices.....	\$ 937	154	1,091
10% decrease in market prices.....	\$1,069	127	1,196

</Table>

At December 31, 2006, the fair value of our AFS securities attributed to the Interactive Group was \$2,572 million and the fair value of our AFS securities attributed to the Capital Group was \$19,024 million. Had the market price of such securities been 10% lower at December 31, 2006, the aggregate value of such securities would have been \$257 million and \$1,902 million lower, respectively, resulting in a decrease to unrealized holding gains in other comprehensive earnings. The decrease attributable to the Capital Group would be partially offset by an increase in the value of our AFS Derivatives as noted in the table above.

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From time to time and in connection with certain of our AFS Derivatives, we borrow shares of the underlying securities from a counterparty and deliver these borrowed shares in settlement of maturing derivative positions. In these transactions, a similar number of shares that we have attributed to the Capital Group have been posted as collateral with the counterparty. These share borrowing arrangements can be terminated at any time at our 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 Capital Group's attributed statement of operations. The shares posted as collateral under these arrangements continue to be treated as AFS securities and are marked to market each reporting period with changes in value recorded as unrealized holding gains or losses in other comprehensive earnings.

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.

From time to time we enter into debt swaps and swap arrangements with respect to our or third-party public and private indebtedness. Under these arrangements, we initially post collateral with the counterparty equal to a contractual percentage of the value of the referenced securities. We earn interest income based upon the face amount and stated interest rate of the referenced securities, and we pay interest expense at market rates on the amount funded by the counterparty. In the event the fair value of the underlying debt securities declines more than a pre-determined amount, we are required to post cash collateral for the decline, and we record an unrealized loss on financial instruments. The cash collateral is further adjusted up or down for subsequent changes in fair value of the underlying debt security. At December 31, 2006, the aggregate notional amount of debt securities referenced under our debt swap arrangements, which related to \$830 million principal amount of certain of our publicly traded debt, was \$592 million. As of such date, we had posted cash collateral equal to \$109 million. In the event the fair value of the referenced debt securities were to fall to zero, we would be required to post additional cash collateral of \$483 million. The posting of such collateral and the related settlement of the agreements would reduce the principal amount of our outstanding debt by \$830 million.

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.

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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.

Our counterparty credit risk by financial institution is summarized below:

<Table>

<Caption>

COUNTERPARTY	AGGREGATE FAIR VALUE OF DERIVATIVE INSTRUMENTS AT DECEMBER 31, 2006
- - - - -	-----
	(AMOUNTS IN MILLIONS)
<S>	<C>
Counterparty A.....	\$ 504
Counterparty B.....	494
Other.....	581

	\$1,579
	=====

</Table>

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The consolidated financial statements of Liberty Media Corporation are filed under this Item, beginning on Page II-36. 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, 2006 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.

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See page II-34 for MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING.

See page II-35 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, 2006 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

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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, 2006. 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, 2006, 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 management's assessment of the Company's internal control over financial reporting. This report appears on page II-35 of this Annual Report on Form 10-K.

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The Board of Directors and Stockholders
Liberty Media Corporation:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting appearing on page II-34, that Liberty Media Corporation and subsidiaries maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management of Liberty Media Corporation is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of 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, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and 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, management's assessment that Liberty Media Corporation and subsidiaries maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Liberty Media Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (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, 2006 and 2005, and the related consolidated statements of operations, comprehensive earnings (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2006, and our report dated February 28, 2007 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Denver, Colorado
February 28, 2007

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The Board of Directors and Stockholders
Liberty Media Corporation:

We have audited the accompanying consolidated balance sheets of Liberty Media Corporation and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, comprehensive earnings (loss), stockholders' equity, and cash flows for each of the years in the three-year

period ended December 31, 2006. 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, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in note 3 to the accompanying consolidated financial statements, effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), SHARE BASED PAYMENT.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Liberty Media Corporation's internal control over financial reporting as of December 31, 2006, based on the criteria established in INTERNAL CONTROL--INTEGRATED FRAMEWORK issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2007 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

Denver, Colorado
February 28, 2007

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2006 AND 2005

<Table>
<Caption>

	2006	2005*
	-----	-----
	(AMOUNTS IN MILLIONS)	
<S>	<C>	<C>
Assets		
Current assets:		
Cash and cash equivalents.....	\$ 3,099	1,896
Trade and other receivables, net.....	1,276	1,059
Inventory, net.....	831	719
Program rights.....	531	599
Financial instruments (note 7).....	239	661
Other current assets.....	241	127
Assets of discontinued operations (note 5).....	512	516
	-----	-----
Total current assets.....	6,729	5,577
	-----	-----
Investments in available-for-sale securities and other cost investments, including \$1,482 million and \$1,581 million pledged as collateral for share borrowing arrangements (note 6).....	21,622	18,489
Long-term financial instruments (note 7).....	1,340	1,123
Investments in affiliates, accounted for using the equity method (note 8).....	1,842	1,908
Property and equipment, at cost.....	1,531	1,196
Accumulated depreciation.....	(385)	(250)
	-----	-----
	1,146	946
	-----	-----
Intangible assets not subject to amortization (note 3):		
Goodwill.....	7,588	6,809
Trademarks.....	2,471	2,385
	-----	-----
	10,059	9,194

Intangible assets subject to amortization, net (note 3).....	3,910	3,975
Other assets, at cost, net of accumulated amortization.....	990	753
	-----	-----
Total assets.....	\$47,638	41,965
	=====	=====

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

DECEMBER 31, 2006 AND 2005

<Table>

<Caption>

	2006	2005*
	-----	-----
	(AMOUNTS IN MILLIONS)	
<S>	<C>	<C>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable.....	\$ 508	492
Accrued interest.....	214	153
Other accrued liabilities.....	1,035	978
Financial instruments (note 7).....	1,484	1,939
Current portion of debt (note 9).....	114	1,379
Other current liabilities.....	113	289
Liabilities of discontinued operations (note 5).....	101	114
	-----	-----
Total current liabilities.....	3,569	5,344
	-----	-----
Long-term debt (note 9).....	8,909	6,370
Long-term financial instruments (note 7).....	1,706	1,087
Deferred income tax liabilities (note 10).....	9,784	8,696
Other liabilities.....	1,747	1,058
	-----	-----
Total liabilities.....	25,715	22,555
	-----	-----
Minority interests in equity of subsidiaries.....	290	290
Stockholders' equity (note 11):		
Preferred stock, \$.01 par value. Authorized 50,000,000 shares; no shares issued.....	--	--
Liberty Capital Series A common stock, \$.01 par value. Authorized 400,000,000 shares; issued and outstanding 134,503,165 shares at December 31, 2006.....	1	--
Liberty Capital Series B common stock, \$.01 par value. Authorized 25,000,000 shares; issued and outstanding 6,014,680 shares at December 31, 2006.....	--	--
Liberty Interactive Series A common stock, \$.01 par value. Authorized 2,000,000,000 shares; issued and outstanding 623,061,760 shares at December 31, 2006.....	6	--
Liberty Interactive Series B common stock, \$.01 par value. Authorized 125,000,000 shares; issued and outstanding 29,971,039 shares at December 31, 2006.....	--	--
Series A common stock \$.01 par value. Issued and outstanding 2,681,745,985 shares at December 31, 2005....	--	27
Series B common stock \$.01 par value. Issued 131,062,825 shares at December 31, 2005.....	--	1
Additional paid-in capital.....	28,112	29,074
Accumulated other comprehensive earnings, net of taxes ("AOCE") (note 15).....	5,943	3,412
AOCE of discontinued operations.....	9	9
Accumulated deficit.....	(12,438)	(13,278)
	-----	-----
Total stockholders' equity.....	21,633	19,245
	-----	-----
Series B common stock held in treasury, at cost (10,000,000 shares at December 31, 2005).....	--	(125)
	-----	-----
Total stockholders' equity.....	21,633	19,120
	-----	-----
Commitments and contingencies (note 17)		
Total liabilities and stockholders' equity.....	\$47,638	41,965
	=====	=====

</Table>

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* See note 5.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004

<Table>

<Caption>

	2006	2005*	2004*
	-----	-----	-----
	(AMOUNTS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)		
<S>	<C>	<C>	<C>
Revenue:			
Net retail sales.....	\$7,326	6,501	5,687
Communications and programming services.....	1,287	1,145	1,056
	-----	-----	-----
	8,613	7,646	6,743
	-----	-----	-----
Operating costs and expenses:			
Cost of sales.....	4,565	4,112	3,594
Operating.....	1,526	1,397	1,160
Selling, general and administrative, including stock-based compensation (note 3).....	806	648	696
Litigation settlement.....	--	--	(42)
Depreciation.....	119	92	91
Amortization.....	463	453	456
Impairment of long-lived assets (note 3).....	113	--	--
	-----	-----	-----
	7,592	6,702	5,955
	-----	-----	-----
Operating income.....	1,021	944	788
Other income (expense):			
Interest expense.....	(680)	(626)	(619)
Dividend and interest income.....	214	143	130
Share of earnings of affiliates, net.....	91	13	15
Realized and unrealized gains (losses) on financial instruments, net (note 7).....	(279)	257	(1,284)
Gains (losses) on dispositions, net (notes 6, 11 and 15).....	607	(361)	1,411
Nontemporary declines in fair value of investments (note 6).....	(4)	(449)	(129)
Other, net.....	18	(39)	(26)
	-----	-----	-----
	(33)	(1,062)	(502)
	-----	-----	-----
Earnings (loss) from continuing operations before income taxes and minority interest.....	988	(118)	286
Income tax benefit (expense) (note 10).....	(252)	126	(159)
Minority interests in earnings of subsidiaries.....	(27)	(51)	(22)
	-----	-----	-----
Earnings (loss) from continuing operations.....	709	(43)	105
Earnings (loss) from discontinued operations, net of taxes (note 5).....	220	10	(59)
Cumulative effect of accounting change, net of taxes (note 3).....	(89)	--	--
	-----	-----	-----
Net earnings (loss).....	\$ 840	(33)	46
	=====	=====	=====
Net earnings (loss):			
Liberty Series A and Series B common stock.....	\$ 94	(33)	46
Liberty Capital common stock.....	260	--	--
Liberty Interactive common stock.....	486	--	--
	-----	-----	-----
	\$ 840	(33)	46
	=====	=====	=====
Basic and diluted earnings (loss) from continuing operations per common share (note 3):			
Liberty Series A and Series B common stock.....	\$.07	(.02)	.04
Liberty Capital common stock.....	\$.24	--	--
Liberty Interactive common stock.....	\$.73	--	--
Basic and diluted net earnings (loss) per common share (note 3):			
Liberty Series A and Series B common stock.....	\$.03	(.01)	.02
Liberty Capital common stock.....	\$ 1.86	--	--
Liberty Interactive common stock.....	\$.73	--	--

</Table>

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* See note 5.

See accompanying notes to consolidated financial statements.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)
YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004

<Table>

<Caption>

	2006	2005*	2004*
	-----	-----	-----
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Net earnings (loss).....	\$ 840	(33)	46
	-----	-----	-----
Other comprehensive earnings (loss), net of taxes (note 15):			
Foreign currency translation adjustments.....	111	(5)	20
Recognition of previously unrealized foreign currency translation losses.....	--	312	--
Unrealized holding gains (losses) arising during the period.....	2,605	(1,121)	1,490
Recognition of previously unrealized losses (gains) on available-for-sale securities, net.....	(185)	217	(486)
Reclass unrealized gain on available-for-sale security to equity method investment.....	--	(197)	--
Other comprehensive earnings (loss) from discontinued operations (note 5).....	--	(7)	(54)
	-----	-----	-----
Other comprehensive earnings (loss).....	2,531	(801)	970
	-----	-----	-----
Comprehensive earnings (loss).....	\$3,371	(834)	1,016
	=====	=====	=====
Comprehensive earnings (loss):			
Liberty Series A and Series B common stock.....	\$ 755	(834)	1,016
Liberty Capital common stock.....	1,787	--	--
Liberty Interactive common stock.....	829	--	--
	-----	-----	-----
	\$3,371	(834)	1,016
	=====	=====	=====

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* See note 5.

See accompanying notes to consolidated financial statements.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004

<Table>

<Caption>

	2006	2005*	2004*
	-----	-----	-----
	(AMOUNTS IN MILLIONS)		
	(SEE NOTE 4)		
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net earnings (loss).....	\$ 840	(33)	46
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Loss (earnings) from discontinued operations.....	(220)	(10)	59
Cumulative effect of accounting change.....	89	--	--
Depreciation and amortization.....	582	545	547
Impairment of long-lived assets.....	113	--	--
Stock-based compensation.....	67	52	98
Payments of stock-based compensation.....	(115)	(103)	(10)
Noncash interest expense.....	108	101	96
Share of earnings of affiliates, net.....	(91)	(13)	(15)
Realized and unrealized losses (gains) on financial instruments, net.....	279	(257)	1,284
Losses (gains) on disposition of assets, net.....	(607)	361	(1,411)
Nontemporary decline in fair value of investments.....	4	449	129
Minority interests in earnings of subsidiaries.....	27	51	22
Deferred income tax benefit.....	(465)	(389)	(194)
Other noncash charges, net.....	44	41	20

options.....	--	--	4	--	--
Stock compensation.....	--	--	62	--	--
Issuance of Liberty Interactive Series A common stock for acquisition.....	--	--	36	--	--
Liberty Interactive Series A stock repurchases.....	(1)	--	(953)	--	--
Other.....	--	--	(6)	--	--
	---	---	-----	-----	-----
Balance at December 31, 2006.....	6	--	28,112	5,943	9
	===	===	=====	=====	=====

<Caption>

	ACCUMULATED DEFICIT	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Balance at January 1, 2004.....	(13,291)	--	28,842
Net earnings.....	46	--	46
Other comprehensive earnings (loss).....	--	--	970
Issuance of Series A common stock for acquisitions.....	--	--	152
Issuance of Series A common stock in exchange for Series B common stock (note 11).....	--	(125)	--
Acquisition of Series A common stock (note 11).....	--	--	(1,017)
Amortization of deferred compensation.....	--	--	31
Distribution to stockholders for spin off of Liberty Media International ("LMI") (note 5).....	--	--	(4,456)
Stock compensation for Liberty options held by LMI employees.....	--	--	(4)
Stock compensation for LMI options held by Liberty employees.....	--	--	17
Other.....	--	--	5
	-----	-----	-----
Balance at December 31, 2004.....	(13,245)	(125)	24,586
Net loss.....	(33)	--	(33)
Other comprehensive loss.....	--	--	(801)
Issuance of Series A common stock for investment in available-for-sale security.....	--	--	14
Amortization of deferred compensation.....	--	--	38
Distribution to stockholders for spin off of Discovery Holding Company ("DHC") (note 5).....	--	--	(4,614)
Losses in connection with issuances of stock by subsidiaries and affiliates, net of taxes.....	--	--	(22)
Issuance of common stock upon exercise of stock options.....	--	--	10
AT&T tax sharing agreement adjustments (note 17).....	--	--	(40)
Adjustment of spin off of LMI.....	--	--	(28)
Other.....	--	--	10
	-----	-----	-----
Balance at December 31, 2005.....	(13,278)	(125)	19,120
Net earnings.....	840	--	840
Other comprehensive earnings.....	--	--	2,531
Retirement of treasury stock.....	--	125	--
Distribution of Liberty Capital and Liberty Interactive common stock to stockholders (notes 1 and 2).....	--	--	--
Issuance of common stock upon exercise of stock options.....	--	--	4
Stock compensation.....	--	--	62
Issuance of Liberty Interactive Series A common stock for acquisition.....	--	--	36
Liberty Interactive Series A stock repurchases.....	--	--	(954)
Other.....	--	--	(6)
	-----	-----	-----
Balance at December 31, 2006.....	(12,438)	--	21,633
	=====	=====	=====

</Table>

See accompanying notes to consolidated financial statements.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006, 2005 AND 2004

(1) BASIS OF PRESENTATION

On May 9, 2006, Liberty Media Corporation (formerly known as Liberty Media Holding Corporation, "Liberty" or the "Company") completed the previously announced restructuring (the "Restructuring") pursuant to which the Company was organized as a new holding company. In the Restructuring, Liberty became the new publicly traded parent company of Liberty Media LLC (formerly known as Liberty

Media Corporation, "Old Liberty"). In the Restructuring, each holder of Old Liberty's common stock received for each share of Old Liberty's Series A common stock held immediately prior to the Restructuring, 0.25 of a share of the Company's Liberty Interactive Series A common stock and 0.05 of a share of the Company's Liberty Capital Series A common stock, and for each share of Old Liberty's Series B common stock held immediately prior to the Restructuring, 0.25 of a share of the Company's Liberty Interactive Series B common stock and 0.05 of a share of the Company's Liberty Capital Series B common stock, in each case, with cash in lieu of any fractional shares. Liberty is the successor reporting company to Old Liberty.

The accompanying consolidated financial statements include the accounts of Liberty and its controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Liberty is a holding company which, 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

On May 9, 2006, the stockholders of Old Liberty approved five related proposals which allowed Old Liberty to restructure its company and capitalization. As a result of the Restructuring, all of the Old Liberty outstanding common stock was exchanged for two new tracking stocks, Liberty Interactive common stock and Liberty Capital common stock, issued by Liberty, a newly formed holding company. Each tracking stock issued in the Restructuring is intended to track and reflect the economic performance of one of two newly designated groups, the Interactive Group and the Capital Group, respectively.

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 and the Capital Group have separate collections of businesses, assets and liabilities attributed to them, neither 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 Liberty has attributed to that group. The assets and businesses Liberty has attributed to the Interactive Group are those engaged in video and on-line commerce, and include its interests in QVC, Inc. ("QVC"), Provide Commerce, Inc. ("Provide"), BuySeasons, Inc. ("BuySeasons"), Expedia, Inc. and IAC/InterActiveCorp. 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

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

for the Interactive Group. In addition, Liberty has attributed \$3,108 million principal amount (as of December 31, 2006) of its existing publicly-traded debt to the Interactive 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. The assets and businesses attributed to the Capital Group include Liberty's subsidiaries: Starz Entertainment, LLC (formerly known as Starz Entertainment Group LLC) ("Starz Entertainment"), Starz Media, LLC (formerly known as IDT Entertainment, Inc.) ("Starz Media"), TruePosition, Inc. ("TruePosition") and FUN Technologies, Inc. ("FUN"); its equity affiliates: GSN, LLC and WildBlue Communications, Inc.; and its interests in News Corporation, Time Warner Inc. and Sprint Nextel Corporation. 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. In addition, Liberty has attributed \$4,580 million principal amount (as of December 31, 2006) of its existing publicly traded debt to the Capital 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 \$72 million and \$66 million at December 31, 2006 and 2005, respectively. A summary of activity in the allowance for doubtful accounts is as follows:

<Table>
<Caption>

	BALANCE	ADDITIONS			BALANCE
	BEGINNING OF YEAR	CHARGED TO EXPENSE	ACQUISITIONS	DEDUCTIONS- WRITE-OFFS	END OF YEAR
		(AMOUNTS IN MILLIONS)			
<S>	<C>	<C>	<C>	<C>	<C>
2006.....	\$66	27	14	(35)	72
	===	===	===	===	===
2005.....	\$63	37	--	(34)	66
	===	===	===	===	===
2004.....	\$78	19	--	(34)	63
	===	===	===	===	===

</Table>

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.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

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 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. Unrealized holding gains and losses on AFS securities are carried net of taxes as a component of accumulated other comprehensive earnings in stockholders' equity. Realized gains and losses are determined on an average cost basis. 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 affiliates 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. 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.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

Changes in the Company's proportionate share of the underlying equity of a subsidiary or equity method investee, which result from the issuance of additional equity securities by such subsidiary or equity investee, are recognized as increases or decreases in stockholders' equity.

The Company continually reviews its investments to determine whether a decline in fair value below the cost basis is other than temporary ("nontemporary"). 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; 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 nontemporary, 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 cost investments and AFS securities are included in the consolidated statements of operations as nontemporary declines in fair values of investments. Writedowns for equity method investments are included in share of earnings (losses) of affiliates.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company uses various derivative instruments including equity collars, written put and call options, bond swaps and interest rate swaps to manage fair value and cash flow risk associated with many 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.

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.

Liberty accounts for its derivatives pursuant to Statement of Financial Accounting Standards No. 133, "ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES" ("Statement 133") and related amendments and interpretations. All 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

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

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. During 2006, the Company 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. These interest rate swap arrangements have been designated as cash flow hedges. The Company assesses the effectiveness of its interest rate swaps using the hypothetical derivative method. Hedge ineffectiveness had no impact on earnings for the year ended December 31, 2006. 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 third party estimates or 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 independent sources based on the expected volatility of the underlying security over the term of the derivative instrument. The volatility assumption is evaluated annually to determine if it should be adjusted, or more often if there are indications that it should be adjusted. A discount 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. 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.

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

The Company accounts for its intangible assets pursuant to Statement of Financial Accounting Standards No. 142, "GOODWILL AND OTHER INTANGIBLE ASSETS" ("Statement 142"). Statement 142 requires that goodwill and other intangible assets with indefinite useful lives (collectively, "indefinite lived intangible assets") not be amortized, but instead be tested for impairment at least annually. Equity method goodwill is also not amortized, but continues to be considered for impairment under Accounting Principles Board Opinion No. 18. Statement 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144, "ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS" ("Statement 144").

Statement 142 requires the Company to perform an annual assessment of whether there is an indication that goodwill is impaired. To accomplish this, the Company identifies its reporting units and determines the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units. Statement 142 requires the Company to consider equity method affiliates as separate reporting units. As a result, a portion of the Company's

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

enterprise-level goodwill balance is allocated to various reporting units which include a single equity method investment as its only asset. This allocation is performed for goodwill impairment testing purposes only and does not change the reported carrying value of the investment. However, to the extent that all or a portion of an equity method investment which is part of a reporting unit containing allocated goodwill is disposed of in the future, the allocated portion of goodwill will be relieved and included in the calculation of the gain or loss on disposal.

The Company determines the fair value of its reporting units using independent appraisals, public trading prices and other means. The Company then compares the fair value of each reporting unit to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, the Company compares the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation, to its carrying amount, and records an impairment charge to the extent the carrying amount exceeds the implied fair value.

GOODWILL

Changes in the carrying amount of goodwill are as follows:

	QVC	STARZ ENTERTAINMENT	OTHER	TOTAL
	(AMOUNTS IN MILLIONS)			
<S>	<C>	<C>	<C>	<C>
Balance at January 1, 2005.....	\$5,264	1,383	156	6,803
Foreign currency translation adjustments.....	23	--	--	23
Other.....	(14)	--	(3)	(17)
Balance at December 31, 2005.....	5,273	1,383	153	6,809
Acquisitions(1).....	5	--	878	883
Disposition(2).....	--	--	(124)	(124)
Impairment(3).....	--	--	(111)	(111)
Foreign currency translation adjustments.....	60	--	--	60
Other(4).....	78	(12)	5	71
Balance at December 31, 2006.....	\$5,416	1,371	801	7,588

- </Table>
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- (1) During the year ended December 31, 2006, Liberty and its subsidiaries completed several acquisitions, including the acquisition of controlling interests in Provide, FUN, BuySeasons and IDT Entertainment, Inc., for aggregate cash consideration of \$876 million, net of cash acquired, the issuance of Liberty common stock and the assumption of debt. In connection with these acquisitions, Liberty recorded goodwill of \$883 million which represents the difference between the consideration paid and the estimated fair value of the assets acquired. Such goodwill is subject to adjustment pending completion of the Company's purchase price allocation process, including finalization of third-party valuations.
 - (2) During the second quarter of 2006, the Company sold its 50% interest in Courtroom Television Network, LLC ("Court TV"). In connection with such sale, the Company relieved \$124 million of enterprise-level goodwill that had been allocated to the Court TV investment.
 - (3) Liberty acquired its interest in FUN in March 2006. Subsequent to its acquisition, the market value of FUN's stock has declined significantly due to the performance of certain of FUN's subsidiaries

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

and uncertainty surrounding government legislation of Internet gambling which Liberty believes the market perceives as potentially impacting FUN's skill gaming business. In connection with its annual evaluation of the recoverability of FUN's goodwill, Liberty received a third-party valuation, which indicated that the carrying value of FUN's goodwill exceeded its market value. Accordingly, Liberty recognized a \$111 million impairment charge related to goodwill.

- (4) Other activity for QVC represents Liberty's acquisition of shares of QVC common stock held by employees and officers of QVC. Amounts recorded as

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 shipment 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, 2006, 2005 and 2004 aggregated \$1,554 million, \$1,375 million and \$1,165 million, respectively.
- Programming revenue is recognized in the period during which programming is provided, pursuant to affiliation agreements.
- Revenue from sales and licensing of software and related service and maintenance is recognized pursuant to Statement of Position No. 97-2, "SOFTWARE REVENUE RECOGNITION." 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 relating to proprietary films is recognized in accordance with Statement of Position (SOP) 00-02, ACCOUNTING BY PRODUCERS OR DISTRIBUTORS OF FILMS. 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.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

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 \$112 million, \$45 million and \$47 million for the years ended December 31, 2006, 2005 and 2004, respectively. Co-operative marketing costs are recognized as advertising expense to the extent an identifiable benefit is received and fair value of the benefit can be reasonably measured. Otherwise, such costs are recorded as a reduction of revenue.

STOCK-BASED COMPENSATION

FASB STATEMENT 123R

As more fully described in note 13, the Company has granted to its employees and employees of its subsidiaries options, stock appreciation rights ("SARs") and options with tandem SARs to purchase shares of Liberty common stock (collectively, "Awards"). In addition, QVC had granted combination stock options/SARs ("QVC Awards") to certain of its employees. In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 (revised 2004), "SHARE-BASED PAYMENT" ("Statement 123R"). Statement 123R, which is a revision of Statement of Financial Accounting Standards No. 123, "ACCOUNTING FOR STOCK-BASED COMPENSATION" ("Statement 123") and supersedes Accounting Principles Board Opinion No. 25, "ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES" ("APB Opinion No. 25"), establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services, primarily focusing on transactions in which an entity obtains employee services. Statement 123R generally requires companies to measure 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 to recognize that cost over the period during which the employee is required to provide service (usually the vesting period of the award). Statement 123R also requires companies to measure 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 to remeasure the fair value of the award at each reporting date.

The provisions of Statement 123R allow companies to adopt the standard using the modified prospective method or to restate all periods for which Statement 123 was effective. Liberty has adopted Statement 123R using the modified prospective method.

The Company adopted Statement 123R effective January 1, 2006. In connection with such adoption, the Company recorded an \$89 million transition adjustment, which is net of related income taxes of \$31 million. Under Statement 123R, the QVC Awards were required to be bifurcated into a liability award and an equity award. Previously, under APB Opinion No. 25, no liability was recorded. The transition adjustment primarily represents the fair value of the liability portion of the QVC Awards at January 1, 2006. The transition adjustment is reflected in the accompanying consolidated statement of operations as the cumulative effect of accounting change. Also, in connection with the adoption of Statement 123R, the Company has eliminated its unearned compensation balance as of January 1, 2004

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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of \$98 million against additional paid-in capital. Compensation expense related to restricted shares granted to certain officers and employees of the Company continues to be recorded as such stock vests.

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):

<Table>	
<S>	<C>
Years ended:	
December 31, 2006.....	\$67
December 31, 2005.....	\$52
December 31, 2004.....	\$98
</Table>	

As of December 31, 2006, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately \$59 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2 years.

PRO FORMA DISCLOSURE

Prior to adoption of Statement 123R, the Company accounted for compensation expense related to its Awards pursuant to the recognition and measurement provisions of APB Opinion No. 25. All of the Company's Awards were accounted for as variable plan awards, and compensation was recognized based upon the percentage of the options that were vested and the intrinsic value of the options at the balance sheet date. The Company accounted for QVC Awards using fixed-plan accounting. The following table illustrates the effect on earnings from continuing operations and earnings per share for the years ended December 31, 2005 and 2004 as if the Company had applied the fair value recognition provisions of Statement 123 to its options. Compensation expense for SARs and options with tandem SARs was the same under APB Opinion No. 25 and Statement 123. Accordingly, no pro forma adjustment for such Awards is included in the following table.

<Table>
<Caption>

	YEARS ENDED DECEMBER 31,	
	----- 2005	2004 -----
	(AMOUNTS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	
<S>	<C>	<C>
Earnings (loss) from continuing operations.....	\$ (43)	105

Add stock compensation as determined under the intrinsic value method, net of taxes.....	2	2
Deduct stock compensation as determined under the fair value method, net of taxes.....	(42)	(41)
	-----	---
Pro forma earnings (loss) from continuing operations.....	\$ (83)	66
	=====	===
Basic and diluted earnings (loss) from continuing operations per share:		
As reported.....	\$ (.02)	.04
Pro forma.....	\$ (.03)	.02

IMPACT OF SPIN OFF TRANSACTIONS

In connection with the spin off of Liberty subsidiaries Liberty Media International ("LMI") and Discovery Holding Company ("DHC") in 2004 and 2005, respectively, certain employees of Liberty

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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received LMI and DHC options. Liberty records compensation expense related to these awards based on the grant date fair value over the remaining vesting period.

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.

EARNINGS (LOSS) PER COMMON SHARE

Basic earnings (loss) per common share ("EPS") is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding for the period. Diluted EPS presents the dilutive effect on a per share basis of potential common shares as if they had been converted at the beginning of the periods presented.

LIBERTY SERIES A AND SERIES B COMMON STOCK

The basic EPS calculation is based on 2,803 million weighted average outstanding shares of Liberty common stock for the period from January 1, 2006 to May 10, 2006, and 2,795 million and 2,856 million weighted average shares outstanding for the years ended December 31, 2005 and 2004, respectively. The diluted EPS calculation for the period from January 1, 2006 to May 10, 2006 and for the year ended December 31, 2004 includes 5 million and 14 million dilutive securities, respectively. However, due to the relative insignificance of these dilutive securities, their inclusion does not impact the EPS amount as reported in the accompanying consolidated statements of operations.

The cumulative effect of accounting change per common share for the period from January 1, 2006 to May 10, 2006 was a loss of \$0.03.

Earnings (loss) from discontinued operations per common share is as follows:

<Table>		
<S>		<C>
January 1, 2006 to May 10, 2006.....	\$ --	
Year ended December 31, 2005.....	\$ --	
Year ended December 31, 2004.....	\$ (.02)	

LIBERTY CAPITAL COMMON STOCK

Liberty Capital EPS for the period from the Restructuring to December 31, 2006 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 (140 million). Due to the relative insignificance of the dilutive

securities for such period, their inclusion does not impact the EPS amount.
Excluded from

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

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diluted EPS for the period from the Restructuring to December 31, 2006 are approximately 3 million potential common shares because their inclusion would be anti-dilutive.

Earnings from discontinued operations per common share for the period from the Restructuring to December 31, 2006 is \$1.62.

LIBERTY INTERACTIVE COMMON STOCK

Liberty Interactive EPS for the period from the Restructuring to December 31, 2006 was computed by dividing the net earnings attributable to the Interactive Group by the weighted average outstanding shares of Liberty Interactive common stock for the period (670 million). Due to the relative insignificance of the dilutive securities for such period, their inclusion does not impact the EPS amount. Excluded from diluted EPS for the period from the Restructuring to December 31, 2006 are approximately 13 million potential common shares because their inclusion would be anti-dilutive.

RECLASSIFICATIONS

Certain prior period amounts have been reclassified for comparability with the 2006 presentation.

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("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) the estimate of the fair value of its long-lived assets (including goodwill) and any resulting impairment charges, (ii) its accounting for income taxes, (iii) the fair value of its derivative instruments, (iv) its assessment of nontemporary declines in value of its investments and (v) its 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 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 February 2006, the FASB issued Statement of Financial Accounting Standards No. 155, "ACCOUNTING FOR CERTAIN HYBRID FINANCIAL INSTRUMENTS, AN AMENDMENT OF FASB STATEMENTS NO. 133 AND 140" ("Statement 155"). Statement 155, among other things, amends Statement 133 and permits fair value remeasurement of hybrid financial instruments that contain an embedded derivative that otherwise would require bifurcation. Statement 155 is effective after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company intends to adopt the provisions of Statement 155 effective January 1, 2007 and account for its senior exchangeable debentures at fair value rather than bifurcating such debentures into a debt instrument and a derivative instrument as

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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required by Statement 133. If the Company had adopted Statement 155 as of December 31, 2006, it would have recorded an increase to long-term debt of \$1.9 billion, a decrease to long-term derivative instruments of \$1.3 billion and an increase to accumulated deficit of \$600 million.

In June 2006, the FASB issued FASB Interpretation No. 48, "ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES, AN INTERPRETATION OF FASB STATEMENT NO. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements, and prescribes 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. FIN 48 is effective for fiscal years beginning after December 15, 2006. While the Company has not completed its evaluation of the impact of FIN 48 on its financial statements, it believes that the application of FIN 48 will result in the derecognition of certain tax liabilities currently reflected in the Company's consolidated balance sheet with a corresponding decrease to the Company's accumulated deficit. The Company is unable to quantify the amount of these adjustments at this time.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "FAIR VALUE MEASUREMENTS" ("Statement 157"), which defines fair value, establishes a framework for measuring fair value under GAAP and expands disclosures about fair value measurements. Statement 157 applies to other accounting pronouncements that require or permit fair value measurements. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. Liberty is currently evaluating the potential impact of the adoption of Statement 157 on its consolidated balance sheet, statements of operations and comprehensive earnings (loss), and statements of cash flows.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "THE FAIR VALUE OPTION FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES, INCLUDING AN AMENDMENT OF FASB STATEMENT NO. 115" ("Statement 159"). Statement 159 permits entities to choose to measure many financial instruments, such as available-for-sale 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. Currently under Statement of Financial Accounting Standards No. 115, entities are required to recognize changes in fair value of available-for-sale securities in the balance sheet in accumulated other comprehensive earnings. Statement 159 is effective as of the beginning of an entity's fiscal year that begins after November 15, 2007. Liberty is currently evaluating the potential impacts of Statement 159 on its financial statements and has not made a determination as to which of its financial instruments, if any, it will choose to apply the provisions of Statement 159.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

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(4) SUPPLEMENTAL DISCLOSURES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

<Table>
<Caption>

	YEARS ENDED DECEMBER 31,		
	2006	2005	2004
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Cash paid for acquisitions:			
Fair value of assets acquired.....	\$1,494	1	79
Net liabilities assumed.....	(227)	--	--
Deferred tax liabilities.....	(48)	--	--
Minority interest.....	(72)	--	12
Exchange of cost investment.....	(235)	--	--
Common stock issued.....	(36)	--	--
	-----	---	---
Cash paid for acquisitions, net of cash acquired.....	\$ 876	1	91
	=====	===	===
Cash paid for interest.....	\$ 510	477	515
	=====	===	===
Cash paid for income taxes.....	\$ 152	161	49
	=====	===	===

</Table>

(5) DISCONTINUED OPERATIONS

SALE OF OPENTV CORP.

In October 2006, Liberty entered into an agreement with an unaffiliated third party to sell Liberty's controlling interest in OpenTV Corp. ("OPTV") for cash consideration of \$132 million. As part of an agreement with OPTV, Liberty would pay up to \$20 million of the cash proceeds to OPTV on the first anniversary of the closing, subject to the satisfaction of certain conditions.

The sale was consummated on January 16, 2007. OPTV was attributed to the Capital Group.

SALE OF ASCENT ENTERTAINMENT GROUP, INC.

In December 2006, Liberty entered into an agreement with an unaffiliated third party to sell Liberty's 100% ownership interest in Ascent Entertainment Group, Inc. ("AEG") for \$332 million in cash and 2.05 million shares of common stock of the buyer valued at approximately \$50 million. AEG's primary operating subsidiary is On Command Corporation. Consummation of the transaction is subject to customary closing conditions, including regulatory approval, and is expected to occur in mid-2007. Subsequent to the closing, if consummated, Liberty would own approximately 9.9% of the buyer's outstanding common stock. AEG was attributed to the Capital Group.

SPIN OFF OF DISCOVERY HOLDING COMPANY

On July 21, 2005 (the "DHC Spin Off Date"), Liberty completed the spin off (the "DHC Spin Off") of DHC to its shareholders. The DHC Spin Off was effected as a dividend by Liberty to holders of its Series A and Series B common stock of shares of DHC Series A and Series B common stock, respectively. Holders of Liberty common stock on July 15, 2005 received 0.10 of a share of DHC Series A common stock for each share of Liberty Series A common stock owned and 0.10 of a share of DHC Series B common stock for each share of Liberty Series B common stock owned. The DHC Spin Off did not involve the payment of any consideration by the holders of Liberty common stock and is intended to qualify as a tax-free transaction. At the time of the DHC Spin Off, DHC's assets were

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

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comprised of Liberty's 100% ownership interest in Ascent Media Group, LLC, Liberty's 50% ownership interest in Discovery Communications, Inc. and \$200 million in cash.

Following the DHC Spin Off, DHC and Liberty operate independently, and neither has any stock ownership, beneficial or otherwise, in the other. In connection with the DHC Spin Off, DHC and Liberty entered into certain agreements in order to govern certain of the ongoing relationships between Liberty and DHC after the DHC Spin Off and to provide for an orderly transition. These agreements include a Reorganization Agreement, a Facilities and Services Agreement, a Tax Sharing Agreement and a Short-Term Credit Facility.

The DHC Reorganization Agreement provides for, among other things, the principal corporate transactions required to effect the DHC Spin Off and cross indemnities. Pursuant to the DHC Facilities and Services Agreement, Liberty provides DHC with office space and certain general and administrative services including legal, tax, accounting, treasury, engineering and investor relations support. DHC reimburses Liberty for direct, out-of-pocket expenses incurred by Liberty in providing these services and for DHC's allocable portion of facilities costs and costs associated with any shared services or personnel.

Under the DHC Tax Sharing Agreement, Liberty generally is responsible for U.S. federal, state and local and foreign income taxes owing with respect to consolidated returns which include both Liberty and DHC. DHC is responsible for all other taxes with respect to returns which include DHC, but do not include Liberty whether accruing before, on or after the DHC Spin Off. The DHC Tax Sharing Agreement requires that DHC will not take, or fail to take, any action where such action, or failure to act, would be inconsistent with or prohibit the DHC Spin Off from qualifying as a tax-free transaction. Moreover, DHC has indemnified Liberty for any loss resulting from such action or failure to act, if such action or failure to act precludes the DHC Spin Off from qualifying as a tax-free transaction.

SPIN OFF OF LIBERTY MEDIA INTERNATIONAL, INC.

On June 7, 2004 (the "LMI Spin Off Date"), Liberty completed the spin off (the "LMI Spin Off") of its wholly-owned subsidiary, Liberty Media International, Inc., to its shareholders. Substantially all of the assets and businesses of LMI were attributed to Liberty's former International Group segment. In connection with the LMI Spin Off, holders of Liberty common stock on June 1, 2004 received 0.05 of a share of LMI Series A common stock for each share of Liberty Series A common stock owned and 0.05 of a share of LMI Series B common stock for each share of Liberty Series B common stock owned. The LMI Spin Off is intended to qualify as a tax-free spin off. For accounting purposes, the LMI Spin Off is deemed to have occurred on June 1, 2004, and no gain or loss was recognized by Liberty in connection with the LMI Spin Off due to the pro rata nature of the distribution.

Following the LMI Spin Off, LMI and Liberty operate independently. In

connection with the LMI Spin Off, LMI and Liberty entered into certain agreements in order to govern certain of the ongoing relationships between Liberty and LMI after the LMI Spin Off and to provide for an orderly transition. These agreements include a Reorganization Agreement and a Tax Sharing Agreement.

The LMI Reorganization Agreement provided for, among other things, the principal corporate transactions required to effect the LMI Spin Off and cross indemnities.

Under the LMI Tax Sharing Agreement, Liberty generally is responsible for U.S. federal, state and local and foreign income taxes owing with respect to consolidated returns which include both Liberty

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

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and LMI. LMI is responsible for all other taxes with respect to returns which include LMI, but do not include Liberty whether accruing before, on or after the LMI Spin Off. The LMI Tax Sharing Agreement requires that LMI will not take, or fail to take, any action where such action, or failure to act, would be inconsistent with or prohibit the LMI Spin Off from qualifying as a tax-free transaction. Moreover, LMI has indemnified Liberty for any loss resulting from such action or failure to act, if such action or failure to act precludes the LMI Spin Off from qualifying as a tax-free transaction.

In the third quarter of 2005, Liberty filed its 2004 tax return and adjusted the amount of net operating loss and capital loss carryforwards allocated to LMI. Such adjustment resulted in an increase to Liberty's deferred income tax liabilities and a reduction of additional paid-in capital of \$28 million.

DMX MUSIC

During the fourth quarter of 2004, the executive committee of the board of directors of Liberty approved a plan to dispose of Liberty's approximate 56% ownership interest in Maxide Acquisition, Inc. (d/b/a DMX Music, "DMX"). On February 14, 2005, DMX commenced proceedings under Chapter 11 of the United States Bankruptcy Code. DMX entered into an arrangement, subject to the approval by the Bankruptcy Court, to sell substantially all of its operating assets to an independent third party. On May 16, 2005, the Bankruptcy Court entered a written order approving the transaction, and the sale transaction was completed. As a result of the DMX Bankruptcy filing, Liberty deconsolidated DMX effective December 31, 2004. In connection with its decision to dispose of its ownership interest, Liberty recognized a \$23 million impairment loss to write down the carrying value of the net assets of DMX to their estimated fair value based upon the aforementioned arrangement to sell the assets. Such loss has been included in loss from discontinued operations in the accompanying consolidated financial statements for the year ended December 31, 2004.

The consolidated financial statements and accompanying notes of Liberty have been prepared reflecting OPTV, AEG, DHC, LMI and DMX 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 separately in such consolidated financial statements.

Certain combined statement of operations information for OPTV, AEG, DHC, LMI and DMX, which is included in earnings (loss) from discontinued operations, is as follows:

<Table>

<Caption>

	YEARS ENDED DECEMBER 31,		
	2006	2005	2004
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Revenue.....	\$335	704	2,081
Loss before income taxes and minority interests.....	\$(30)	(1)	(159)

Liberty's tax basis in the common stock of each of OPTV and AEG as of December 31, 2006 exceeds their respective carrying amounts reported for financial reporting purposes. As of December 31, 2006, Liberty has recognized a deferred tax asset of \$236 million for this excess tax basis with an offsetting deferred tax benefit, which is included in earnings from discontinued operations in the accompanying consolidated statement of operations. In 2004, Liberty recognized a similar deferred tax benefit of \$38 million related to its tax

basis in DMX and reported such benefit in its income tax

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

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benefit for continuing operations for the year ended December 31, 2004. Liberty has revised its 2004 presentation to report the deferred tax benefit for DMX as a component of loss from discontinued operations.

(6) INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES AND OTHER COST INVESTMENTS

Investments in AFS securities, which are recorded at their respective fair market values, and other cost investments are summarized as follows:

<Table>
<Caption>

	DECEMBER 31,	
	2006	2005
	(AMOUNTS IN MILLIONS)	
<S>	<C>	<C>
Capital Group		
News Corporation.....	\$11,158	8,171
Time Warner Inc. ("Time Warner") (1).....	3,728	2,985
Sprint Nextel Corporation ("Sprint") (2).....	1,651	2,162
Motorola, Inc. ("Motorola") (3).....	1,522	1,672
Other AFS equity securities(4).....	830	964
Other AFS debt securities(5).....	135	372
Other cost investments and related receivables.....	34	79
Total attributed Capital Group.....	19,058	16,405
Interactive Group		
IAC/InterActiveCorp ("IAC").....	2,572	1,960
Other AFS securities.....	--	124
Total attributed Interactive Group.....	2,572	2,084
Consolidated Liberty.....	21,630	18,489
Less short-term investments.....	(8)	--
	\$21,622	18,489
	=====	=====

</Table>

- - - - -

- (1) Includes \$198 million and \$158 million of shares pledged as collateral for share borrowing arrangements at December 31, 2006 and 2005, respectively.
- (2) Includes \$170 million and \$94 million of shares pledged as collateral for share borrowing arrangements at December 31, 2006 and 2005, respectively.
- (3) Includes \$1,068 million and \$1,173 million of shares pledged as collateral for share borrowing arrangements at December 31, 2006 and 2005, respectively.
- (4) Includes \$46 million and \$156 million of shares pledged as collateral for share borrowing arrangements at December 31, 2006 and 2005, respectively.
- (5) At December 31, 2006, other AFS debt securities include \$127 million of investments in third-party marketable debt securities held by Liberty parent and \$8 million of such securities held by subsidiaries of Liberty. At December 31, 2005, such investments aggregated \$372 million and zero, respectively.

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NEWS CORPORATION

In December 2006, Liberty announced that it had entered into an exchange agreement with News Corporation pursuant to which, if completed, Liberty would

exchange its approximate 16.2% ownership interest in News Corporation for a subsidiary of News Corporation, which would own News Corporation's approximate 38.5% interest in The DirecTV Group, Inc., three regional sports television networks and approximately \$550 million in cash. Consummation of the exchange, which is subject to various closing conditions, including approval by News Corporation's shareholders, regulatory approval and receipt of a favorable ruling from the IRS confirming that the exchange is tax-free, is expected in mid 2007.

In November 2004, Liberty entered into total return equity swaps with a financial institution with respect to 92 million shares of News Corporation voting stock ("NWS"). Pursuant to the terms of the swap, the financial institution acquired the 92 million shares of NWS for Liberty's benefit for a weighted average strike price of \$17.48. In December 2004, Liberty elected to terminate the swaps. In connection with such termination, Liberty delivered 86.9 million shares of News Corporation non-voting stock ("NWSA") with a fair market value of \$1,608 million in exchange for the 92 million shares of NWS with a fair market value of \$1,749 million. Accordingly, Liberty recognized a pre-tax gain on the swap transaction of \$141 million, which is included in realized and unrealized gains on financial instruments and a pre-tax gain on the exchange of NWSA for NWS of \$710 million, which is included in gains on dispositions. At December 31, 2006, Liberty has an approximate 16.2% economic interest and an approximate 19.1% voting interest in News Corporation.

IAC/INTERACTIVECORP

Effective August 9, 2005, IAC completed the spin-off of its subsidiary, Expedia, Inc. ("Expedia"). Shareholders of IAC, including Liberty, received one share of Expedia for each share of IAC owned. Subsequent to the spin-off of Expedia, Liberty owned approximately 20% of the outstanding Expedia common stock representing a 52% voting interest. However, under existing governance arrangements, the Chairman of Expedia is currently entitled to vote Liberty's shares of Expedia, subject to certain limitations. As Liberty has appointed two out of ten members of Expedia's board of directors, it accounts for this investment using the equity method of accounting. Liberty allocated its pre-spin off carrying value in IAC between IAC and Expedia based on the relative trading prices of IAC and Expedia. Unrealized holding gains included in the carrying value allocated to Expedia were reversed as part of this allocation.

At December 31, 2006, Liberty owns approximately 24% of IAC common stock representing an approximate 57% voting interest. However, under existing governance arrangements, the Chairman of IAC is currently entitled to vote Liberty's shares, and due to the fact that Liberty has rights to appoint only two of thirteen members to the IAC board of directors, Liberty's ability to exert significant influence over IAC is limited at this time. Accordingly, Liberty accounts for this investment as an AFS security.

NONTEMPORARY DECLINES IN FAIR VALUE OF INVESTMENTS

During the years ended December 31, 2006, 2005 and 2004, Liberty determined that certain of its AFS securities (including News Corporation in 2005) and cost investments experienced nontemporary declines in value. The primary factors considered by Liberty in determining the timing of the recognition for the majority of these impairments was the length of time the investments traded below

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

Liberty's cost bases 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 nontemporary declines in fair value of investments in the consolidated statements of operations. The amount of nontemporary decline recognized for Liberty's News Corporation voting shares in 2005 was \$352 million.

UNREALIZED HOLDINGS GAINS AND LOSSES

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

<Table>
<Caption>

DECEMBER 31, 2006		DECEMBER 31, 2005	
EQUITY SECURITIES	DEBT SECURITIES	EQUITY SECURITIES	DEBT SECURITIES
(AMOUNTS IN MILLIONS)			

<S>	<C>	<C>	<C>	<C>	<C>
Gross unrealized holding gains.....	\$9,335	--	5,459	17	
Gross unrealized holding losses.....	\$ (1)	--	(27)	--	

The aggregate fair value of securities with unrealized holding losses at December 31, 2006 was \$6 million. None of these securities had unrealized losses for more than 12 continuous months.

(7) FINANCIAL INSTRUMENTS

The Company's financial instruments are summarized as follows:

<Table>
<Caption>

TYPE OF DERIVATIVE	DECEMBER 31,	
	2006	2005
	(AMOUNTS IN MILLIONS)	
	<C>	<C>
ASSETS		
Equity collars.....	\$1,218	1,568
Put spread collars.....	--	133
Other.....	361	83
	1,579	1,784
Less current portion.....	(239)	(661)
	\$1,340	1,123
	=====	=====
LIABILITIES		
Borrowed shares.....	\$1,482	1,581
Exchangeable debenture call option obligations.....	1,280	927
Put options.....	--	342
Equity collars.....	416	160
Other.....	12	16
	3,190	3,026
Less current portion.....	(1,484)	(1,939)
	\$1,706	1,087
	=====	=====

</Table>

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

EQUITY COLLARS AND PUT OPTIONS

The Company has entered into equity collars, written put and call options 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 continue to be treated as AFS securities and are marked to market each reporting period with changes in value recorded as unrealized gains or losses in other comprehensive earnings.

EXCHANGEABLE DEBENTURE CALL OPTION OBLIGATIONS

Liberty has issued senior exchangeable debentures which are exchangeable for the value of a specified number of shares of Sprint and Embarq Corporation common stock, Motorola common stock, Viacom Class B and CBS Corporation Class B common stock or Time Warner common stock, as applicable. (See note 9 for a more complete description of the exchangeable debentures.)

Under Statement 133, the call option feature of the exchangeable debentures is reported separately from the long-term debt portion in Liberty's consolidated balance sheets at fair value. Changes in the fair value of the call option obligations are recognized as unrealized gains (losses) on derivative instruments in Liberty's consolidated statements of operations.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

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:

<Table>
<Caption>

	YEARS ENDED DECEMBER 31,		
	2006	2005	2004

	(AMOUNTS IN MILLIONS)		
	<C>	<C>	<C>
Exchangeable debenture call option obligations.....	\$ (353)	172	(129)
Equity collars.....	(59)	311	(941)
Borrowed shares.....	(32)	(205)	(227)
Put options.....	--	(66)	2
Other derivatives.....	165	45	11
	-----	-----	-----
	\$ (279)	257	(1,284)
	=====	=====	=====

</Table>

(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, 2006 and the carrying amount at December 31, 2005:

<Table>
<Caption>

	DECEMBER 31,		DECEMBER 31,	
	2006		2005	
	-----		-----	
	PERCENTAGE OWNERSHIP	CARRYING AMOUNT	CARRYING AMOUNT	
	(DOLLAR AMOUNTS IN MILLIONS)			
	<C>	<C>	<C>	
Expedia.....	21%	\$1,254	1,213	
GSN.....	50%	253	255	
Court TV.....	N/A	--	297	
Other.....	various	335	143	
		-----	-----	
		\$1,842	1,908	
		=====	=====	

</Table>

EXPEDIA

IAC completed the spin off of Expedia on August 9, 2005. Accordingly, the Company recorded its share of earnings of Expedia for the five months ended December 31, 2005. The fair value of the

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

Company's investment in Expedia was \$1,452 million and \$1,659 million at

December 31, 2006 and 2005, respectively. Summarized unaudited financial information for Expedia is as follows:

CONSOLIDATED BALANCE SHEETS

<Table>
<Caption>

	DECEMBER 31,	
	2006	2005
	(AMOUNTS IN MILLIONS)	
	<C>	<C>
Current assets.....	\$1,183	590
Property and equipment.....	137	91
Goodwill.....	5,861	5,860
Intangible assets.....	1,029	1,177
Other assets.....	59	39
	-----	-----
Total assets.....	\$8,269	7,757
	=====	=====
Current liabilities.....	\$1,400	1,438
Deferred income taxes.....	369	369
Other liabilities.....	534	144
Minority interest.....	62	72
Stockholders' equity.....	5,904	5,734
	-----	-----
Total liabilities and equity.....	\$8,269	7,757
	=====	=====

</Table>

CONSOLIDATED STATEMENTS OF OPERATIONS

<Table>
<Caption>

	YEARS ENDED DECEMBER 31,	
	2006	2005
	(AMOUNTS IN MILLIONS)	
	<C>	<C>
Revenue.....	\$2,238	2,119
Cost of revenue.....	(503)	(480)
	-----	-----
Gross profit.....	1,735	1,639
Selling, general and administrative expenses.....	(1,273)	(1,116)
Amortization.....	(111)	(126)
	-----	-----
Operating income.....	351	397
Interest income.....	32	51
Other income (expense).....	1	(33)
Income tax expense.....	(139)	(186)
	-----	-----
Net earnings.....	\$ 245	229
	=====	=====

</Table>

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

(9) LONG-TERM DEBT

Debt is summarized as follows:

<Table>
<Caption>

	OUTSTANDING PRINCIPAL DECEMBER 31,		CARRYING VALUE DECEMBER 31,	
	2006	2005	2006	2005
	(AMOUNTS IN MILLIONS)			
	<C>	<C>	<C>	<C>
Capital Group				
Senior exchangeable debentures				
4% Senior Exchangeable Debentures due 2029.....	\$ 869		254	251
3.75% Senior Exchangeable Debentures due 2030.....	810		234	231

3.5% Senior Exchangeable Debentures due 2031.....	600	238	235
3.25% Senior Exchangeable Debentures due 2031.....	551	119	117
0.75% Senior Exchangeable Debentures due 2023.....	1,750	1,637	1,552
Subsidiary debt.....	158	158	37
	-----	-----	-----
Total attributed Capital Group.....	4,738	2,640	2,423
	-----	-----	-----
Interactive Group			
Senior notes and debentures			
3.5% Senior Notes due 2006.....	--	--	121
Floating Rate Senior Notes due 2006.....	--	--	1,247
7.875% Senior Notes due 2009.....	670	667	666
7.75% Senior Notes due 2009.....	234	234	235
5.7% Senior Notes due 2013.....	802	800	800
8.5% Senior Debentures due 2029.....	500	495	495
8.25% Senior Debentures due 2030.....	902	895	895
QVC bank credit facilities.....	3,225	3,225	800
Other subsidiary debt.....	67	67	67
	-----	-----	-----
Total attributed Interactive Group.....	6,400	6,383	5,326
	-----	-----	-----
Total consolidated Liberty.....	\$11,138	9,023	7,749
	=====		
Less current maturities.....		(114)	(1,379)
		-----	-----
Total long-term debt.....		\$8,909	6,370
		=====	=====

</Table>

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 \$17 million at each of December 31, 2006 and 2005. Such discount is being amortized to interest expense in the accompanying consolidated statements of operations.

SENIOR EXCHANGEABLE DEBENTURES

Each \$1,000 debenture of Liberty's 4% Senior Exchangeable Debentures is exchangeable at the holder's option for the value of 11.4743 shares of Sprint common stock and .5737 shares of Embarq

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

Corporation ("Embarq"), which Sprint spun off to its shareholders in May 2006. Liberty may, at its election, pay the exchange value in cash, Sprint and Embarq 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% Senior Exchangeable Debentures is exchangeable at the holder's option for the value of 8.3882 shares of Sprint common stock and .4194 shares of Embarq common stock. Liberty may, at its election, pay the exchange value in cash, Sprint and Embarq 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% Senior Exchangeable Debentures (the "Motorola Exchangeables") is exchangeable at the holder's option for the value of 36.8189 shares of Motorola common stock and, prior to the cash distribution described below, 4.0654 shares of Freescale Semiconductor, Inc. ("Freescale"), which Motorola spun off to its shareholders in December 2004. 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 the cash distribution described below, the adjusted principal amount of each \$1,000 debenture is \$837.38. Effective December 1, 2006, a consortium of private equity firms purchased all of the common stock of Freescale, including the Freescale common stock owned by Liberty. Pursuant to the terms of the indenture covering the Motorola Exchangeables, Liberty announced that it would make a cash distribution of \$162.62 per \$1,000 bond to holders of such bonds. Such distribution was made in January 2007, and Liberty reduced its outstanding debt by \$97.6 million.

Each \$1,000 debenture of Liberty's 3.25% Senior Exchangeable Debentures 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, which Viacom spun off to its shareholders in December 2005. 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.

Each \$1,000 debenture of Liberty's 0.75% Senior Exchangeable Debentures is exchangeable at the holder's option for the value of 57.4079 shares of Time Warner common stock. Liberty may, at its election, pay the exchange value in cash, Time Warner common stock, shares of Liberty common stock or a combination thereof. On or after April 5, 2008, Liberty, at its option, may redeem the debentures, in whole or in part, for shares of Time Warner common stock, cash or any combination thereof equal to the face amount of the debentures plus accrued interest. On March 30, 2008, 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 common stock, cash, Liberty common stock, or any combination thereof.

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.

In accordance with Statement 133, the call option feature of the exchangeable debentures is reported at fair value and separately from the long-term debt in the consolidated balance sheet. The reported amount of the long-term debt portion of the exchangeable debentures is calculated as the difference between the face amount of the debentures and the fair value of the call option feature on

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

the date of issuance. The long-term debt is accreted to its face amount over the expected term of the debenture using the effective interest method. Accordingly, at December 31, 2006, the difference between the principal amount and the carrying value of the long-term debt portion is the unamortized fair value of the call option feature that was recorded at the date of issuance of the respective debentures. Accretion related to the Company's exchangeable debentures aggregated \$95 million, \$89 million and \$83 million during the years ended December 31, 2006, 2005 and 2004, respectively, and is included in interest expense in the accompanying consolidated statements of operations.

QVC BANK CREDIT FACILITIES

Effective May 20, 2005, QVC entered into an unsecured \$2 billion bank credit facility. In March 2006, such facility was refinanced with a new unsecured \$3.5 billion bank credit facility, which was subsequently amended on October 4, 2006 (the "March 2006 Credit Agreement"). The March 2006 Credit Agreement is comprised of an \$800 million U.S. dollar term loan that was drawn at closing, an \$800 million U.S. dollar term loan that was drawn on September 18, 2006, a \$600 million multi-currency term loan that was drawn in U.S. dollars on September 18, 2006, a \$650 million U.S. dollar revolving loan and a \$650 million multi-currency revolving loan. The foregoing multi-currency loans can be made, at QVC's option, in U.S. dollars, Japanese yen, U.K. pound sterling or euros. All loans are due and payable on March 3, 2011, and accrue interest at a rate equal to (i) LIBOR for the interest period selected by QVC plus a margin that varies based on QVC's leverage ratio or (ii) the higher of the Federal Funds Rate plus 0.50% or the prime rate announced by JP Morgan Chase Bank, N.A. from time to time. The weighted average interest rate for all borrowings under the March 2006 Credit Agreement at December 31, 2006 was 6.11%. QVC is required to pay a commitment fee quarterly in arrears on the unused portion of the commitments.

On October 4, 2006, QVC entered into a new credit agreement (the "October 2006 Credit Agreement"), which provides for an additional unsecured \$1.75 billion credit facility, consisting of an \$800 million initial term loan made on October 13, 2006 and \$950 million of delayed draw term loans to be made from time to time upon the request of QVC. The delayed draw term loans are available until September 30, 2007 and are subject to reductions in the principal amount available starting on March 31, 2007. The loans bear interest at a rate equal to (i) LIBOR for the interest period selected by QVC plus a margin that varies based on QVC's leverage ratio or (ii) the higher of the Federal Funds Rate plus 0.50% or the prime rate announced by Wachovia Bank, N.A. from time to time. The weighted average interest rate for all borrowings under the October 2006 Credit Agreement at December 31, 2006 was 6.10%. QVC is required to pay a commitment fee quarterly in arrears on the unused portion of the commitments. The loans are scheduled to mature on October 4, 2011.

The March 2006 Credit Agreement and the October 2006 Credit Agreement contain restrictive covenants, which require among other things, the maintenance of certain financial ratios and include limitations on indebtedness, liens, encumbrances, dispositions, guarantees and dividends. QVC was in compliance with its debt covenants at December 31, 2006. QVC's ability to borrow the unused portion of its credit agreements is dependent on its continuing compliance with such covenants both before and after giving effect to such additional borrowing.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

QVC INTEREST RATE SWAP ARRANGEMENTS

During 2006, QVC entered into seven separate interest rate swap arrangements with an aggregate notional amount of \$1,400 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 a rate of 4.9575% and to receive variable payments at 3 month LIBOR. QVC also entered into three separate interest rate swap arrangements with an aggregate notional amount of \$800 million. These swap arrangements provide for QVC to make fixed payments at a rate of 5.2928% and to receive variable payments at 3 month LIBOR. All of the swap arrangements expire in March 2011 contemporaneously with the maturity of the March 2006 Credit Agreement. Liberty accounts 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 consolidated balance sheet.

OTHER SUBSIDIARY DEBT

Other subsidiary debt at December 31, 2006 is comprised of capitalized satellite transponder lease obligations and Starz Media bank debt.

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):

<Table>	
<S>	<C>
2007.....	\$ 114
2008.....	\$1,768
2009.....	\$ 969
2010.....	\$ 69
2011.....	\$3,240
</Table>	

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 is as follows:

<Table>		
<Caption>		
	DECEMBER 31,	
	-----	-----
	2006	2005
	-----	-----
	(AMOUNTS IN MILLIONS)	
<S>	<C>	<C>
Fixed rate senior notes.....	\$1,678	1,838
Senior debentures.....	\$1,422	1,347
Senior exchangeable debentures, including call option obligation.....	\$4,361	3,858
</Table>		

Liberty believes that the carrying amount of its subsidiary debt, which is primarily variable rate debt, approximated fair value at December 31, 2006.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

Income tax benefit (expense) consists of:

<Table>
<Caption>

	YEARS ENDED DECEMBER 31,		
	2006	2005	2004
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Current:			
Federal.....	\$ (513)	(100)	(178)
State and local.....	(92)	(75)	(61)
Foreign.....	(112)	(88)	(114)
	-----	-----	-----
	(717)	(263)	(353)
Deferred:			
Federal.....	362	219	123
State and local.....	99	172	63
Foreign.....	4	(2)	8
	-----	-----	-----
	465	389	194
	-----	-----	-----
Income tax benefit (expense).....	\$ (252)	126	(159)
	=====	=====	=====

</Table>

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:

<Table>
<Caption>

	YEARS ENDED DECEMBER 31,		
	2006	2005	2004
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Computed expected tax benefit (expense).....	\$ (336)	59	(92)
Change in estimated foreign and state tax rates.....	130	147	2
State and local income taxes, net of federal income taxes...	(34)	7	(4)
Foreign taxes, net of foreign tax credits.....	(20)	(31)	(47)
Change in valuation allowance affecting tax expense.....	76	(40)	(3)
Impairment of goodwill not deductible for tax purposes.....	(39)	--	--
Disposition of nondeductible goodwill in sales transaction.....	(43)	--	--
Minority interest.....	(10)	(10)	(6)
Dividends received deduction.....	12	12	--
Disqualifying disposition of incentive stock options not deductible for book purposes.....	14	--	--
Other, net.....	(2)	(18)	(9)
	-----	-----	-----
Income tax benefit (expense).....	\$ (252)	126	(159)
	=====	=====	=====

</Table>

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

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:

<Table>
<Caption>

	DECEMBER 31,	
	2006	2005
	(AMOUNTS IN MILLIONS)	
<S>	<C>	<C>
Deferred tax assets:		
Net operating and capital loss carryforwards.....	\$ 470	513
Accrued stock compensation.....	79	90
Other future deductible amounts.....	485	399

Deferred tax assets.....	1,034	1,002
Valuation allowance.....	(93)	(155)
Net deferred tax assets.....	941	847
Deferred tax liabilities:		
Investments.....	6,885	6,048
Intangible assets.....	2,362	2,523
Discount on exchangeable debentures.....	981	1,006
Other.....	369	89
Deferred tax liabilities.....	10,597	9,666
Net deferred tax liabilities.....	\$9,656	8,819

</Table>

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

<Table>
<Caption>

	DECEMBER 31,	
	2006	2005
	(AMOUNTS IN MILLIONS)	
<S>	<C>	<C>
Current deferred tax asset.....	\$ (128)	(46)
Current deferred tax liabilities.....	--	169
Long-term deferred tax liabilities.....	9,784	8,696
Net deferred tax liabilities.....	\$9,656	8,819

</Table>

The Company's valuation allowance decreased \$76 million in 2006 related to the recognition of a tax benefit and increased \$14 million due to acquisitions.

At December 31, 2006, Liberty had net operating and capital loss carryforwards for income tax purposes aggregating approximately \$893 million which, if not utilized to reduce taxable income in future periods, will expire as follows: 2009: \$351 million; 2011: \$169 million and beyond 2011: \$373 million. Of the foregoing net operating and capital loss carryforward amount, approximately \$288 million is subject to certain limitations and may not be currently utilized. The remaining \$605 million is currently available to be utilized to offset future taxable income of Liberty's consolidated tax group.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

Since the date Liberty issued its exchangeable debentures, it has claimed interest deductions on such exchangeable debentures for federal income tax purposes based on the "comparable yield" at which it could have issued a fixed-rate debenture with similar terms and conditions. In all instances, this policy has resulted in Liberty claiming interest deductions significantly in excess of the cash interest currently paid on its exchangeable debentures. In this regard, Liberty has deducted \$2,218 million in cumulative interest expense associated with the exchangeable debentures since the Company's 2001 split off from AT&T Corp. ("AT&T"). Of that amount, \$629 million represents cash interest payments. Interest deducted in prior years on its exchangeable debentures has contributed to net operating losses ("NOLs") that may be carried to offset taxable income in 2006 and later years. These NOLs and current interest deductions on its exchangeable debentures are being used to offset taxable income currently being generated.

The IRS has issued Technical Advice Memorandums ("TAMs") challenging the current deductibility of interest expense claimed on exchangeable debentures issued by other companies. The TAMs conclude that such interest expense must be capitalized as basis to the shares referenced in the exchangeable debentures. If the IRS were to similarly challenge Liberty's tax treatment of these interest deductions, and ultimately win such challenge, there would be no impact to Liberty's reported total tax expense as the resulting increase in current tax expense would be offset by a decrease in its deferred tax expense. However, Liberty would be required to make current federal income tax payments and may be required to make interest payments to the IRS. These payments could prove to be significant.

(11) 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, 2006, no shares of preferred stock were issued.

COMMON STOCK

Liberty's Capital Series A common stock and Interactive Series A common stock each has one vote per share, and its Capital Series B common stock and Interactive Series B 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.

As of December 31, 2006, there were 2.3 million and 1.5 million shares of Liberty Capital Series A common stock and Series B common stock, respectively, reserved for issuance under exercise privileges of outstanding stock options.

As of December 31, 2006, there were 21.5 million and 7.5 million shares of Liberty Interactive Series A common stock and Series B common stock, respectively, reserved for issuance under exercise privileges of outstanding stock options.

In addition to the Liberty Capital Series A and Series B common stock and the Liberty Interactive Series A and Series B common stock, there are 300 million and 1,500 million shares of Liberty Capital Series C and Liberty Interactive Series C common stock, respectively, authorized for issuance. As of December 31, 2006, no shares of either Series C common stock were issued or outstanding.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

Prior to the Restructuring, the Company retired the 10,000,000 shares of Liberty Series B common stock held in treasury and returned them to the status of authorized and available for issuance.

PURCHASES OF COMMON STOCK

During the period from May 10, 2006 to December 31, 2006, the Company repurchased 51.6 million shares of Liberty Interactive Series A common stock in the open market for aggregate cash consideration of \$954 million. Such 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 period from May 10, 2006 to December 31 2006, the Company sold put options on Liberty Capital Series A common stock and Liberty Interactive Series A common stock for aggregate cash proceeds of approximately \$7 million. All such put options expired out of the money prior to December 31, 2006. The Company accounted for these put options pursuant to Statement of Financial Accounting Standards No. 150, "ACCOUNTING FOR CERTAIN FINANCIAL INSTRUMENTS WITH CHARACTERISTICS OF BOTH LIABILITIES AND EQUITY." Accordingly, the put options were recorded in derivative 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 statement of operations.

During 2005, Liberty sold put options with respect to shares of its Series A common stock for net cash proceeds of \$2 million. All such puts expired out of the money in 2006.

During the year ended December 31, 2004, the Company acquired approximately 96.0 million shares of its Series B common stock from the estate and family of the late founder of Liberty's former parent in exchange for approximately 105.4 million shares of Liberty Series A common stock.

On July 28, 2004, Liberty completed a transaction with Comcast pursuant to which Liberty repurchased 120.3 million shares of its Series A common stock (valued at \$1,017 million) held by Comcast in exchange for 100% of the stock of Encore ICCP, Inc. ("Encore ICCP"), a wholly owned subsidiary of Liberty. At the time of the exchange, Encore ICCP held Liberty's 10% ownership interest in E! Entertainment Television, Liberty's 100% ownership interest in International Channel Networks, all of Liberty's rights, benefits and obligations under a TCI Music contribution agreement, and \$547 million in cash. The transaction also resolved all litigation pending between Comcast and Liberty regarding the TCI

Music contribution agreement, to which Comcast succeeded as part of its acquisition of AT&T Broadband in November of 2002. In connection with this transaction, Liberty recognized a pre-tax gain on disposition of assets of \$387 million.

During 2004, Liberty entered into zero-strike call spreads ("Z-Call") with respect to six million shares of its Series A common stock. Liberty net cash settled all of its Z-calls during the first quarter of 2005 for net cash proceeds of \$63 million, which primarily represented the return of collateral posted by Liberty in 2004. Liberty accounts for the Z-Calls pursuant to Statement No. 150. Changes in the fair value of the Z-Calls are included in realized and unrealized gains (losses) on derivative instruments in the accompanying consolidated statement of operations.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

(12) TRANSACTIONS WITH OFFICERS AND DIRECTORS

CHAIRMAN'S EMPLOYMENT AGREEMENT

The Chairman's employment agreement provides for, among other things, deferral of a portion (not in excess of 40%) of the monthly compensation payable to him for all employment years commencing on or after January 1, 1993. The deferred amounts will be payable in monthly installments over a 20-year period commencing on the termination of the Chairman's employment, together with interest thereon at the rate of 8% per annum compounded annually from the date of deferral to the date of payment. The aggregate liability under this arrangement at December 31, 2006 is \$2.0 million, and is included in other liabilities in the accompanying consolidated balance sheet.

The Chairman's employment agreement also provides that in the event of termination of his employment with Liberty, he will be entitled to receive 240 consecutive monthly payments equal to \$15,000 increased at the rate of 12% per annum compounded annually from January 1, 1988 to the date payment commences (\$115,350 per month as of December 31, 2006). Such payments would commence on the first day of the month succeeding the termination of employment. In the event of the Chairman's death, his beneficiaries would be entitled to receive the foregoing monthly payments. The aggregate liability under this arrangement at December 31, 2006 is \$27.7 million, and is included in other liabilities in the accompanying consolidated balance sheet.

The Company's Chairman deferred a portion of his monthly compensation under his previous employment agreement with Tele-Communications, Inc. ("TCI"). The Company assumed the obligation to pay that deferred compensation in connection with the TCI/AT&T Merger in 1999. The deferred obligation (together with interest at the rate of 13% per annum compounded annually), which aggregated \$15.7 million at December 31, 2006 and is included in other liabilities in the accompanying consolidated balance sheets, is payable on a monthly basis, following the occurrence of specified events, under the terms of the previous employment agreement. The rate at which interest accrues on the deferred obligation was established in 1983 pursuant to the previous employment agreement.

OTHER

In September 2000, certain officers of Liberty purchased a 6% common stock interest in a subsidiary for \$1.3 million. Such subsidiary owned an indirect interest in an entity that held certain of Liberty's investments in satellite and technology related assets. Liberty and the officers entered into a shareholders agreement in which the officers could require Liberty to purchase, after five years, all or part of their common stock interest in exchange for Liberty Series A stock at the then fair market value. In addition, Liberty had the right to purchase, in exchange for Liberty Series A common stock, the common stock interests held by the officers at fair market value at any time. During 2001, two of the officers resigned their positions with the Company, and the Company purchased their respective interests in the subsidiary for the original purchase price plus 6% interest. In December 2005, Liberty redeemed all of the remaining shares of common stock of the subsidiary from the officers for aggregate cash proceeds of \$80.

(13) 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 "Liberty Incentive Plan"), the Company has granted to certain of its employees stock options,

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

SARs and stock options with tandem SARs (collectively, "Awards") to purchase shares of Liberty Capital and Liberty Interactive Series A and Series B common stock. The Liberty Incentive Plan provides for Awards to be made in respect of a maximum of 48 million shares of common stock of Liberty. Liberty issues new shares upon exercise of equity awards.

On December 17, 2002, shareholders of the Company approved the Liberty Media Corporation 2002 Nonemployee Director Incentive Plan, as amended from time to time (the "NDIP"). Under the NDIP, the Liberty Board of Directors (the "Liberty Board") has the full power and authority to grant eligible nonemployee directors stock options, SARs, stock options with tandem SARs, and restricted stock.

LIBERTY--GRANTS

Awards granted pursuant to the Liberty Incentive Plan and the NDIP during 2004 through the Restructuring in 2006 are provided in the table below. The exercise prices in the table represent the exercise price on the date of grant and have not been adjusted for the effects of the LMI Spin Off, the DHC Spin Off or the Restructuring, as applicable.

<Table>
<Caption>

WEIGHTED				WEIGHTED			
AVERAGE				AVERAGE			
GRANT	GRANT	GRANT	NUMBER OF	EXERCISE	VESTING		
DATE FAIR	YEAR	GRANT GROUP	AWARDS	PRICE	PERIOD	TERM	
VALUE			GRANTED				
-----	----	-----	-----	-----	-----	-----	-----
<S>		<C>	<C>	<C>	<C>	<C>	<C>
SERIES A AWARDS							
2004		Employees.....	SARs	4,011,450	\$ 8.45	5 years	10 years
\$4.36							
2004		Non-employee directors.....	SARs	66,000	\$11.00	1 year	10 years
\$5.84							
2005		Employees.....	Options	9,076,750	\$ 8.26	4 years	7 years
\$2.34							
2005		Non-employee directors.....	SARs	55,000	\$10.36	1 year	10 years
\$4.50							
2006		Employees.....	Options	2,473,275	\$ 8.24	4 years	7 years
\$2.28							
2006		Non-employee directors.....	Options	150,000	\$ 8.70	1 year	10 years
\$2.74							
SERIES B AWARDS							
2005		Employees.....	Options	1,800,000	\$ 9.21	3 years	10 years
\$4.67							

Subsequent to the Restructuring, Liberty granted 10,018,000 options to purchase Liberty Interactive Series A stock to officers and employees of certain of its subsidiaries. Such options had an estimated weighted average grant-date fair value of \$4.94 per share.

The estimated fair values of the options noted above are based on the Black-Scholes model. The key assumptions used in the model for purposes of these calculations generally include the following: (a) a discount rate equal to the Treasury rate for bonds with the same expected term as the Award; (b) a 21% volatility factor; (c) the expected term of the Award; (d) the closing price of the respective common stock on the date of grant; and (e) an expected dividend rate of zero.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

LIBERTY--OUTSTANDING AWARDS

The following tables present the number and weighted average exercise price

("WAEP") of certain options, SARs and options with tandem SARs to purchase Liberty common stock granted to certain officers, employees and directors of the Company.

<Table>
<Caption>

	LIBERTY SERIES A COMMON STOCK		LIBERTY SERIES B COMMON STOCK	
	WAEP		WAEP	
(NUMBERS OF OPTIONS IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>
Outstanding at January 1, 2006.....	51,729	\$ 9.23	29,965	\$10.92
Granted.....	2,623	\$ 8.28	--	--
Exercised.....	(6,659)	\$ 0.73	--	--
Forfeited.....	(117)	\$18.69	--	--
Converted to Liberty Capital and Liberty Interactive.....	(47,576)	\$10.34	(29,965)	\$10.92
Outstanding at December 31, 2006.....	--	--	--	--

</Table>

<Table>
<Caption>

	LIBERTY CAPITAL				LIBERTY INTERACTIVE			
	SERIES A COMMON STOCK	WAEP	SERIES B COMMON STOCK	WAEP	SERIES A COMMON STOCK	WAEP	SERIES B COMMON STOCK	WAEP
(NUMBERS OF OPTIONS IN THOUSANDS)								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding at January 1, 2006.....	--	--	--	--	--	--	--	--
Converted from Liberty Series A and Series B.....	2,378	\$ 94.62	1,498	\$101.37	11,889	\$21.48	7,491	\$23.41
Granted.....	--	--	--	--	10,018	\$18.04	--	--
Exercised.....	(39)	\$ 57.40	--	--	(187)	\$13.06	--	--
Forfeited.....	(21)	\$268.28	--	--	(217)	\$34.32	--	--
Outstanding at December 31, 2006... \$23.41	2,318	\$ 93.24	1,498	\$101.37	21,503	\$19.71	7,491	\$23.41
Exercisable at December 31, 2006... \$23.56	1,620	\$100.33	1,438	\$102.03	8,393	\$22.59	7,191	\$23.56

</Table>

The following table provides additional information about outstanding options to purchase Liberty common stock at December 31, 2006.

<Table>
<Caption>

	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)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Capital Series A.....	2,318	\$ 93.24	5.0 years	\$25,671	1,620	\$100.33	\$10,883
Capital Series B.....	1,498	\$101.37	4.4 years	\$ 1,171	1,438	\$102.03	\$ 390
Interactive Series A.....	21,503	\$ 19.71	5.7 years	\$60,413	8,393	\$ 22.59	\$11,942
Interactive Series B.....	7,491	\$ 23.41	4.4 years	\$ 950	7,191	\$ 23.56	\$ 317

</Table>

LIBERTY--EXERCISES

The aggregate intrinsic value of all options exercised during the years ended December 31, 2006, 2005 and 2004 was \$52 million, \$109 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 officers and employees of the Company as of December 31, 2006 (numbers of shares in thousands).

<Table>
<Caption>

	NUMBER OF SHARES	WAFV
	-----	-----
<S>	<C>	<C>
Liberty Capital Series A.....	175	\$90.17
Liberty Interactive Series A.....	747	\$22.55

The aggregate fair value of all restricted shares of Liberty common stock that vested during the years ended December 31, 2006, 2005 and 2004 was \$30 million, \$35 million and less than \$1 million, respectively.

QVC AWARDS

QVC had a qualified and nonqualified combination stock option/stock appreciation rights plan (collectively, the "Tandem Plan") for employees, officers, directors and other persons designated by the Stock Option Committee of QVC's board of directors. Under the Tandem Plan, the option price was generally equal to the fair market value, as determined by an independent appraisal, of a share of the underlying common stock of QVC at the date of the grant. If the eligible participant elected the SAR feature of the Tandem Plan, the participant received 75% of the excess of the fair market value of a share of QVC common stock over the exercise price of the option to which it was attached at the exercise date. QVC applied fixed plan accounting in accordance with APB Opinion No. 25. Under the Tandem Plan, option/SAR terms were ten years from the date of grant, with options/SARs generally becoming exercisable over four years from the date of grant. During the years ended December 31, 2006, 2005 and 2004, QVC received cash proceeds from the exercise of options aggregating \$48 million, \$46 million and \$39 million, respectively. In 2005 and 2004, QVC also repurchased shares of common stock issued upon exercise of stock options in prior years. Cash payments aggregated \$71 million and \$168 million, respectively, for these repurchases.

On August 14, 2006, QVC terminated the Tandem Plan and offered to exchange Liberty Interactive Share Units, as defined below, for all outstanding unvested QVC Awards as of September 30, 2006 (the "Exchange Offer"). At the time of the Exchange Offer, there were 150,234 outstanding options to purchase QVC common stock. Of those outstanding options, 70,168 were vested and exercisable and 80,066 were unvested. Each holder of unvested QVC options who accepted the Exchange Offer received Liberty Interactive Share Units in an amount equal to the in-the-money value of the exchanged QVC options divided by the closing market price of Liberty Interactive Series A common stock on the trading day preceding commencement of the Exchange Offer. Liberty Interactive Share Units vest on the same vesting schedule as the unvested QVC Awards and represent the right to receive a cash payment equal to the value of Liberty Interactive common stock on the vesting date. All unvested QVC Awards were exchanged for approximately 2,348,000 Liberty Interactive Share Units. Liberty accounted for the Exchange Offer as a settlement of the outstanding unvested QVC Awards. The difference between the fair value of the Liberty Interactive Share Units and the fair value of unvested QVC Awards has been reflected as a reduction to stock-based compensation in the accompanying consolidated statement of operations.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

Also on August 14, 2006, a subsidiary of Liberty offered to purchase for cash all outstanding shares of QVC common stock owned by officers and employees of QVC and all vested QVC Awards (the "Tender Offer"). Officers and employees of QVC owned 54,973 shares or 1.09% of QVC common stock at the time of the Tender Offer. The Exchange Offer and the Tender Offer both expired on September 30, 2006. All vested QVC Awards and 49,575 outstanding shares of QVC common stock were tendered as of September 30, 2006 resulting in cash payments aggregating approximately \$258 million. The remaining 5,398 shares of QVC common stock were redeemed subsequent to September 30, 2006 for additional aggregate cash payments of approximately \$17 million. Liberty accounted for the cash paid for outstanding shares of QVC common stock as the acquisition of a minority interest. The difference between the cash paid and the carrying value of the minority interest was allocated to intangible assets using a purchase accounting model. The cash paid for vested options was less than the carrying value of the

related liability. Such difference has been reflected as a reduction to stock-based compensation in the accompanying consolidated statement of operations. The aggregate credit to stock-based compensation for the Exchange Offer and the Tender Offer was \$24 million. Subsequent to the completion of the foregoing transactions, Liberty owns 100% of the equity of QVC.

STARZ ENTERTAINMENT

Starz Entertainment has outstanding Phantom Stock Appreciation Rights ("PSARS") held by its former chief executive officer. Such PSARS are fully vested and expire on October 17, 2011, and Starz Entertainment has accrued \$130 million as of December 31, 2006 related to the PSARS. Such amount is payable in cash, Liberty common stock or a combination thereof. In December 2005, Starz Entertainment terminated a second PSAR plan for certain of its other executive officers and made cash payments aggregating \$7 million upon termination.

OTHER

Certain of the Company's other subsidiaries have stock based compensation plans under which employees and non-employees are granted options or similar stock based awards. Awards made under these plans vest and become exercisable over various terms. The awards and compensation recorded, if any, under these plans is not significant to Liberty.

(14) 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 \$30 million, \$22 million and \$22 million for the years ended December 31, 2006, 2005 and 2004, respectively.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

(15) OTHER COMPREHENSIVE EARNINGS (LOSS)

Accumulated other comprehensive earnings (loss) included in Liberty's consolidated balance sheets and consolidated statements of stockholders' equity reflect the aggregate of foreign currency translation adjustments and unrealized holding gains and losses on AFS securities.

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

<Table>

<Caption>

	FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	UNREALIZED HOLDING GAINS (LOSSES) ON SECURITIES	ACCUMULATED OTHER COMPREHENSIVE EARNINGS (LOSS), NET OF TAXES
	-----	-----	-----
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Balance at January 1, 2004.....	\$ (286)	3,519	3,233
Other comprehensive earnings.....	20	1,004	1,024
Contribution to LMI.....	--	(51)	(51)
Other activity.....	9	(9)	--
	-----	-----	-----
Balance at December 31, 2004.....	(257)	4,463	4,206
Other comprehensive earnings (loss).....	307	(1,101)	(794)
	-----	-----	-----
Balance at December 31, 2005.....	50	3,362	3,412
Other comprehensive earnings.....	111	2,420	2,531
	-----	-----	-----
Balance at December 31, 2006.....	\$ 161	5,782	5,943
	=====	=====	=====

</Table>

Included in Liberty's accumulated other comprehensive earnings (loss) at December 31, 2004 was \$123 million, net of income taxes, of foreign currency translation losses related to Cablevision, S.A. ("Cablevision"), a former equity

method investment of Liberty, and \$186 million, net of income taxes, of foreign currency translation losses related to Telewest Global, Inc. ("Telewest"), another former equity method investment of Liberty. In the first quarter of 2005, Liberty disposed of its interests in Cablevision and Telewest. Accordingly, Liberty recognized in its statement of operations \$488 million of foreign currency translation losses (before income tax benefits) related to Cablevision and Telewest that were previously included in accumulated other comprehensive earnings (loss).

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

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).

<Table>
<Caption>

	BEFORE-TAX AMOUNT	TAX (EXPENSE) BENEFIT	NET-OF- TAX AMOUNT
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Year ended December 31, 2006:			
Foreign currency translation adjustments.....	\$ 179	(68)	111
Unrealized holding gains on securities arising during period.....	4,202	(1,597)	2,605
Reclassification adjustment for holding gains realized in net loss.....	(298)	113	(185)
Other comprehensive earnings.....	\$ 4,083	(1,552)	2,531
Year ended December 31, 2005:			
Foreign currency translation adjustments.....	\$ (8)	3	(5)
Reclassification adjustment for currency losses realized in net earnings.....	503	(191)	312
Unrealized holding losses on securities arising during period.....	(1,808)	687	(1,121)
Reclassification adjustment for holding gains realized in net earnings.....	350	(133)	217
Reclass unrealized gain on AFS security.....	(318)	121	(197)
Other comprehensive loss.....	\$ (1,281)	487	(794)
Year ended December 31, 2004:			
Foreign currency translation adjustments.....	\$ 33	(13)	20
Unrealized holding losses on securities arising during period.....	2,443	(953)	1,490
Reclassification adjustment for holding gains realized in net earnings.....	(797)	311	(486)
Other comprehensive earnings.....	\$ 1,679	(655)	1,024

</Table>

(16) TRANSACTIONS WITH RELATED PARTIES

Starz Entertainment pays Revolution Studios ("Revolution"), an equity affiliate, fees for the rights to exhibit films produced by Revolution. Payments aggregated \$69 million, \$84 million and \$99 million in 2006, 2005 and 2004, respectively.

(17) 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 and other distributors 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, 2006 is reflected as a liability in the accompanying consolidated balance sheet. The balance due as of December 31, 2006 is payable as follows: \$110 million in 2007; \$9 million in 2008; and \$8 million thereafter.

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.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

These amounts have not been accrued at December 31, 2006. Starz Entertainment's estimate of amounts payable under these agreements is as follows: \$538 million in 2007; \$148 million in 2008; \$93 million in 2009; \$87 million in 2010; \$31 million in 2011 and \$67 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 2009, all qualifying films that are released theatrically in the United States by studios owned by Sony Pictures Entertainment ("Sony") through 2010 and all qualifying films produced for theatrical release in the United States by Revolution through 2006. 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 addition to the foregoing contractual film obligations, each of Disney and Sony has the right to extend its contract for an additional three years. If Sony elects to extend its contract, Starz Entertainment has agreed to pay Sony a total of \$190 million in four annual installments of \$47.5 million beginning in 2011. This option expires December 31, 2007. If made, Starz Entertainment's payments to Sony would be amortized ratably as programming expense over the extension period beginning in 2011. An extension of this agreement would also result in the payment by Starz Entertainment of Programming Fees for qualifying films released by Sony during the extension period. If Disney elects to extend its contract, Starz Entertainment is not obligated to pay any amounts in excess of its Programming Fees for qualifying films released by Disney during the extension period. The Disney option expires December 31, 2007.

GUARANTEES

Liberty guarantees Starz Entertainment's obligations under certain of its studio output agreements. At December 31, 2006, Liberty's guarantees for obligations for films released by such date aggregated \$695 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 commitment of Starz Entertainment, a consolidated subsidiary of Liberty, Liberty has not recorded a separate liability for its guarantee of these obligations.

In connection with agreements for the sale of certain assets, Liberty typically retains 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 asserts a claim against the purchaser that relates to a liability retained by Liberty. These types of indemnification guarantees typically extend for a number of years. Liberty is unable to estimate the maximum potential liability for these types of indemnification guarantees as the sale agreements typically do 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 guarantees.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

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 \$32 million, \$33 million and \$39 million for the years ended December 31, 2006, 2005 and 2004, respectively.

A summary of future minimum lease payments under noncancelable operating leases as of December 31, 2006 follows (amounts in millions):

<S>	<C>
Years ending December 31:	
2007.....	\$28
2008.....	\$24
2009.....	\$21
2010.....	\$16
2011.....	\$13
Thereafter.....	\$31

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 2006.

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.

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"). While Liberty was a subsidiary of AT&T, Liberty recorded its stand-alone tax provision on a separate return basis. Under the AT&T Tax Sharing Agreement, Liberty received a cash payment from AT&T in periods when Liberty generated taxable losses and such taxable losses were utilized by AT&T to reduce its consolidated income tax liability. To the extent such losses were not utilized by AT&T, such amounts were available to reduce federal taxable income generated by Liberty in future periods, similar to a net operating loss carryforward, and were accounted for as a deferred federal income tax benefit. Subsequent to Liberty's split off from AT&T, if adjustments are made to amounts previously paid under the AT&T Tax Sharing Agreement, such adjustments are reflected as adjustments to additional paid-in capital. During the period from March 10, 1999 to December 31, 2002, Liberty received cash payments from AT&T aggregating \$670 million as payment for Liberty's taxable losses that AT&T utilized to reduce its income tax liability.

Also, pursuant to the AT&T Tax Sharing Agreement and in connection with Liberty's split off from AT&T, 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

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

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. In connection with the split off, Liberty received an \$803 million payment for TCI's NOLs and recorded such payment as an increase to additional paid-in capital. Liberty was not paid for certain of TCI's NOLs ("SRLY NOLs") due to limitations and uncertainty regarding AT&T's ability to use them to offset taxable income in the future. In the event AT&T was ultimately able to use any of the SRLY NOLs, they would be required to pay Liberty 35% of the amount of the SRLY NOLs used. In the fourth quarter of 2004 and in connection with the completion of an IRS audit of TCI's tax return for 1994, it was determined that Liberty was required to recognize additional taxable income related to the recapitalization of one of its investments resulting in a tax liability of approximately \$30 million. As a result of the tax assessment, Liberty also received a corresponding amount of additional tax basis in the investment. However, Liberty was able to cause AT&T to use a portion of the SRLY NOLs to offset this taxable income, the benefit of which resulted in the elimination of the \$30 million tax liability and an increase to additional paid-in capital.

In the fourth quarter of 2004, AT&T requested a refund from Liberty of \$70 million, plus accrued interest, relating to losses that it generated in 2002 and 2003 and was able to carry back to offset taxable income previously offset by Liberty's losses. AT&T has asserted that Liberty's losses caused AT&T to pay \$70 million in alternative minimum tax ("AMT") that it would not have been

otherwise required to pay had Liberty's losses not been included in its return. In 2004, Liberty estimated that it may ultimately pay AT&T up to \$30 million of the requested \$70 million because Liberty believed AT&T received an AMT credit of \$40 million against income taxes resulting from the AMT previously paid. Accordingly, Liberty accrued a \$30 million liability with an offsetting reduction of additional paid-in capital. The net effect of the completion of the IRS tax audit noted above (including the benefit derived from AT&T for the utilization of the SRLY NOLs) and Liberty's accrual of amounts due to AT&T was an increase to deferred tax assets and an increase to other liabilities.

In the fourth quarter of 2005, AT&T requested an additional \$21 million relating to additional losses it generated and was able to carry back to offset taxable income previously offset by Liberty's losses. In addition, the information provided to Liberty in connection with AT&T's request showed that AT&T had not yet claimed a credit for AMT previously paid. Accordingly, in the fourth quarter of 2005, Liberty increased its accrual by approximately \$40 million (with a corresponding reduction of additional paid-in capital) representing its estimate of the amount it may ultimately pay (excluding accrued interest, if any) to AT&T as a result of this request. 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.

In March 2006, AT&T requested an additional \$21 million relating to additional losses and IRS audit adjustments that it claims it is able to use to offset taxable income previously offset by Liberty's losses. Liberty has reviewed this claim and believes that its accrual as of December 31, 2005 is adequate. Accordingly, no additional accrual was made for AT&T's March 2006 request.

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.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

(18) INFORMATION ABOUT LIBERTY'S OPERATING SEGMENTS

Liberty is a holding company, which 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. Upon completion of the Restructuring and the issuance of its tracking stocks, Liberty attributed its businesses to one of two groups: the Interactive 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, earnings before income taxes 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, operating cash flow, gross margin, average sales price per unit, number of units shipped and revenue or sales per customer equivalent. In addition, Liberty reviews non-financial measures such as subscriber growth and penetration, as appropriate.

Liberty defines operating cash flow as revenue less cost of sales, operating expenses, and selling, general and administrative expenses (excluding stock-based compensation). Liberty believes this is an important indicator of the operational strength and performance of its businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes depreciation and amortization, stock-based compensation, litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, operating cash flow 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, 2006, Liberty has identified the following

consolidated subsidiaries as its reportable segments:

- QVC--consolidated subsidiary included in 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 included in the Capital Group that provides premium programming distributed by cable operators, direct-to-home satellite providers, other distributors and via the Internet throughout the United States.

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 on the QVC networks and via the Internet through its domestic and international websites are the same as those described in the summary of significant policies.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006, 2005 AND 2004

PERFORMANCE MEASURES

<Table>
<Caption>

	YEARS ENDED DECEMBER 31,					
	2006		2005		2004	
	REVENUE	OPERATING CASH FLOW	REVENUE	OPERATING CASH FLOW	REVENUE	OPERATING CASH FLOW
	(AMOUNTS IN MILLIONS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interactive Group						
QVC.....	\$7,074	1,656	6,501	1,422	5,687	1,230
Corporate and other.....	252	24	--	(5)	--	(6)
	7,326	1,680	6,501	1,417	5,687	1,224
Capital Group						
Starz Entertainment.....	1,033	186	1,004	171	963	239
Corporate and other.....	254	(83)	141	(47)	93	(72)
	1,287	103	1,145	124	1,056	167
Consolidated Liberty.....	\$8,613	1,783	7,646	1,541	6,743	1,391

</Table>

BALANCE SHEET INFORMATION

<Table>
<Caption>

	DECEMBER 31,			
	2006		2005	
	TOTAL ASSETS	INVESTMENTS IN AFFILIATES	TOTAL ASSETS	INVESTMENTS IN AFFILIATES
	(AMOUNTS IN MILLIONS)			
<S>	<C>	<C>	<C>	<C>
Interactive Group				
QVC.....	\$19,100	104	15,615	2
Corporate and other.....	5,661	1,254	4,585	1,227
Intragroup elimination.....	(4,941)	--	(1,849)	--
	19,820	1,358	18,351	1,229
Capital Group				
Starz Entertainment.....	2,825	--	2,966	45
Corporate and other.....	24,512	484	20,268	634
Assets of discontinued operations.....	512	--	516	--
	27,849	484	23,750	679
Intergroup eliminations.....	(31)	--	(136)	--

Consolidated Liberty.....	----- \$47,638 =====	----- 1,842 =====	----- 41,965 =====	----- 1,908 =====
---------------------------	----------------------------	-------------------------	--------------------------	-------------------------

</Table>

<Page>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006, 2005 AND 2004

The following table provides a reconciliation of segment operating cash flow to earnings (loss) from continuing operations before income taxes and minority interest:

<Table>
<Caption>

	YEARS ENDED DECEMBER 31,		
	2006	2005	2004
	(AMOUNTS IN MILLIONS)		
<C>	<C>	<C>	<C>
Consolidated segment operating cash flow.....	\$1,783	1,541	1,391
Stock-based compensation.....	(67)	(52)	(98)
Litigation settlement.....	--	--	42
Depreciation and amortization.....	(582)	(545)	(547)
Impairment of long-lived assets.....	(113)	--	--
Interest expense.....	(680)	(626)	(619)
Realized and unrealized gains (losses) on derivative instruments, net.....	(279)	257	(1,284)
Gains (losses) on dispositions, net.....	607	(361)	1,411
Nontemporary declines in fair value of investments.....	(4)	(449)	(129)
Other, net.....	323	117	119
	-----	-----	-----
Earnings (loss) from continuing operations before income taxes and minority interest.....	\$ 988	(118)	286
	=====	=====	=====

</Table>

REVENUE BY GEOGRAPHIC AREA

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

<Table>
<Caption>

	YEARS ENDED DECEMBER 31,		
	2006	2005	2004
	(AMOUNTS IN MILLIONS)		
<C>	<C>	<C>	<C>
United States.....	\$6,504	5,784	5,194
Germany.....	848	781	643
Other foreign countries.....	1,261	1,081	906
	-----	-----	-----
Consolidated Liberty.....	\$8,613	7,646	6,743
	=====	=====	=====

</Table>

LONG-LIVED ASSETS BY GEOGRAPHIC AREA

<Table>
<Caption>

	DECEMBER 31,	
	2006	2005
	(AMOUNTS IN MILLIONS)	
<C>	<C>	<C>
United States.....	\$ 678	586
Germany.....	119	204
Other foreign countries.....	349	156
	-----	-----
Consolidated Liberty.....	\$1,146	946
	=====	=====

</Table>

<Page>

DECEMBER 31, 2006, 2005 AND 2004

(19) QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

<Table>
<Caption>

	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
	(AMOUNTS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)			
<S>	<C>	<C>	<C>	<C>
2006:				
Revenue.....	\$1,901	2,025	2,016	2,671
Operating income.....	\$ 224	257	236	304
Earnings from continuing operations.....	\$ 69	482	63	95
Net earnings (loss):				
Series A and Series B common stock.....	\$ (26)	120	--	--
Capital Group common stock.....	\$ --	269	(51)	42
Interactive Group common stock.....	\$ --	89	114	283
Basic and diluted earnings (loss) from continuing operations per common share:				
Series A and Series B common stock.....	\$.02	.04	--	--
Liberty Capital common stock.....	\$ --	1.94	(.36)	(1.34)
Liberty Interactive common stock.....	\$ --	.13	.17	.43
Basic and diluted net earnings (loss) per common share:				
Series A and Series B common stock.....	\$ (.01)	.04	--	--
Liberty Capital common stock.....	\$ --	1.92	(.36)	.30
Liberty Interactive common stock.....	\$ --	.13	.17	.43
2005:				
Revenue.....	\$1,742	1,760	1,772	2,372
Operating income.....	\$ 215	197	189	343
Earnings (loss) from continuing operations.....	\$ 245	(123)	(86)	(79)
Net earnings (loss).....	\$ 254	(107)	(94)	(86)
Basic and diluted earnings (loss) from continuing operations per common shares.....	\$.09	(.05)	(.03)	(.03)
Basic and diluted net earnings (loss) per common share....	\$.09	(.04)	(.03)	(.03)

</Table>

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PART III.

The following required information is incorporated by reference to our definitive proxy statement for our 2007 Annual Meeting of Shareholders presently scheduled to be held in the second quarter of 2007:

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 will file our definitive proxy statement for our 2007 Annual Meeting of shareholders with the Securities and Exchange Commission on or before April 30, 2007.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) (1) FINANCIAL STATEMENTS

<Table>
<Caption>

	PAGE NO.

Included in Part II of this Report:	
<S>	<C>
Liberty Media Corporation:	
Report of Independent Registered Public Accounting Firm...	II-36
Consolidated Balance Sheets, December 31, 2006 and 2005...	II-37
Consolidated Statements of Operations, Years ended December 31, 2006, 2005 and 2004.....	II-39
Consolidated Statements of Comprehensive Earnings (Loss), Years ended December 31, 2006, 2005 and 2004.....	II-40
Consolidated Statements of Cash Flows, Years Ended December 31, 2006, 2005 and 2004.....	II-41
Consolidated Statements of Stockholders' Equity, Years ended December 31, 2006, 2005 and 2004.....	II-42
Notes to Consolidated Financial Statements, December 31, 2006, 2005 and 2004.....	II-43

</Table>

(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.

(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):

<Table>
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3--Articles of Incorporation and Bylaws:

- 3.1 Restated Certificate of Incorporation of Liberty Media Corporation ("Liberty"), dated May 9, 2006 (incorporated by reference to Exhibit 1 to the Registration Statement on Form 8-A of Liberty (File No. 000-51990) as filed on May 9, 2006 (the "Form 8-A")).
- 3.2 Bylaws of Liberty, as adopted May 9, 2006 (incorporated by reference to Exhibit 2 of the Form 8-A).

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 4.1 to Liberty's Current Report on Form 8-K (File No. 000-51990), filed on May 9, 2006 (the "May 2006 8-K")).
- 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 4.2 to the May 2006 8-K).
- 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 4.3 to the May 2006 8-K).
- 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 4.4 to the May 2006 8-K).

</Table>

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10--Material Contracts:

- 10.1 Inter-Group Agreement dated as of March 9, 1999, between AT&T Corp. and Liberty Media LLC ("Old Liberty"), Liberty Media Group LLC and each Covered Entity listed on the

- signature pages thereof (incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-4 of Old Liberty (File No. 333-86491) as filed on September 3, 1999, the "Old Liberty S-4 Registration Statement").
- 10.2 Ninth Supplement to Inter-Group Agreement dated as of June 14, 2001, between and among AT&T Corp., on the one hand, and Old Liberty, Liberty Media Group LLC, AGI LLC, Liberty SP, Inc., LMC Interactive, Inc. and Liberty AGI, Inc., on the other hand (incorporated by reference to Exhibit 10.25 to the Registration Statement on Form S-1 of Old Liberty (File No. 333-66034) as filed on July 27, 2001).
- 10.3 Intercompany Agreement dated as of March 9, 1999, between Old Liberty and AT&T Corp. (incorporated by reference to Exhibit 10.3 to the Old Liberty S-4 Registration Statement).
- 10.4 Tax Sharing Agreement dated as of March 9, 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 (incorporated by reference to Exhibit 10.4 to the Old Liberty S-4 Registration Statement).
- 10.5 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 (incorporated by reference to Exhibit 10.5 to the Old Liberty S-4 Registration Statement).
- 10.6 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 (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-1 of Old Liberty (File No. 333-93917) as filed on December 30, 1999 (the "Old Liberty S-1 Registration Statement")).
- 10.7 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 (incorporated by reference to Exhibit 10.7 to the Old Liberty S-1 Registration Statement).
- 10.8 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 (incorporated by reference to Exhibit 10.8 to the Old Liberty S-1 Registration Statement).
- 10.9 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 (incorporated by reference to Exhibit 10.9 to the Old Liberty S-1 Registration Statement).
- 10.10 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

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Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.10 to the Old Liberty S-1 Registration Statement).

- 10.11 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 (incorporated by reference to Exhibit 10.11 to the Old Liberty S-1 Registration Statement).

- 10.12 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 (incorporated by reference to Exhibit 10.12 to the Registration Statement on Form S-1 of Old Liberty (File No. 333-55998) as filed on February 21, 2001).
- 10.13 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 (incorporated by reference to Exhibit 10.12 to the Old Liberty S-1 Registration Statement).
- 10.14 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") (incorporated by reference to Exhibit 10.6 to the Old Liberty S-4 Registration Statement).
- 10.15 Second Amendment to Malone Employment Agreement effective January 1, 2003 (incorporated by reference to Exhibit 10.15 to Old Liberty's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-16615) as filed on March 15, 2004 (the "Old Liberty 2003 10-K")).
- 10.16 Liberty Media Corporation 2000 Incentive Plan (As Amended and Restated Effective February 22, 2007) (the "2000 Incentive Plan").*
- 10.17 Liberty Media Corporation 2007 Incentive Plan (the "2007 Incentive Plan").*
- 10.18 Form of Non-Qualified Stock Option Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan [for certain designated award recipients] (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Old Liberty for the quarter ended March 31, 2006 (File No. 001-16615) as filed on May 8, 2006 (the "Old Liberty 10-Q")).
- 10.19 Form of Non-Qualified Stock Option Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan [for all other award recipients] (incorporated by reference to Exhibit 10.3 of the Old Liberty 10-Q).
- 10.20 Form of Restricted Stock Award Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan [for certain designated award recipients] (incorporated by reference to Exhibit 10.4 to the Old Liberty 10-Q).
- 10.21 Form of Stock Appreciation Rights Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan (incorporated by reference to Exhibit 10.18 to the Annual Report on Form 10-K of Old Liberty for the year ended December 31, 2004 (File No. 001-16615) as filed on March 15, 2005 (the "Old Liberty 2005 10-K")).

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- 10.22 Liberty Media Corporation 2002 Nonemployee Director Incentive Plan (As Amended and Restated Effective May 9, 2006) (the "Director Plan") (incorporated by reference to Exhibit 10.2 to the May 2006 8-K).

- 10.23 Form of Stock Appreciation Rights Agreement under the

- Director Plan (incorporated by reference to Exhibit 10.21 to the Old Liberty 2005 10-K).
- 10.24 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).
- 10.25 Letter Agreement, dated as of May 8, 2003, between Robert R. Bennett and Old Liberty regarding Mr. Bennett's personal use of Liberty's aircraft (incorporated by reference to Exhibit 10.19 to the Old Liberty 2003 10-K).
- 10.26 Time Sharing Agreement regarding personal use of Liberty's aircraft, dated as of March 29, 2005, between Robert R. Bennett and Old Liberty (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Old Liberty for the period ended March 31, 2005 (File No. 001-16615) as filed on May 9, 2005 (the "Liberty First Quarter 2005 10-Q").
- 10.27 Letter Agreement regarding personal use of Liberty's aircraft, dated as of May 4, 2005, between Robert R. Bennett and Old Liberty (incorporated by reference to Exhibit 10.2 to the Liberty First Quarter 2005 10-Q).
- 10.28 Employment Agreement, dated as of December 28, 2005, between Old Liberty and Mr. Bennett (incorporated by reference to Exhibit 99.1 to Old Liberty's Current Report on Form 8-K (File No. 001-16615) as filed on December 30, 2005 (the "Old Liberty December 2005 8-K").
- 10.29 Amended and Restated Deferred Compensation Agreement, dated as of December 28, 2005, between Old Liberty and Mr. Bennett (incorporated by reference to Exhibit 99.2 to the Old Liberty December 2005 8-K).
- 10.30 Amended and Restated Deferred Compensation Agreement, dated as of December 28, 2005, between Mr. Bennett and Old Liberty (incorporated by reference to Exhibit 99.3 to the Old Liberty December 2005 8-K).
- 10.31 Deferred Compensation Agreement, dated as of July 1, 2005, between Mr. Bennett and Old Liberty (incorporated by reference to Exhibit 99.4 to the Old Liberty December 2005 8-K).
- 10.32 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 7(n) to Mr. Malone's Amendment No. 8 to Schedule 13D filed in respect of Tele-Communications, Inc. on February 19, 1998 (File No. 005-44063)).
- 10.33 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 (incorporated by reference to Exhibit 7(f) to Mr. Malone's Schedule 13D filed in respect of AT&T on March 30, 1999 (File No. 005-32542)).
- 10.34 \$3,500,000,000 Credit Agreement, dated as of March 3, 2006, among QVC, Inc., as Borrower; the Lenders party hereto; JP Morgan Chase Bank, N.A., as Administrative Agent; and Wachovia Capital Markets, LLC, as Syndication Agent (the "March 2006 Credit Agreement") (incorporated by reference to Exhibit 10.1 to the Old Liberty 10-Q).
- 10.35 Amendment dated October 4, 2006 to the March 2006 Credit Agreement (incorporated by reference to Exhibit 99.2 to Liberty's Current Report on Form 8-K (File No. 000-51990) as filed

</Table>

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on October 10, 2006 (the "October 2006 8-K").

- 10.36 \$1,750,000,000 Credit Agreement, dated as of October 4, 2006 among QVC, Wachovia Bank, N.A., as Administrative Agent, Bank of America N.A. and J.P. Morgan Securities Inc., as Syndication Agents, and the lenders party thereto from time

to time (incorporated by reference to Exhibit 99.1 to the October 2006 8-K).

- 10.37 Form of Indemnification Agreement between Liberty and its executive officers/directors.*
- 10.38 Share Exchange Agreement, dated as of December 22, 2006, by and between News Corporation and Liberty (the "News Agreement").*
- 10.39 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).*
- 21 Subsidiaries of Liberty Media Corporation.*
- 23 Consent of KPMG 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.*

</Table>

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* Filed herewith.

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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.

<Table>

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<C> <C>
LIBERTY MEDIA CORPORATION

By: /s/ GREGORY B. MAFFEI

Gregory B. Maffei
CHIEF EXECUTIVE OFFICER AND PRESIDENT

DATED: MARCH 1, 2007

</Table>

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.

<Table>

<Caption>

SIGNATURE	TITLE	DATE
<C> /s/ JOHN C. MALONE ----- John C. Malone	<S> Chairman of the Board and Director	<C> March 1, 2007
/s/ GREGORY B. MAFFEI ----- Gregory B. Maffei	Director, Chief Executive Officer and President	March 1, 2007
/s/ ROBERT R. BENNETT ----- Robert R. Bennett	Director	March 1, 2007
/s/ DONNE F. FISHER ----- Donne F. Fisher	Director	March 1, 2007
/s/ PAUL A. GOULD ----- Paul A. Gould	Director	March 1, 2007
/s/ DAVID E. RAPLEY ----- David E. Rapley	Director	March 1, 2007

----- /s/ M. LAVOY ROBISON ----- M. LaVoy Robison	Director	March 1, 2007
----- /s/ LARRY E. ROMRELL ----- Larry E. Romrell	Director	March 1, 2007
----- /s/ DAVID J.A. FLOWERS ----- David J.A. Flowers	Senior Vice President and Treasurer (Principal Financial Officer)	March 1, 2007
----- /s/ CHRISTOPHER W. SHEAN ----- Christopher W. Shean	Senior Vice President and Controller (Principal Accounting Officer)	March 1, 2007

</Table>

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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):

3--Articles of Incorporation and Bylaws:

- 3.1 Restated Certificate of Incorporation of Liberty Media Corporation ("Liberty"), dated May 9, 2006 (incorporated by reference to Exhibit 1 to the Registration Statement on Form 8-A of Liberty (File No. 000-51990) as filed on May 9, 2006 (the "Form 8-A")).
- 3.2 Bylaws of Liberty, as adopted May 9, 2006 (incorporated by reference to Exhibit 2 of the Form 8-A).

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 4.1 to Liberty's Current Report on Form 8-K (File No. 000-51990), filed on May 9, 2006 (the "May 2006 8-K")).
- 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 4.2 to the May 2006 8-K).
- 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 4.3 to the May 2006 8-K).
- 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 4.4 to the May 2006 8-K).

10--Material Contracts:

- 10.1 Inter-Group Agreement dated as of March 9, 1999, between AT&T Corp. and Liberty Media LLC ("Old Liberty"), Liberty Media Group LLC and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-4 of Old Liberty (File No. 333-86491) as filed on September 3, 1999, the "Old Liberty S-4 Registration Statement").
- 10.2 Ninth Supplement to Inter-Group Agreement dated as of June 14, 2001, between and among AT&T Corp., on the one hand, and Old Liberty, Liberty Media Group LLC, AGI LLC, Liberty SP, Inc., LMC Interactive, Inc. and Liberty AGI, Inc., on the other hand (incorporated by reference to Exhibit 10.25 to the Registration Statement on Form S-1 of Old Liberty (File No. 333-66034) as filed on July 27, 2001).
- 10.3 Intercompany Agreement dated as of March 9, 1999, between Old Liberty and AT&T Corp. (incorporated by reference to Exhibit 10.3 to the Old Liberty S-4 Registration Statement).
- 10.4 Tax Sharing Agreement dated as of March 9, 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 (incorporated by reference to Exhibit 10.4 to the Old Liberty S-4 Registration Statement).
- 10.5 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 (incorporated by reference to Exhibit 10.5 to the Old Liberty S-4

Registration Statement).

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- 10.6 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 (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-1 of Old Liberty (File No. 333-93917) as filed on December 30, 1999 (the "Old Liberty S-1 Registration Statement")).
 - 10.7 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 (incorporated by reference to Exhibit 10.7 to the Old Liberty S-1 Registration Statement).
 - 10.8 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 (incorporated by reference to Exhibit 10.8 to the Old Liberty S-1 Registration Statement).
 - 10.9 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 (incorporated by reference to Exhibit 10.9 to the Old Liberty S-1 Registration Statement).
 - 10.10 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 (incorporated by reference to Exhibit 10.10 to the Old Liberty S-1 Registration Statement).
 - 10.11 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 (incorporated by reference to Exhibit 10.11 to the Old Liberty S-1 Registration Statement).
 - 10.12 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 (incorporated by reference to Exhibit 10.12 to the Registration Statement on Form S-1 of Old Liberty (File No. 333-55998) as filed on February 21, 2001).
 - 10.13 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 (incorporated by reference to Exhibit 10.12 to the Old Liberty S-1 Registration Statement).
 - 10.14 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") (incorporated by reference to Exhibit 10.6 to the Old Liberty S-4 Registration Statement).
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- 10.15 Second Amendment to Malone Employment Agreement effective January 1, 2003 (incorporated by reference to Exhibit 10.15 to Old Liberty's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-16615) as filed on March 15, 2004 (the "Old Liberty 2003 10-K")).
 - 10.16 Liberty Media Corporation 2000 Incentive Plan (As Amended and Restated Effective February 22, 2007) (the "2000 Incentive Plan").*
 - 10.17 Liberty Media Corporation 2007 Incentive Plan (the "2007 Incentive Plan").*
 - 10.18 Form of Non-Qualified Stock Option Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan [for certain designated award recipients] (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Old Liberty for the quarter ended March 31, 2006 (File No. 001-16615) as filed on May 8, 2006 (the "Old Liberty 10-Q")).

- 10.19 Form of Non-Qualified Stock Option Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan [for all other award recipients] (incorporated by reference to Exhibit 10.3 of the Old Liberty 10-Q).
- 10.20 Form of Restricted Stock Award Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan [for certain designated award recipients] (incorporated by reference to Exhibit 10.4 to the Old Liberty 10-Q).
- 10.21 Form of Stock Appreciation Rights Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan (incorporated by reference to Exhibit 10.18 to the Annual Report on Form 10-K of Old Liberty for the year ended December 31, 2004 (File No. 001-16615) as filed on March 15, 2005 (the "Old Liberty 2005 10-K")).
- 10.22 Liberty Media Corporation 2002 Nonemployee Director Incentive Plan (As Amended and Restated Effective May 9, 2006) (the "Director Plan") (incorporated by reference to Exhibit 10.2 to the May 2006 8-K).
- 10.23 Form of Stock Appreciation Rights Agreement under the Director Plan (incorporated by reference to Exhibit 10.21 to the Old Liberty 2005 10-K).
- 10.24 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).
- 10.25 Letter Agreement, dated as of May 8, 2003, between Robert R. Bennett and Old Liberty regarding Mr. Bennett's personal use of Liberty's aircraft (incorporated by reference to Exhibit 10.19 to the Old Liberty 2003 10-K).
- 10.26 Time Sharing Agreement regarding personal use of Liberty's aircraft, dated as of March 29, 2005, between Robert R. Bennett and Old Liberty (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Old Liberty for the period ended March 31, 2005 (File No. 001-16615) as filed on May 9, 2005 (the "Liberty First Quarter 2005 10-Q")).
- 10.27 Letter Agreement regarding personal use of Liberty's aircraft, dated as of May 4, 2005, between Robert R. Bennett and Old Liberty (incorporated by reference to Exhibit 10.2 to the Liberty First Quarter 2005 10-Q).
- 10.28 Employment Agreement, dated as of December 28, 2005, between Old Liberty and Mr. Bennett (incorporated by reference to Exhibit 99.1 to Old Liberty's Current Report on Form 8-K (File No. 001-16615) as filed on December 30, 2005 (the "Old Liberty December 2005 8-K")).
- 10.29 Amended and Restated Deferred Compensation Agreement, dated as of December 28, 2005, between Old Liberty and Mr. Bennett (incorporated by reference to Exhibit 99.2 to the Old Liberty December 2005 8-K).
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- 10.30 Amended and Restated Deferred Compensation Agreement, dated as of December 28, 2005, between Mr. Bennett and Old Liberty (incorporated by reference to Exhibit 99.3 to the Old Liberty December 2005 8-K).
- 10.31 Deferred Compensation Agreement, dated as of July 1, 2005, between Mr. Bennett and Old Liberty (incorporated by reference to Exhibit 99.4 to the Old Liberty December 2005 8-K).
- 10.32 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 7(n) to Mr. Malone's Amendment No. 8 to Schedule 13D filed in respect of Tele-Communications, Inc. on February 19, 1998 (File No. 005-44063)).
- 10.33 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 (incorporated by reference to Exhibit 7(f) to Mr. Malone's Schedule 13D filed in respect of AT&T on March 30, 1999 (File No. 005-32542)).
- 10.34 \$3,500,000,000 Credit Agreement, dated as of March 3, 2006, among QVC, Inc., as Borrower; the Lenders party hereto; JP Morgan Chase Bank, N.A., as Administrative Agent; and Wachovia Capital Markets, LLC, as Syndication Agent (the "March 2006 Credit Agreement") (incorporated by reference to Exhibit 10.1 to the Old Liberty 10-Q).
- 10.35 Amendment dated October 4, 2006 to the March 2006 Credit Agreement (incorporated by reference to Exhibit 99.2 to Liberty's Current Report on Form 8-K (File No. 000-51990) as filed on October 10, 2006 (the "October 2006 8-K")).
- 10.36 \$1,750,000,000 Credit Agreement, dated as of October 4, 2006 among

QVC, Wachovia Bank, N.A., as Administrative Agent, Bank of America N.A. and J.P. Morgan Securities Inc., as Syndication Agents, and the lenders party thereto from time to time (incorporated by reference to Exhibit 99.1 to the October 2006 8-K).

10.37 Form of Indemnification Agreement between Liberty and its executive officers/directors.*

10.38 Share Exchange Agreement, dated as of December 22, 2006, by and between News Corporation and Liberty (the "News Agreement").*

10.39 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).*

21--Subsidiaries of Liberty Media Corporation.*

23--Consent of KPMG 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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* Filed herewith.

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.

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"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.

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"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.

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"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).

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"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.

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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 48 million 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 7.5 million 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.

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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 its sole discretion and in such manner as the Committee 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.

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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.

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(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

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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.

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7.6 EXERCISE. For purposes of this Article VII, the date of exercise of a SAR shall mean the date on which the Company shall have received notice from the Holder of the 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.

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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

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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

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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

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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

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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.

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(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;

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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

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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

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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

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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
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

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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

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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

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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.

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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 30 million 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 7.5 million 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 its sole discretion and in such manner as the Committee 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

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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.

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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.

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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

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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

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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

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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.

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(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.

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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

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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

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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

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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

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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

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

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.

INDEMNIFICATION AGREEMENT

This AGREEMENT is made and entered into as of this 9th day of May, 2006, by and between Liberty Media Corporation, a Delaware corporation (the "Company"), and [] (the "Indemnitee").

WHEREAS, it is essential to the Company and its mission to retain and attract as officers and directors the most capable persons available;

WHEREAS, the Company has asked Indemnitee to serve as a(n) [officer]/[director] of the Company;

WHEREAS, both the Company and Indemnitee recognize the omnipresent risk of litigation and other claims that are routinely asserted against officers and directors of companies operating in the public arena in the current environment, and the attendant costs of defending even wholly frivolous claims;

WHEREAS, it has become increasingly difficult to obtain insurance against the risk of personal liability of officers and directors on terms providing reasonable protection to the individual at reasonable cost to the companies;

WHEREAS, the certificate of incorporation and Bylaws of the Company provide certain indemnification rights to the officers and directors of the Company, as provided by Delaware law;

WHEREAS, to induce Indemnitee to become a(n) [officer]/[director] of the Company, in recognition of Indemnitee's need for substantial protection against personal liability in order to enhance Indemnitee's continued service to the Company in an effective manner, the increasing difficulty in obtaining and maintaining satisfactory insurance coverage, and Indemnitee's reliance on assurance of indemnification, the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the fullest extent permitted by law (whether partial or complete) and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies;

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein and Indemnitee's continuing to serve as an officer of the Company, the parties hereto agree as follows:

1. CERTAIN DEFINITIONS:

(a) CHANGE IN CONTROL: shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3

under such Act), directly or indirectly, of securities of the Company representing 20% or more of the total voting power represented by the Company's then outstanding Voting Securities, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (66-2/3%) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all the Company's assets.

(b) CLAIM: any threatened, pending or completed action, suit or proceeding, whether instituted by the Company or any other party, or any

inquiry or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding, whether civil (including intentional and unintentional tort claims), criminal, administrative, investigative or other.

(c) EXPENSES: include attorneys' fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any Claim relating to any Indemnifiable Event.

(d) INDEMNIFIABLE EVENT: any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company, or is or was serving at the request of the Company as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, or by reason of anything done or not done by Indemnitee in any such capacity.

(e) INDEPENDENT LEGAL COUNSEL: an attorney or firm of attorneys, selected in accordance with the provisions of Section 3, who shall not have otherwise performed services for the Company or Indemnitee within the last five years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements).

(f) REVIEWING PARTY: any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Company's Board of Directors who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

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(g) VOTING SECURITIES: shares of any series or class of common stock or preferred stock of the Company, in each case, entitled to vote generally upon all matters that may be submitted to a vote of stockholders of the Company at any annual or special meeting thereof.

2. BASIC INDEMNIFICATION ARRANGEMENT.

(a) In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee to the fullest extent permitted by law as soon as practicable but in any event no later than thirty days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of such Claim. If so requested by Indemnitee, the Company shall advance (within two business days of such request) any and all Expenses to Indemnitee as incurred (an "Expense Advance").

(b) Notwithstanding the foregoing, (i) the obligations of the Company under Section 2(a) shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 3 hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an Expense Advance pursuant to Section 2(a) shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). If there has not been a Change in Control, the Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 3 hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in Delaware having subject

matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to

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service of process and agrees to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

3. CHANGE IN CONTROL. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then with respect to all matters thereafter arising concerning the rights of Indemnitee to indemnity payments and Expense Advances under this Agreement or any other agreement or Company Bylaw or charter provision now or hereafter in effect relating to Claims for Indemnifiable Events, the Company shall seek legal advice only from Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

4. INDEMNIFICATION FOR ADDITIONAL EXPENSES. The Company shall indemnify Indemnitee against any and all expenses (including attorneys' fees) and, if requested by Indemnitee, shall (within two business days of such request) advance such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee (whether pursuant to Section 17 of this Agreement or otherwise) for (i) indemnification or advance payment of Expenses by the Company under this Agreement or any other agreement or Company Bylaw or charter provision now or hereafter in effect relating to Claims for Indemnifiable Events or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, to the fullest extent permitted by law, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be.

5. PARTIAL INDEMNITY. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties and amounts paid in settlement of a Claim but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Expenses incurred in connection therewith.

6. BURDEN OF PROOF. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

7. NO PRESUMPTIONS. For purposes of this Agreement, the termination of any claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court

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approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief.

8. NONEXCLUSIVITY; SUBSEQUENT CHANGE IN LAW. The rights of the Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the Company's Bylaws or certificate of incorporation, under Delaware law or otherwise. To the extent that a change in Delaware law (whether by statute or

judicial decision) permits greater indemnification by agreement than would be afforded currently under the Company's Bylaws and certificate of incorporation and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

9. LIABILITY INSURANCE. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer.

10. AMENDMENTS; WAIVER. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

11. SUBROGATION. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

12. NO DUPLICATION OF PAYMENTS. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, Bylaw or otherwise) of the amounts otherwise indemnifiable hereunder.

13. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), assigns, spouses, heirs, executors and personal and legal representatives. This Agreement shall continue in effect regardless of whether Indemnitee

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continues to serve as a director, officer, employee, agent or fiduciary of the Company or of any other enterprise at the Company's request.

14. SEVERABILITY. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) is held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable in any respect, and the validity and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired and shall remain enforceable to the fullest extent permitted by law.

15. EFFECTIVE DATE. This Agreement shall be effective as of the date hereof and shall apply to any claim for indemnification by the Indemnitee on or after such date.

16. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

17. INJUNCTIVE RELIEF. The parties hereto agree that Indemnitee may enforce this Agreement by seeking specific performance hereof, without any necessity of showing irreparable harm or posting a bond, which requirements are hereby waived, and that by seeking specific performance, Indemnitee shall not be precluded from seeking or obtaining any other relief to which he may be entitled.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

LIBERTY MEDIA CORPORATION

By: _____

INDEMNITEE

SHARE EXCHANGE AGREEMENT
 by and between
 NEWS CORPORATION
 and
 LIBERTY MEDIA CORPORATION

 As of December 22, 2006

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EXHIBITS

Exhibit A-I Tax Matters Agreement

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SHARE EXCHANGE AGREEMENT

This SHARE EXCHANGE AGREEMENT, dated as of December 22, 2006 (this "Agreement"), is entered into by and between NEWS CORPORATION, a Delaware corporation ("Parent") and LIBERTY MEDIA CORPORATION, a Delaware corporation ("LMC").

WITNESSETH:

WHEREAS, Greenlady Corp. ("Splitco"), a Delaware corporation, as an indirect wholly owned subsidiary of Parent;

WHEREAS, the Networks (as defined in Article I) conduct a business consisting of regional sports programming networks (the "Transferred Business");

WHEREAS, Parent through its wholly owned subsidiary Fox Entertainment Group, Inc. ("FEG") owns the DTV Shares (as defined in Article I);

WHEREAS, the Stockholders (as defined in Article I) are indirect wholly owned subsidiaries of LMC;

WHEREAS, the Stockholders collectively own the LMC Parent Shares (as defined in Article I);

WHEREAS, as of the Closing (as defined in Article III) the assets of Splitco will consist solely of (i) all issued and outstanding equity interests of each RSN Subsidiary (as defined in Article I), (ii) the DTV Shares and (iii) the Cash Amount (as defined in Article I);

WHEREAS, upon the terms and subject to the conditions set forth in this Agreement, (a) Parent desires to exchange the Splitco Shares (as defined in Article I) for the LMC Parent Shares, and (b) LMC desires to cause the Stockholders to exchange the LMC Parent Shares for the Splitco Shares;

WHEREAS, the parties hereto intend that the Exchange (as defined in Section 3.1) qualify as a tax-free exchange under Section 355(a) of the Code (as defined in Article I) and this Agreement, together with the Tax Matters Agreement (as defined in Article I), constitute a "plan of reorganization," as defined in Section 368 of the Code;

WHEREAS, concurrently with the execution of this Agreement, Parent and certain of its Affiliates party thereto, on the one hand, and LMC and certain of its Affiliates party thereto, on the other hand, are entering into the Tax Matters Agreement;

WHEREAS, at or prior to the Closing Parent and LMC shall enter into the Global Affiliation Agreement Side Letter (as defined in Article I);

WHEREAS, at or prior to the Closing, Parent and certain of its Affiliates (other than the Transferred Subsidiaries) party thereto, on the one hand, and the Transferred Subsidiaries and DTV, on the other hand, shall enter into the following agreements, each in a form reasonably satisfactory to each of Parent and LMC: (i) the NSP Agreements, (ii) the NAP

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Agreements, (iii) the Technical Services Agreement, (iv) the Transitional Services Agreement, (v) the Production Services Agreement, (vi) the Sports Access Agreement, (vii) the Webpage Services Agreement, (viii) the FSD Representation Agreement, (ix) the Fox College Sports License Agreement, (x) the DTV Non-Competition Agreement and (xi) the RSN Subsidiary Non-Competition Agreement (such agreements, together with the Global Affiliation Side Letter and the Tax Matters Agreement, the "Ancillary Agreements");

WHEREAS, the Board of Directors of Parent and the Board of Directors of LMC and each Stockholder have, in each case, determined that it is in the best interests of their respective corporations and their respective stockholders to enter into this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement, and intending to be legally bound, the parties hereto agree as follows:

ARTICLE I.

CERTAIN DEFINITIONS AND OTHER MATTERS

Section 1.1. CERTAIN DEFINITIONS. As used in this Agreement and the schedules hereto, the following terms have the respective meanings set forth below.

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

"AFFILIATE" means, with respect to any Person, any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person; PROVIDED, however that (i) the Transferred Subsidiaries will be treated as Affiliates of Parent prior to the Closing and as Affiliates of LMC after the Closing, and (ii) the term "Affiliate" when used with respect to Parent or any Affiliate of Parent prior to the Closing, or LMC or any Affiliate of LMC after the Closing, shall not include DTV or any of its Subsidiaries. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, including the ability to elect the members of the board of directors or other governing body of a Person, and the terms "controlled" and "controlling" have correlative meanings.

"ANTITRUST LAWS" means the HSR Act, the Sherman Act, as amended, the Clayton Act, as amended, the Federal Trade Commission Act, as amended, and all other federal, state, and foreign statutes, rules, regulations, orders, decrees, administrative and judicial doctrines and other laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening competition through merger or acquisition.

"ASSOCIATE" shall have the meaning ascribed to such term under the ASX Listing Rules.

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"ASX" means the Australian Stock Exchange.

"BENEFICIAL OWNERSHIP" shall have (and related terms such as "beneficially owned" or "beneficial owner") the meaning set forth in Rule 13d-3 under the Exchange Act; PROVIDED, HOWEVER that a Person shall be deemed to beneficially own any securities which such Person has the right to acquire whether such right is exercisable immediately or only after the passage of time or upon the satisfaction of one or more conditions (whether or not within the control of such Person) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, other rights, warrants or options.

"BUSINESS DAY" means any day that is not a Saturday, Sunday or other day on which banking institutions in New York, New York are authorized or required by Law or executive order to close.

"BUSINESS FCC LICENSES" means the material licenses, permits, authorizations, and approvals issued by the FCC to each of the RSN Subsidiaries which are used in connection with the operation of the Networks.

"CASH AMOUNT" means five hundred and fifty million dollars (\$550,000,000), plus the Estimated Net Working Capital Deficiency Amount (if any) or minus the Estimated Net Working Capital Excess Amount (if any).

"CLEANUP" means all actions required to (a) clean up, remove, treat or remediate Hazardous Materials in the indoor or outdoor environment, (b) perform pre-remedial studies and investigations and post-remedial monitoring and care, (c) respond to any requests by a Governmental Authority for information or documents relating to cleanup, removal, treatment or remediation or potential cleanup, removal, treatment or remediation of Hazardous Materials in the indoor or outdoor environment or (d) prevent the Release of Hazardous Materials so that they do not migrate, endanger, or threaten to endanger public health or welfare or the indoor or outdoor environment.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COMMUNICATIONS ACT" means the Communications Act of 1934, as amended, and the rules, regulations and published orders of the FCC thereunder.

"COMMUNICATIONS REGULATION" means the Communications Act, the Telecommunications Act of 1996, any rule, regulation or policy of the FCC, and/or any statute, rule, regulation or policy of any other Governmental Authority with respect to the operation of channels of radio communication and/or the provision of communications services (including the provision of direct-to-home video programming).

"CONFIDENTIALITY AGREEMENT" means the letter agreement, dated September 5, 2006, by and between Parent and LMC.

"CONTRACT" means any agreement, contract, lease, power of attorney, note, loan, evidence of indebtedness, purchase and sales order, letter of credit, settlement agreement, franchise agreement, undertaking, covenant not to compete, employment agreement, license,

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instrument, obligation, option, commitment, understanding and other executory commitment, whether oral or written, express or implied.

"CUSTOMER AGREEMENTS" means all Contracts between any RSN Subsidiary and a customer of the Transferred Business.

"DAMAGES" means any and all losses, Liabilities, claims, damages, deficiencies, fines, payments, costs and expenses, whenever or however arising and whether or not resulting from third party claims (including all amounts paid in connection with any demands, assessments, judgments, settlements and compromises relating thereto; interest and penalties with respect thereto; and costs and expenses, including reasonable attorneys', accountants' and other experts' fees and expenses, incurred in investigating, preparing for or defending against any such Actions or other legal matters or in asserting, preserving or enforcing an Indemnified Party's rights hereunder). Damages shall expressly exclude special, punitive and consequential damages and any and all losses, Liabilities, claims, damages, deficiencies, fines, payments, costs or expenses with respect to diminution of value; PROVIDED that Damages shall include any of the foregoing awarded in an Action (or settlement thereof) to any third party against an Indemnified Party, without regard to the foregoing limitations.

"DIT" means any "deferred intercompany transaction" or "intercompany transaction" within the meaning of the Treasury Regulations (or predecessors thereto) that does not occur pursuant to the Parent Restructuring.

"DTV" means The DirecTV Group, Inc., a Delaware corporation.

"DTV NON-COMPETITION AGREEMENT" means the letter agreement relating to Parent's confidentiality, non-competition and non-solicitation provisions relating to DTV to be entered into by and between Parent and DTV.

"DTV SHARES" means, the shares of common stock of DTV held by FEG, as specified in Section 1.1 of the Parent Disclosure Letter, and to be transferred to Splitco pursuant to Section 3.1.

"ELA" means any "excess loss account" within the meaning of the Treasury Regulations (or predecessors thereto).

"ENCUMBRANCES" means security interests, liens, charges, claims, title defects, deficiencies or exceptions (including, with respect to the Leased Real Property, defects, deficiencies or exceptions in, or relating to, marketability of title, or leases, subleases or the like affecting title), mortgages, pledges, easements, encroachments, restrictions on use, rights-of-way, rights of first refusal, rights of first negotiation or any similar right in favor of any third party, any restriction on the receipt of any income derived from any asset and any limitation or restriction on the right to own, vote, sell or otherwise dispose of any security, conditional sales or other title retention agreements, covenants, conditions or other similar restrictions (including restrictions on transfer) or other encumbrances of any nature whatsoever, other than Permitted Encumbrances.

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"ENVIRONMENTAL CLAIM" means any claim, action, cause of action, investigation, request for information or notice (written or oral) by any Person or entity alleging potential liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, or penalties arising out of, based on or resulting from (a) the presence, or Release into the environment, of any Hazardous Material at any location, whether or not owned or operated by such Person or any of its Subsidiaries or (b) circumstances forming the basis of any violation, or alleged

violation, of any Environmental Law or (c) any contractual liabilities.

"ENVIRONMENTAL LAWS" means all Laws relating to pollution or protection of human health and safety or the environment (including ambient air, surface water, groundwater, land surface, natural resources or subsurface strata), including all such Laws relating to Releases or threatened Releases of Hazardous Materials into the environment or work place, or otherwise relating to the environmental or worker health and safety aspects of manufacturing, processing, distribution, importation, use, treatment, storage, disposal, transport or handling of Hazardous Materials, including the Comprehensive Response, Compensation, and Liability Act and its state equivalents, chemical inventories in all relevant jurisdictions, and all such Laws relating to the registration of products of the Transferred Business or Splitco under the Federal Insecticide, Fungicide and Rodenticide Act, the Food Drug and Cosmetic Act, the Toxic Substances Control Act, the European List of Notified Chemical Substances, the European Inventory of Existing Commercial Chemical Substances or similar Laws.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"FCC" means the United States Federal Communications Commission, including a Bureau or subdivision thereof acting on delegated authority.

"FCC CONSENT" means the grant, without regard to whether such grant has become a final order, by the FCC of its consent to, or approval of, the transfer of control of Splitco, and consent to, or approval of, transfer of the DTV Shares and any transfer of control of DTV, to LMC (or any Affiliate of LMC), pursuant to appropriate applications filed by the parties with the FCC, as contemplated by this Agreement.

"FLSA" means the Fair Labor Standards Act, 29 U.S.C. Section 201, as amended.

"FSD REPRESENTATION AGREEMENT" means the FSD representation agreement entered into by and among Fox Sports Direct and each of the RSN Subsidiaries, respectively.

"FOX COLLEGE SPORTS LICENSE AGREEMENT" means the agreement relating to the license of Network programming by the RSN Subsidiaries to Fox College Sports, Inc.

"GAAP" means United States generally accepted accounting principles, consistently applied.

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"GLOBAL AFFILIATION AGREEMENT SIDE LETTER" means the letter agreement relating to global affiliation agreements entered into by and between LMC and Parent.

"GOVERNMENTAL AUTHORITY" means any supranational, national, federal, state or local government, foreign or domestic, or the government of any political subdivision of any of the foregoing, or any entity, authority, agency, ministry, department, board, commission, court or other similar body exercising executive, legislative, judicial, regulatory or administrative authority or functions of or pertaining to government, including any authority or other quasi-governmental entity established by a Governmental Authority to perform any of such functions.

"HAZARDOUS MATERIALS" means any substance which is listed, defined or regulated as a pollutant, contaminant, hazardous, dangerous or toxic substance, material or waste, or is otherwise classified as hazardous, dangerous or toxic in or pursuant to any Environmental Law or which is or contains any explosives, radon, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum and petroleum products (including waste petroleum and petroleum products) as regulated under any applicable Environmental Law.

"INDEBTEDNESS" of any Person means, without duplication, (i) all obligations of such Person for money borrowed, whether current or unfunded, or secured or unsecured; (ii) all obligations of such Person evidenced by notes, debentures, bonds or other similar instruments or debt securities for the payment of which such Person is responsible or liable (excluding current accounts payable incurred in the ordinary course of business); (iii) all obligations of such Person issued or assumed for deferred purchase price payments associated with acquisitions, divestments or other transactions; (iv) all obligations of such Person under leases required to be capitalized in accordance with GAAP, (v) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance, guarantees or

similar credit transaction, (vi) all interest, fees, prepayment premiums and other expenses owed with respect to the indebtedness referred to above and (vii) all indebtedness of others referred to above which is directly or indirectly guaranteed by such Person or which such Person has agreed (contingently or otherwise) to purchase or otherwise acquire or in respect of which it has otherwise assured a creditor against loss, including through the grant of a security interest upon any assets of such Person.

"INTELLECTUAL PROPERTY" shall mean all United States and foreign (i) patents, patent applications, patent disclosures, and all related continuations, continuations-in-part, divisionals, reissues, re-examinations, substitutions, and extensions thereof, (ii) trademarks, service marks, trade names, domain names, logos, slogans, trade dress, and other similar designations of source or origin, together with the goodwill symbolized by any of the foregoing, (iii) copyrights and copyrightable subject matter, (iv) rights of publicity, (v) moral rights and rights of attribution and integrity, (vi) trade secrets and all confidential information, know-how, inventions, proprietary processes, formulae, models, and methodologies, (vii) all rights in the foregoing and in other similar intangible assets, (viii) all applications and registrations for the foregoing, and (ix) all rights and remedies against infringement, misappropriation, or other violation thereof.

"IRS" means the Internal Revenue Service of the United States of America.

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"KNOWLEDGE" means (i) with respect to Parent, the actual knowledge of any of the individuals set forth on Schedule 1.1(a) of the Parent Disclosure Letter, and (ii) with respect to LMC, the actual knowledge of any of the individuals set forth on Schedule 1.1(b) of the LMC Disclosure Letter. "Know," "knows" and correlative terms will be read to have similar meanings.

"LAWS" means all United States federal, state or local, foreign or supranational laws, constitutions, statutes, codes, rules, regulations, ordinances, orders, judgments, writs, stipulations, awards, injunctions, arbitration awards or findings decrees or edicts by a Governmental Authority having the force of law, including any of the foregoing as they relate to Tax.

"LEASED REAL PROPERTY" means any real property leased or subleased by the Transferred Subsidiaries and set forth (and designated as leased) in Section 4.17.2 of the Parent Disclosure Letter.

"LIABILITIES" means any and all Indebtedness, liabilities, commitments and obligations, whether or not fixed, contingent or absolute, matured or unmatured, direct or indirect, liquidated or unliquidated, accrued or unaccrued, known or unknown, whether or not required by GAAP to be reflected in financial statements or disclosed in the notes thereto, including those arising under any Action, Law, order, judgment, injunction or consent decree of any Governmental Authority or any award of any arbitrator of any kind, and those arising under any contract, commitment or undertaking.

"LIBERTY BASKET AMOUNT" means \$12,000,000.

"LIBERTY BASKET BREACH" means the failure of any representation or warranty contained in this Agreement and made by LMC (other than those representations or warranties contained in Sections 5.1, 5.2, 5.3, 5.5, 5.10 and 5.11) to be true and correct when made or deemed made.

"LIBERTY BASKET EXCEPTION BREACH" means the failure of any representation or warranty contained in Sections 5.1, 5.2, 5.3, 5.5, 5.10 and 5.11 of this Agreement to be true and correct when made or deemed made.

"LMC DISCLOSURE LETTER" means the disclosure letter that LMC has delivered to Parent on the date of this Agreement prior to the execution hereof, which letter is incorporated by reference herein.

"LMC INDEMNITEES" means, collectively, LMC, its Affiliates, and their respective stockholders, members, partners, officers, directors, employees, attorneys, representatives and agents.

"LMC PARENT SHARES" means the 324,637,067 Shares of Parent Class A Common Stock and 188,000,000 shares of Parent Class B Common Stock owned by the Stockholders.

"LMC TAX OPINION" means the written opinion of LMC's Tax counsel, addressed to LMC and dated as of the Closing Date, in form and substance reasonably satisfactory to LMC,

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to the effect that, based upon the Rulings, the Tax Opinion Representations, and any other facts, representations and assumptions set forth or referred to in such opinion, and subject to such qualifications and limitations as may be set forth in such opinion, for United States federal income tax purposes, no gain or loss will be recognized by (and no amount will be includible in the income of) the Stockholders on the Exchange.

"LMC TAX OPINION REPRESENTATIONS" means the representations set forth in a letter, which shall be executed by LMC on the Closing Date and dated and effective as of the Closing Date, to be made by LMC to each of the firms providing the Tax Opinions as a condition to, and in connection with, the issuance of the Tax Opinions, including representations in form and substance substantially as set forth in Schedule A to this Agreement (amended as necessary to reflect changes in relevant facts occurring after the date of this Agreement and on or before the Closing Date).

"MATERIAL ADVERSE EFFECT" means, with respect to a Person or the Transferred Business, any change, effect, event, occurrence, development, condition or circumstance that, individually or in the aggregate with all other adverse changes, effects, events, occurrences, developments, conditions or circumstances, is, or is reasonably likely to be, materially adverse to the business, operations, results of operations, assets, liabilities, or condition (financial or otherwise) of such Person and its Subsidiaries, taken as a whole, or the Transferred Business, taken as a whole, or on the ability of such Person to consummate the Transactions, other than any change, effect, event, occurrence, development, condition or circumstance resulting from, or relating to (i) the United States economy in general or (ii) the industry in which such Person or the Transferred Business operates in general, and not having a materially disproportionate effect (relative to the effect on other Persons operating in such industry) on such Person or the Transferred Business; PROVIDED that for the purposes of any determination as to the existence of a "Material Adverse Effect" with respect to Splitco, Splitco's assets shall be deemed to consist of the following as of the time of such determination: (i) all issued and outstanding equity interests of each RSN Subsidiary and (ii) the DTV Shares; PROVIDED further that any determination as to the existence of a "Material Adverse Effect" with respect to Splitco shall be made after taking into account (without duplication) any amounts actually recovered, under any insurance policy maintained by Parent or any of its Affiliates or DTV, and/or by Parent, any Affiliate of Parent or DTV from any other third party, and, in each case, after giving effect to the application of any such amounts for the benefit of the Transferred Subsidiaries or DTV. No change, effect, event or occurrence arising or resulting from any of the following, either alone or in combination, shall constitute or be taken into account in determining whether there has been, a Material Adverse Effect: (i) the announcement or performance of this Agreement and the transactions contemplated hereby (including compliance with the covenants set forth herein, or any action taken or omitted to be taken by Parent, any Transferred Subsidiary, Splitco or DTV at the request or with the prior written consent of LMC), including, to the extent arising therefrom, any termination of, reduction in or similar negative impact on relationships, contractual or otherwise, with any customers, suppliers, distributors, partners or employees of the Transferred Business or DTV, (ii) acts of war or terrorism or natural disasters, (iii) changes in any Laws or regulations or applicable accounting regulations or principles or the interpretations thereof, (iv) the fact, in and of itself (and not the underlying causes thereof) that any Transferred Subsidiary or DTV failed to meet any projections, forecasts, or revenue or earnings predictions for any period, or (v) any

change, in and of itself (and not the underlying causes thereof) in the stock price of the LMC Parent Shares or the DTV Shares.

"MAXIMUM AMOUNT" means \$75,000,000 (provided that it is the understanding of the parties that such \$75,000,000 amount shall not have deducted therefrom the amount of the Parent Basket Amount or the Liberty Basket Amount, as the case may be).

"MULTIEMPLOYER PLAN" means any "multiemployer plan" within the meaning of Section 3(37) of ERISA.

"MURDOCH INTERESTS" means each of Mr. K. Rupert Murdoch, the Murdoch Family Trust and Cruden Financial Services LLC and (x) any successor to any of the foregoing and (y) any transferee of Parent Class B Stock of any of the foregoing.

"NAP AGREEMENTS" means each national advertising sales representation agreement by and among National Advertising Partners and each of the RSN Subsidiaries.

"NETWORK" means each of the regional sports programming cable networks

operated by the RSN Subsidiaries and listed on Section 1.1 of the Parent Disclosure Letter.

"NET WORKING CAPITAL" means the (A) current assets (excluding cash and excluding Tax assets) less (B) current liabilities (excluding Tax liabilities, and calculated after giving effect to the settlement of intercompany accounts contemplated by Section 6.11), in each case, of the RSN Subsidiaries on a consolidated basis, all as determined in accordance with the methods, principles and classifications used in preparing the Interim Balance Sheet included in the Financial Statements and set forth on Schedule B attached hereto and in accordance with GAAP (excluding footnotes and normal year-end adjustments).

"NSP AGREEMENTS" mean each national sports programming service license agreement by and among National Sports Programming and each of the RSN Subsidiaries.

"PARENT BASKET AMOUNT" means \$12,000,000.

"PARENT BASKET BREACH" means the failure of any representation or warranty contained in this Agreement and made by Parent (other than those representations or warranties contained in Sections 4.1, 4.2, 4.3, 4.4, 4.19, 4.22 and 4.23 and other than the representations and warranties contained in Section 4.20 which shall not be the subject of any claim for indemnification under Article VIII) to be true and correct when made or deemed made.

"PARENT BASKET EXCEPTION BREACH" means the failure of any representation or warranty contained in Sections 4.1, 4.2, 4.3, 4.4, 4.19, 4.22 and 4.23 of this Agreement to be true and correct when made or deemed made.

"PARENT COMMON STOCK" means, collectively, the Class A Common Stock, par value \$0.01 per share, of Parent ("Parent Class A Stock") and the Class B Common Stock, par value \$0.01 per share, of Parent ("Parent Class B Stock").

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"PARENT DISCLOSURE LETTER" means the disclosure letter that Parent has delivered to LMC on the date of this Agreement prior to the execution hereof, which letter is incorporated by reference herein.

"PARENT INDEMNITEES" means, collectively, Parent, its Affiliates and its and their respective stockholders (other than LMC and any of its Affiliates), members, partners, officers, directors, employees, attorneys, representatives and agents.

"PARENT RESTRUCTURING" means the restructuring effected by Parent and its Affiliates pursuant to the steps set forth on Schedule C hereto, as the same may be modified in accordance with the Tax Matters Agreement.

"PARENT TAX OPINION" means the written opinion of Parent's Tax counsel, addressed to Parent and dated as of the Closing Date, in form and substance reasonably satisfactory to Parent, to the effect that, based upon the Rulings, the Tax Opinion Representations and any other facts, representations and assumptions set forth or referred to in such opinion, and subject to such qualifications and limitations as may be set forth in such opinion, for United States federal income tax purposes, no gain or loss will be recognized by (and no amount will be includible in the income of) Parent or any of its Affiliates on the Exchange or the Parent Restructuring, except with respect to any DITS or ELAs.

"PARENT TAX OPINION REPRESENTATIONS" means the representations set forth in the letter, which shall be executed by Parent on the Closing Date and dated and effective as of the Closing Date, to be made by Parent to each of the firms providing the Tax Opinions as a condition to, and in connection with, the issuance of the Tax Opinions, including representations in form and substance substantially as set forth in Schedule D to this Agreement (amended as necessary to reflect changes in relevant facts occurring after the date of this Agreement and on or before the Closing Date).

"PERMITTED ENCUMBRANCES" means (i) Encumbrances for Taxes not yet due or being contested in good faith by appropriate proceedings and for which adequate accruals or reserves have been established, (ii) the claims of mechanics, materialmen or like Persons that have arisen in the ordinary course of business or imperfections of title, restrictions and other Encumbrances that, in any such case, do not materially interfere with the use of (in the ordinary course of business) or the value (as so used) of, the property subject thereto, (iii) rights granted to any licensee of any Intellectual Property Rights in the ordinary course of business consistent with past practices, (iv) Encumbrances securing Indebtedness not yet in default for the purchase price or lease payments on property purchased or leased in the ordinary course of business, (v) Encumbrances created by actions of LMC or its Affiliates, (vi) with respect to securities, including capital stock, Encumbrances imposed by the Securities Act or the Exchange Act or (vii) Encumbrances arising from the rights and

obligations under this Agreement or any Ancillary Agreement.

"PERSON" means an individual, partnership (general or limited), corporation, limited liability company, joint stock company, unincorporated organization or association, trust, joint venture or other entity, or a Governmental Authority.

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"PLEDGED SHARES" means the 60,000,000 shares of Parent Class A Common Stock owned beneficially and of record by the Stockholders pledged, as of the date hereof, to secure certain of the Stockholders' obligations under variable forward OTC contracts.

"PRODUCTION SERVICES AGREEMENT" means the agreement relating to the provision of production services identified therein by the Transferred Subsidiaries to be entered into by and among each of the Transferred Subsidiaries and Fox Sports Net, Inc.

"REAL PROPERTY LEASE" means the lease or sublease agreement pursuant to which a Leased Real Property is leased or subleased.

"RELEASE" means any release, spill, emission, discharge, leaking, pumping, injection, deposit, disposal, dispersal, leaching or migration into the indoor or outdoor environment (including ambient air, surface water, groundwater and surface or subsurface strata) or into or out of any property, including the movement of Hazardous Materials through or in the air, soil, surface water, groundwater or property.

"RSN SUBSIDIARIES" means each of Fox Sports Net Rocky Mountain, LLC, Fox Sports Net Pittsburgh, LLC, and Fox Sports Net Northwest, LLC.

"RSN SUBSIDIARY NON-COMPETITION AGREEMENT" means the letter agreement relating to Parent's confidentiality, non-competition and non-solicitation obligations relating to the RSN Subsidiaries to be entered into by and among Parent, Splitco and each RSN Subsidiary.

"RULINGS" shall mean the Exchange Rulings and the Parent Restructuring Ruling.

"SEC" means the United States Securities and Exchange Commission.

"SECURITIES ACT" means the United States Securities Act of 1933.

"SECURITIES ENCUMBRANCES" means security interests, liens, charges, claims, title defects, deficiencies or exceptions, mortgages, pledges, rights of first refusal, rights of first negotiation or any similar right in favor of any Person, any restriction on the receipt of any income derived from any security and any limitation or restriction on the right to own, vote, sell or otherwise dispose of any security, conditional sales or other title retention agreements, covenants, conditions or other similar restrictions (including restrictions on transfer) or other encumbrances of any nature whatsoever, other than (i) Encumbrances imposed by the Securities Act or the Exchange Act or (ii) Encumbrances arising from the rights and obligations under this Agreement.

"SPLITCO COMMON STOCK" means the common stock, par value \$0.01 per share, of Splitco.

"SPLITCO SHARES" means all of the issued and outstanding shares of Splitco Common Stock.

"SPORTS ACCESS AGREEMENTS" means the agreements relating to the license of highlights and clips for news access by media organizations to the RSN Subsidiaries to be

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entered into by and among each of the RSN Subsidiaries and Sports Access, a division of ARC Holding, Ltd.

"STOCKHOLDERS" means Liberty NC, Inc., Liberty NC II, Inc., Liberty NC IV, Inc., Liberty NC V, Inc., Liberty NC VI, Inc., Liberty NC VII, Inc., Liberty NC VIII, Inc., Liberty NC IX, Inc., Liberty NC XII, Inc. and LMC Bay Area Sports, Inc.

"SUBSIDIARY" when used with respect to any Person, means (i) (A) a corporation of which a majority in voting power of its share capital or capital stock with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by such Person, by a Subsidiary of such

Person, or by such Person and one or more Subsidiaries of such Person, whether or not such power is subject to a voting agreement or similar Encumbrance, (B) a partnership or limited liability company in which such Person or a Subsidiary of such Person is, at the date of determination, (1) in the case of a partnership, a general partner of such partnership with the power affirmatively to direct the policies and management of such partnership or (2) in the case of a limited liability company, the managing member or, in the absence of a managing member, a member with the power affirmatively to direct the policies and management of such limited liability company, or (C) any other Person (other than a corporation) in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination thereof, has (1) the power to elect or direct the election of a majority of the members of the governing body of such Person, whether or not such power is subject to a voting agreement or similar Encumbrance, or (2) in the absence of such a governing body, at least a majority ownership interest or (ii) any other Person of which an aggregate of more than 50% of the equity interests are, at the time, directly or indirectly, owned by such Person and/or one or more Subsidiaries of such Person. For the purposes of the foregoing, the Transferred Subsidiaries will be treated as Subsidiaries of Parent until the Closing is completed and as Subsidiaries of LMC immediately after the Closing, and neither IAC/InterActiveCorp nor Expedia, Inc., or any of their respective Subsidiaries, will be treated as Subsidiaries of LMC.

"TAX" or "TAXES" means (i) any and all taxes, charges, fees, levies, customs, duties, tariffs, or other assessments, including income, gross receipts, excise, real or personal property, sales, withholding, social security, retirement, unemployment, occupation, use, goods and services, service use, license, value added, capital, net worth, payroll, profits, withholding, franchise, transfer and recording taxes, fees and charges, and any other taxes, charges, fees, levies, customs, duties, tariffs or other assessments imposed by the IRS or any taxing authority (whether domestic or foreign including any state, county, local or foreign government or any subdivision or taxing agency thereof (including a United States possession)), whether computed on a separate, consolidated, unitary, combined or any other basis; and such term shall include any interest thereon, fines, penalties, additions to tax, or additional amounts attributable to, or imposed upon, or with respect to, any such taxes, charges, fees, levies, customs, duties, tariffs, or other assessments; (ii) any Liability for the payment of any amounts described in clause (i) as a result of being a member of an affiliated, consolidated, combined, unitary or similar group or as a result of transferor, successor or similar Liability; and (iii) any Liability for the payments of any amounts as a result of being a party to any Tax sharing agreement or as a result of any express or implied obligation to indemnify any other Person with respect to the payment of any amounts of the type described in clause (i) or (ii).

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"TAX MATTERS AGREEMENT" means the Tax Matters Agreement by and among Parent and LMC, attached as Exhibit A-I hereto.

"TAX OPINIONS" means the Parent Tax Opinion and the LMC Tax Opinion.

"TAX OPINION REPRESENTATIONS" means the LMC Tax Opinion Representations and the Parent Tax Opinion Representations.

"TAX RETURNS" means any return, report, certificate, form or similar statement or document (including any related or supporting information or schedule attached thereto and any information return, amended Tax Return, claim for refund or declaration of estimated Tax) required to be supplied to, or filed with, a Taxing Authority in connection with the determination, assessment or collection of any Tax or the administration of any laws, regulations or administrative requirements relating to any Tax.

"TAXING AUTHORITY" shall have the meaning given to such term in the Tax Matters Agreement.

"TAX SHARING AGREEMENT" shall have the meaning given to such term in the Tax Matters Agreement.

"TECHNICAL SERVICES AGREEMENT" means the agreement relating to the provision of uplink, engineering and other services identified therein by and among Fox Sports Net, Inc. and each of the RSN Subsidiaries.

"TRANSACTIONS" means the transactions contemplated hereby and each of the Ancillary Agreements, including the Exchange and the Parent Restructuring.

"TRANSFERRED EMPLOYEES" means the individuals listed on Section 1.1 of the Parent Disclosure Letter (which section of the Disclosure Letter shall be updated as of the Closing Date to reflect individuals hired following the date hereof and prior to the Closing Date in compliance with Section 6.2 hereof, PROVIDED, HOWEVER that any individual listed on Section 1.1.1(a) of the Parent Disclosure Letter as of the Closing Date whose employment with any Transferred

Subsidiary terminates in the ordinary course of business following the date hereof and prior to the Closing Date shall not be deemed to be a "Transferred Employee").

"TRANSFERRED SUBSIDIARIES" means, collectively, Splitco and each RSN Subsidiary.

"TRANSITIONAL SERVICES AGREEMENT" means the agreement relating to the provision of corporate transitional services identified therein by and among Fox Sports Net, Inc. and each of the RSN Subsidiaries.

"TREASURY REGULATIONS" mean the regulations promulgated under the Code.

"WARN ACT" means the Worker Adjustment and Retraining Notification Act and any similar state or local Law of any jurisdiction in the United States of America.

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"WEBPAGE SERVICES AGREEMENT" means the agreement relating to the provision of website management and other information technology services identified therein by and among Fox Interactive Media, Inc. and each of the RSN Subsidiaries.

Section 1.2. TERMS DEFINED IN OTHER SECTIONS. The following terms are defined elsewhere in this Agreement in the following Sections:

Ancillary Agreements	Recitals
Affiliate Transaction Agreement	Section 4.21
Broker	Preamble
Broker Fees	Section 4.22
Business Records	Section 4.22
Closing	Section 6.9.3
Closing Certificates	Section 3.2
Closing Date	Section 3.4.3
Collective Bargaining Agreement	Section 3.2
Conclusive Net Working Capital Statement	Section 4.14.1
Controlled Group Liability	Section 3.9.3
Disinterested Stockholder Approval	Section 4.12.2
Disputed Items	Section 6.4.1
Employee Benefit Plan	Section 3.9.2
Employment Agreement	Section 4.12.1
ERISA Affiliate	Section 4.12.1
Estimated Net Working Capital	Section 4.12.2
Estimated Net Working Capital Deficiency Amount	Section 3.8.1
Estimated Net Working Capital Excess Amount	Section 3.8.2
Exchange	Section 3.8.2
Exchange Rulings	Section 3.1
Extended Termination Date	Section 7.2.4
Extraordinary Transaction	Section 9.1.2
FCC Applications	Section 6.13.2
Final Net Working Capital Deficiency Amount	Section 6.6.3
Final Net Working Capital Excess Amount	Section 3.9.4
HSR Act	Section 3.9.4
Indemnified Party	Section 4.5.4
Indemnifying Party	Section 8.3.1
L Acquisition Proposal	Section 8.3.1
Licensed Intellectual Property	Section 6.13.2
LMC	Section 4.8.2
LMC Exchange Ruling	Preamble
LMC Related Party	Section 7.2.4
LMC Ruling	Section 10.5
Material Contracts	Section 7.2.4
Net Working Capital Statement	Section 4.13
Neutral Arbitrator	Section 3.9.1
Owned Intellectual Property	Section 3.9.3
	Section 4.8.1

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Parent	Preamble
Parent Acquisition Proposal	Section 6.13.1
Parent Change in Recommendation	Section 6.4.1
Parent Exchange Ruling	Section 7.2.4
Parent Group	Section 4.20.5
Parent Recommendation	Section 6.4.1
Parent Restructuring Date	Section 3.7
Parent Restructuring Ruling	Section 7.3.5

Parent Stockholder Approval	Section 4.4
Parent Stockholders' Meeting	Section 6.5
Permits	Section 4.16
Proxy Statement	Section 6.4.1
Records	Section 6.9.3
Representatives	Section 6.13.1
Requisite Parent Stockholder Approval	Section 6.4.1
Resolution Period	Section 3.9.2
Seller Disability Plans	Section 6.10.2
Settlement	Section 6.6.5
Splitco	Recitals
Subsidiary Employee Benefit Plan	Section 4.12.1
Termination Date	Section 9.1.2
Termination Fee	Section 9.2.2
Transfer	Section 6.8.1
Transferred Business	Recitals

ARTICLE II.

INTERPRETATION

Section 2.1. INTERPRETATION. Unless otherwise indicated to the contrary in this Agreement by the context or use thereof: (a) the words, "herein," "hereto," "hereof" and words of similar import refer to this Agreement as a whole and not to any particular Section or paragraph hereof; (b) words importing the masculine gender shall also include the feminine and neutral genders, and vice versa; (c) words importing the singular shall also include the plural, and vice versa; and (d) the word "including" means "including without limitation"; and (e) the words "as of the date hereof" means "as of the date of this Agreement."

ARTICLE III.

EXCHANGE OF STOCK; CLOSING

Section 3.1. EXCHANGE OF STOCK. Upon the terms and subject to the conditions of this Agreement, at the Closing, (a) Parent shall assign, transfer, convey and deliver to the Stockholders (in accordance with instructions relating to allocation of such shares provided by LMC to Parent no later than three (3) Business Days prior to the Closing Date) and LMC shall cause the Stockholders to accept and acquire from Parent, all of the Splitco Shares (free and clear

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of all Securities Encumbrances) in exchange for the LMC Parent Shares, and (b) LMC shall cause the Stockholders to assign, transfer, convey and deliver to Parent, and Parent shall accept and acquire from the Stockholders, the LMC Parent Shares (free and clear of all Securities Encumbrances) in exchange for the Splitco Shares (collectively, the "Exchange").

Section 3.2. CLOSING. The closing of the Exchange and the other transactions contemplated hereby (the "Closing") shall take place at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, 4 Times Square, New York, New York, as soon as practicable, but in no event later than three (3) Business Days after the satisfaction or waiver of the conditions set forth in Article VII (excluding conditions that, by their terms, cannot be satisfied until the Closing, but subject to the satisfaction or waiver of such conditions at the Closing), or at such other place or on such other date as Parent and LMC may mutually agree. The date upon which the Closing shall be effective is referred to herein as the "Closing Date."

Section 3.3. PARENT'S DELIVERIES AT THE CLOSING. At the Closing, Parent shall deliver or cause to be delivered to LMC or the Stockholders, as applicable, the following:

- 3.3.1 one or more stock certificates, together with stock powers executed in blank, representing all of the issued and outstanding capital stock of Splitco;
- 3.3.2 the stock books, stock ledgers and minute books of each of the Transferred Subsidiaries;
- 3.3.3 each of the Ancillary Agreements (other than the Tax Matters Agreement which shall be executed and delivered concurrently with this Agreement) duly executed by Parent and any of its Affiliates party thereto;
- 3.3.4 letters of resignation, dated as of the Closing Date, from (i) each of the directors and officers of Splitco and each RSN Subsidiary and (ii) each of K. Rupert Murdoch, David DeVoe and Peter Chernin from the Board of Directors of DTV;
- 3.3.5 a certificate of an authorized officer of Parent pursuant to

Sections 7.2.1 and 7.2.2 hereof; and

- 3.3.6 such other documents as are reasonably required by LMC to be delivered to effectuate the Transactions or to evidence the authority, existence and good standing of Parent and its relevant Subsidiaries, including evidence of the possession by Splitco of the Cash Amount; PROVIDED that LMC shall use its reasonable best efforts to identify such documents to Parent in writing reasonably in advance of the anticipated Closing Date.

Section 3.4. LMC'S DELIVERIES AT THE CLOSING. At the Closing, LMC shall deliver or cause to be delivered to Parent the following:

- 3.4.1 one or more stock certificates, together with stock powers executed in blank, representing the LMC Parent Shares owned by the Stockholders, or a confirmation from Parent's transfer agent, Computershare Investor Services, LLC, of a book-entry transfer of the LMC Parent Shares to Parent;

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- 3.4.2 each of the Ancillary Agreements to which LMC and any of its Affiliates are party (other than the Tax Matters Agreement which shall be executed and delivered concurrently with this Agreement) duly executed by LMC and any of its Affiliates party thereto;
- 3.4.3 a certificate of an authorized officer of LMC pursuant to Sections 7.3.1 and 7.3.2 hereof (together with the certificate delivered pursuant to Section 3.3.5 hereof, the "Closing Certificates"); and
- 3.4.4 such other documents as are reasonably required by Parent to be delivered to effectuate the Transactions or to evidence the authority, existence and good standing of LMC and its relevant Subsidiaries; PROVIDED that Parent shall use its reasonable best efforts to identify such documents to LMC in writing reasonably in advance of the anticipated Closing Date.

Each document of transfer or assumption referred to in this Article III (or in any related definition set forth in Article I) that is not attached as an Exhibit to this Agreement or is not otherwise an Ancillary Agreement shall be in customary form and shall be reasonably satisfactory in form and substance to the parties hereto.

Section 3.5. PERFORMANCE.

- 3.5.1 LMC undertakes to Parent that to the extent that any Subsidiary of LMC fails to comply with any of its obligations under this Agreement and the Tax Matters Agreement when performance of such obligation has become due, LMC shall either (i) procure that such Subsidiary shall perform such obligation; or (ii) if such Subsidiary fails to so perform or if the Parent so elects, itself perform any such unperformed obligation.
- 3.5.2 Parent undertakes to LMC that to the extent that any Subsidiary of Parent fails to comply with any of its obligations under this Agreement, the Tax Matters Agreement, the DTV Non-Competition Agreement or the RSN Non-Competition Agreement, when performance of such obligation has become due, Parent shall either (i) procure that such Subsidiary shall perform such obligation; or (ii) if such Subsidiary fails to so perform or if LMC so elects, itself perform any such unperformed obligation.

Section 3.6. ADJUSTMENT TO NUMBER AND TYPE OF SECURITIES.

- 3.6.1 If, after the date of this Agreement, there is a subdivision, share split, consolidation, share dividend, combination, reclassification or similar event with respect to the securities referred to in this Agreement, then, in any such event, the numbers and types of such securities (and if applicable, the share prices thereof) shall be appropriately adjusted.
- 3.6.2 In the event that DTV pays any dividend or makes any distribution (other than any periodic cash dividends paid or set aside in the ordinary course), in each case on the DTV Shares, in cash, property or other securities (other than any dividend

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or distribution for which appropriate adjustment is made in

accordance with Section 3.6.1 above) to holders of record prior to the Closing Date, then upon payment of such dividend or the making of such distributions, such cash, property or other securities will (A) continue to be held by Parent and (B) be contributed (including any dividend or distributions thereon and, in the case of cash, interest thereon) to Splitco in connection with the Parent Restructuring without the payment of any additional consideration.

Section 3.7. PARENT RESTRUCTURING AND RELATED MATTERS. Prior to the Closing Date, Parent shall complete the Parent Restructuring such that after the Parent Restructuring (the date on which the Parent Restructuring is complete, the "Parent Restructuring Date"):

(a) Parent will be the sole shareholder of Splitco;

(b) Splitco will be the sole record and beneficial owner of (i) all of the outstanding equity securities of each RSN Subsidiary and (ii) the DTV Shares; and (iii) will hold directly the Cash Amount; and

(c) the RSN Subsidiaries will own, directly or indirectly, the Transferred Business.

Section 3.8. ESTIMATED NET WORKING CAPITAL ADJUSTMENT.

3.8.1 For the purpose of determining the Cash Amount, two (2) Business Days prior to the Closing Date, Parent shall cause to be prepared and delivered to LMC a statement setting forth a good faith estimate of the Net Working Capital (the "Estimated Net Working Capital") and the components thereof as of the Closing Date, together with a certificate from the principal financial officer of Parent stating that the Estimated Net Working Capital has been calculated in accordance with GAAP (excluding footnotes and normal year-end adjustments) and in accordance with the methods, principles and classifications used in preparing the Interim Balance Sheet included in the Financial Statements.

3.8.2 If the Estimated Net Working Capital is a positive amount (the "Estimated Net Working Capital Excess Amount"), the Cash Amount shall be decreased by the Estimated Net Working Capital Excess Amount. If the Estimated Net Working Capital is a negative amount (the "Estimated Net Working Capital Deficiency Amount"), the Cash Amount shall be increased by the Estimated Net Working Capital Deficiency Amount. If the Estimated Net Working Capital is equal to zero dollars (\$0), no adjustment pursuant to this Section 3.8.2 shall be made to the Cash Amount.

Section 3.9. FINAL NET WORKING CAPITAL ADJUSTMENT.

3.9.1 Within forty-five (45) calendar days after the Closing Date, LMC shall cause to be prepared and delivered to Parent a statement (the "Net Working Capital Statement") setting forth the Net Working Capital and the components thereof as of the Closing Date, together with a certificate from the principal financial officer

of LMC stating that the Estimated Net Working Capital has been calculated in accordance with GAAP (excluding footnotes and normal year-end adjustments) and in accordance with the methods, principles and classifications used in preparing the Interim Balance Sheet included in the Financial Statements. For purposes of preparing such Net Working Capital Statement, no effect shall be given to any new accounting pronouncements that may be issued following the delivery of the statement pursuant to Section 3.8.1. Following the delivery of such Net Working Capital Statement, LMC shall provide Parent and any of Parent's Representatives (as defined below) with access during normal business hours to (and to examine and make copies of) all documents, records, work papers (including those of accountants), facilities and personnel of the Transferred Subsidiaries as is reasonably necessary for purposes of reviewing the Net Working Capital Statement.

3.9.2 After receipt of the Net Working Capital Statement, Parent will have thirty (30) calendar days to review the Net Working Capital Statement. Unless Parent delivers written notice to LMC setting forth the specific items disputed by Parent on or prior to the thirtieth (30th) day after Parent's receipt of the Net Working Capital Statement, Parent will be deemed to have accepted and agreed to the Net Working Capital Statement and such statement (and the calculations contained therein) will be final, binding and conclusive. If Parent notifies LMC of its objections to the Net Working Capital Statement (or specific calculations contained

therein) within such thirty (30) day period, Parent and LMC shall, within thirty (30) days following delivery of such notice by Parent to LMC (the "Resolution Period"), attempt in good faith to resolve their differences with respect to the disputed items (or calculations) specified in the notice (the "Disputed Items"), and all other items (and all calculations relating thereto) will be final, binding and conclusive. Any resolution by Parent and LMC during the Resolution Period as to any Disputed Item shall be set forth in writing and will be final, binding and conclusive.

- 3.9.3 If Parent and LMC do not resolve all Disputed Items by the end of the Resolution Period, then all Disputed Items remaining in dispute will be submitted to an independent accounting firm not retained by Parent or LMC or such other United States national independent accounting firm, in each case, mutually acceptable to Parent and LMC (the "Neutral Arbitrator"). The Neutral Arbitrator, acting as an expert and not as an arbitrator, shall determine only those Disputed Items remaining in dispute, consistent with this Section 3.9.3, and shall request a statement from Parent and LMC regarding such Disputed Items. In resolving each Disputed Item, the Neutral Arbitrator (i) may not assign a value to any Disputed Item greater than the greatest value for such Disputed Item claimed by any party or less than the lowest value for such Disputed Item claimed by any party and (ii) shall make its determination in accordance with the methods, principles and classifications used in preparing the Interim Balance Sheet included in the Financial Statements and in accordance with GAAP (excluding footnotes and normal year-end adjustments). All fees and expenses relating to the work, if any, to be performed by the Neutral Arbitrator will be allocated between

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Parent and LMC based upon the percentage which the portion of the contested amount not awarded to each party hereto bears to the amount actually contested by such party hereto. In addition, Parent and LMC shall give the Neutral Arbitrator access to all documents, records, work papers, facilities and personnel of such party and its Subsidiaries as reasonably necessary to perform its function as arbitrator. The Neutral Arbitrator will deliver to Parent and LMC a written determination (such determination to include a work sheet setting forth all material calculations used in arriving at such determination and to be based solely on information provided to the Neutral Arbitrator by Parent and LMC) of the Disputed Items submitted to the Neutral Arbitrator within thirty (30) days of receipt of such Disputed Items, which determination will be final, binding and conclusive. The final, binding and conclusive Net Working Capital Statement based either upon agreement or deemed agreement by Parent and LMC or the written determination delivered by the Neutral Arbitrator in accordance with this Section 3.9.3, will be the "Conclusive Net Working Capital Statement." If any party fails to submit a statement regarding any Disputed Item submitted to the Neutral Arbitrator within the time determined by the Neutral Arbitrator or otherwise fails to give the Neutral Arbitrator access as reasonably requested, then the Neutral Arbitrator shall render a decision based solely on the evidence timely submitted and the access afforded to the Neutral Arbitrator by Parent and LMC.

- 3.9.4 If the amount of Net Working Capital on the Conclusive Net Working Capital Statement is less than the Estimated Net Working Capital (the "Final Net Working Capital Deficiency Amount"), Parent shall pay to Splitco an amount in cash equal to the Final Net Working Capital Deficiency Amount. If the amount of Net Working Capital on the Conclusive Net Working Capital Statement is greater than the Estimated Net Working Capital (the "Final Net Working Capital Excess Amount"), Splitco shall pay to Parent an amount in cash equal to the Final Net Working Capital Excess Amount. If the amount of Net Working Capital on the Conclusive Net Working Capital Statement is equal to the Estimated Net Working Capital, no payment shall be required.
- 3.9.5 All payments to be made pursuant to this Section 3.9 will (i) be made by wire transfer of immediately available funds on the second (2nd) Business Day following the date on which Parent and LMC agree or are deemed to have agreed to, or the Neutral Arbitrator delivers, the Conclusive Net Working Capital Statement, and (ii) will bear interest from the Closing Date through the date of payment at the prime rate of Citibank, N.A. in effect on the date such payment was required to be made.

Except as set forth in the Parent Disclosure Letter delivered by Parent to LMC prior to the execution of this Agreement, Parent hereby represents and warrants to LMC as follows:

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Section 4.1. ORGANIZATION AND STANDING. Each of Parent and the Transferred Subsidiaries is (a) a corporation, limited liability company or other legal entity duly organized, validly existing and duly qualified or licensed and in good standing under the Laws of the state or jurisdiction of its organization with full corporate or other power, as the case may be, and authority to own, lease, use and operate its properties and to conduct its business as currently conducted, and (b) duly qualified or licensed to do business and, to the extent applicable, in good standing in any other jurisdiction in which the nature of the business conducted by it or the property it owns, leases, uses or operates requires it to be so qualified, licensed or in good standing, except where the failures to be so qualified, licensed or in good standing have not had a Material Adverse Effect on the Transferred Business. Parent has made available to LMC a complete and correct copy of the certificate of incorporation and by-laws (or other comparable organizational documents) of each of the Transferred Subsidiaries as in effect on the date hereof.

Section 4.2. CAPITALIZATION.

- 4.2.1 As of the Closing, Splitco's authorized capital stock will consist of one thousand (1,000) shares of Splitco Common Stock (the "Splitco Shares"). As of the date of this Agreement, Parent owns indirectly, through wholly owned Subsidiaries of Parent, all of the issued and outstanding shares of Splitco beneficially and of record, free and clear of any Securities Encumbrances. Immediately prior to the Closing, Parent shall own directly all of the issued and outstanding shares of Splitco beneficially and of record, free and clear of any Securities Encumbrances. There are no shares of capital stock of Splitco issued or outstanding other than the Splitco Shares. Parent has the sole, absolute and unrestricted right, power and capacity to exchange, assign and transfer all of the Splitco Shares to the Stockholders.
- 4.2.2 Parent, indirectly through one of its Subsidiaries, owns all of the issued and outstanding equity interests of each of the RSN Subsidiaries beneficially and of record, free and clear of any Encumbrances. A Subsidiary of Parent has the sole, absolute and unrestricted right, power and capacity to exchange, assign and transfer all of the equity interests of each RSN Subsidiary to Splitco.
- 4.2.3 The Splitco Shares are duly authorized, validly issued, fully paid and nonassessable, and have not been issued in violation of any preemptive or similar rights. Other than this Agreement, there are no outstanding subscriptions, options, warrants, puts, calls, agreements or other rights of any type or other securities (a) requiring the issuance, sale, transfer, repurchase, redemption or other acquisition of any shares of capital stock of Splitco or any equity interests of any RSN Subsidiary, (b) restricting the transfer of any shares of capital stock of Splitco or any equity interests of any RSN Subsidiary, or (c) relating to the voting of any shares of capital stock of Splitco or any equity interests of any RSN Subsidiary. There are no issued or outstanding bonds, debentures, notes or other indebtedness of Splitco or any RSN Subsidiary having the right to vote (or convertible into, or exchangeable for, securities having the right to vote), upon the happening of a certain event or otherwise, on any matters on which the equity holders of Splitco or any RSN Subsidiary may vote.

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- 4.2.4 Neither Splitco nor any RSN Subsidiary is in default under or in violation (and no event shall have occurred which, with notice or the lapse of time or both, would constitute such a default or violation) of any term, condition or provision of its certificate of incorporation or bylaws except for any such defaults or violations which would not materially delay or impair the performance of this Agreement by Parent.
- 4.2.5 As of the date hereof, Parent or one of its Subsidiaries has good and valid title to the Splitco Shares and all issued and outstanding equity interests of each of the Transferred

Subsidiaries, free and clear of any and all Securities Encumbrances. As of the Closing, Splitco will have good and valid title to all shares of the RSN Subsidiaries, free and clear of any and all Securities Encumbrances. Except as specified in this Agreement, as of the Closing, Splitco shall not have entered into any agreement, arrangement or understanding to purchase, capital stock or other equity interests in any other Person. There exists no Subsidiary of any RSN Subsidiary. No RSN Subsidiary owns any equity interest of any Person.

- 4.2.6 Except as set forth in this Section 4.2, there are no outstanding subscriptions, options, warrants, puts, calls, trusts (voting or otherwise), rights (including conversion or preemptive rights and rights of first refusal), exchangeable or convertible securities or other commitments or agreements of any nature relating to the capital stock or other securities or ownership interests of Splitco (including any phantom shares, phantom equity interests, stock or equity appreciation rights or similar rights) or obligating Splitco or any of its Subsidiaries, at any time or upon the happening of any event, to issue, transfer, deliver, sell repurchase, redeem or otherwise acquire, or cause to be issued, transferred, delivered, sold, repurchased, redeemed or otherwise acquired, any of its capital stock or any phantom shares, phantom equity interests, stock or equity appreciation rights or similar rights, or other ownership interest of Splitco or obligating Splitco to grant, extend or enter into any such subscription, option, warrant, put, call, trust, right, exchangeable or convertible security, commitment or agreement.
- 4.2.7 Immediately after the Closing, the Stockholders will have good title to all of the Splitco Shares free and clear of all Securities Encumbrances. As of the Closing, except for the Splitco Shares, there shall be no outstanding (i) shares of capital stock or voting securities of, or other ownership interests in, Splitco, (ii) securities of Splitco or any of its Subsidiaries convertible into or exchangeable for shares of capital stock or other voting securities of, or ownership interests in, Splitco or (iii) options or other rights to acquire from Splitco or any of its Subsidiaries, or other obligations of Splitco or any of its Subsidiaries to issue, any capital stock or other voting securities of, or other ownership interests in, or any securities convertible into or exercisable or exchangeable for any capital stock or other voting securities of Splitco. As of the Closing, there will be no outstanding obligations of any Transferred Subsidiary to repurchase, redeem or otherwise acquire any such securities from any other Person.

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Section 4.3. CORPORATE POWER AND AUTHORITY. Parent has all requisite corporate power and authority to enter into and deliver this Agreement and to consummate the Transactions. Each of Parent, Splitco and the other Subsidiaries of Parent party thereto has all requisite corporate or similar power, as the case may be, and authority to execute and deliver the Ancillary Agreements and the other agreements, documents and instruments to be executed and delivered by it in connection with this Agreement, including the Parent Tax Opinion Representations, the Closing Certificates required by Sections 7.2.1 and 7.2.2, or the Ancillary Agreements and to consummate the transactions contemplated thereby. The execution, delivery and, subject to receipt of the Parent Stockholder Approval, performance of this Agreement by Parent and the consummation by Parent, Splitco and the other applicable Subsidiaries of Parent of the Transactions, including the execution, delivery and performance of the Ancillary Agreements and the other agreements, documents and instruments to be executed and delivered in connection with this Agreement or the Ancillary Agreements by Parent, Splitco and the other applicable Subsidiaries of Parent and the consummation (other than the payment of any Termination Fee) of the Transactions, have been duly authorized by all necessary action on the part of Parent, Splitco and the other applicable Subsidiaries of Parent. Each of this Agreement and the Tax Matters Agreement has been duly executed and delivered by Parent and constitutes the legal, valid and binding obligation of Parent, enforceable against Parent in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to or affecting creditors' rights generally, including the effect of statutory and other Laws regarding fraudulent conveyances and preferential transfers and subject to the limitations imposed by general equitable principles (regardless of whether such enforceability is considered in a proceeding at Law or in equity). When signed, each of the Ancillary Agreements (other than the Tax Matters Agreement which is the subject of the preceding sentence) and the other agreements, documents, certificates (including the Parent Tax Opinion Representations) and instruments to be executed and delivered by Parent, Splitco and each Subsidiary of Parent in connection with this Agreement and the Transactions shall have been duly

executed and delivered by Parent, Splitco and the other Subsidiaries of Parent party thereto and shall constitute the legal, valid and binding obligations of Parent, Splitco and such other Subsidiaries of Parent, enforceable against each such Person in accordance with their respective terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to or affecting creditors' rights generally, including the effect of statutory and other Laws regarding fraudulent conveyances and preferential transfers and subject to the limitations imposed by general equitable principles (regardless of whether such enforceability is considered in a proceeding at Law or in equity).

Section 4.4. SHAREHOLDER VOTES REQUIRED. At the Parent Stockholders' Meeting (as defined in Section 6.5), the affirmative vote of a majority of the votes cast in person or by proxy by holders of Parent Class B Shares other than LMC, the Stockholders and any of their respective Associates (the "PARENT STOCKHOLDER APPROVAL"), in accordance with Chapter 10.1 of the ASX Listing Rules is the only vote of the holders of any class or series of capital stock of Parent or any of its Subsidiaries required by any applicable Law to approve the Exchange. Other than the Parent Stockholder Approval, no vote or other action of the stockholders of Parent is required by Law, the organizational documents of Parent, the ASX Listing Rules, the rules and regulations of the New York Stock Exchange or otherwise in order for Parent to consummate the Transactions. The Board of Directors of Parent, by vote at a meeting duly called and held, has

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approved this Agreement, determined that the Exchange is fair to and in the best interests of Parent's stockholders and has adopted resolutions recommending approval of the Exchange by the stockholders of Parent. The Murdoch Interests have agreed with Parent and LMC to be present, in person or by proxy, at the Parent Stockholder Meeting and to vote all shares of Parent Class B Stock beneficially owned by them at the Parent Stockholder Meeting (or any adjournment thereof) in favor of the approval of the Exchange; provided that the foregoing shall be deemed not to have been violated if the shares held by the Murdoch Interests shall have been disregarded for purposes of the Parent Shareholder Approval under the ASX listing rules.

Section 4.5. CONFLICTS; CONSENTS AND APPROVALS. Except as set forth in Section 4.5 of the Parent Disclosure Letter, neither the execution, delivery and performance by Parent of this Agreement, nor the execution, delivery and performance by Parent, the Transferred Subsidiaries and the other Subsidiaries of Parent party thereto of the Ancillary Agreements and the other agreements, documents and instruments to be executed and delivered by each of them in connection with this Agreement and the Ancillary Agreements, will:

- 4.5.1 conflict with, or result in a breach of any provision of, the organizational documents of Parent, any Transferred Subsidiary any applicable Parent Subsidiary;
- 4.5.2 violate, or conflict with, or result in a breach of any provision of, or constitute a change of control or default (or an event that, with the giving of notice, the passage of time or otherwise, would constitute a default) under, or require any action, consent, waiver or approval of any third party or entitle any Person (with the giving of notice, the passage of time or otherwise) to terminate, accelerate, modify or call a default under, or give rise to any obligation to make a payment under, or to any increased, additional or guaranteed rights of any Person under, or result in the creation of any Encumbrance upon any of the properties or assets of any Transferred Subsidiary or under any of the terms, conditions or provisions of any material Contract to which Parent or any Transferred Subsidiary is a party or pursuant to which any of their respective properties or assets are bound, except for any such conflicts, violations, breaches, defaults or occurrences which would not prevent or materially delay the performance of this Agreement by Parent;
- 4.5.3 assuming the approvals required under Section 4.5.4 are obtained, violate any order, writ, or injunction, or any decree, or any material Law applicable to Parent or any Transferred Subsidiary, or any of their respective properties or assets; or
- 4.5.4 require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Authority, except for (i) (A) applicable requirements of the Exchange Act, the Securities Act, and state securities or "blue sky" Laws, (B) the pre-merger notification requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder (the "HSR Act"), and (C) approval of the Transactions under the Communications Act and (ii) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications

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would not prevent or materially delay the performance of this Agreement by Parent.

Section 4.6. OPERATIONS OF THE TRANSFERRED BUSINESS. Except as set forth in Section 4.6 of the Parent Disclosure Letter, since October 1, 2006 and through the date of this Agreement, the Transferred Business has been conducted in the ordinary course of business consistent with past practice and there has not been since such date the occurrence of any fact, event or circumstance described in Sections 6.2.8, 6.2.9, 6.2.12 - 6.2.17 (assuming that the period referred to therein is effective beginning October 1, 2006).

Section 4.7. COMPLIANCE WITH LAW. The Transferred Business is currently being conducted, and since January 1, 2004, has been conducted, in compliance with all material Laws applicable to the Transferred Business or the Transferred Employees. Since January 1, 2004 and prior to the date of this Agreement, none of Parent, Splitco or any of the RSN Subsidiaries has received any material notice from any Governmental Authority that the Transferred Business has been or is being conducted in violation of any applicable material Law or that an investigation or inquiry into any noncompliance with any applicable material Law is ongoing, pending or, to the Knowledge of Parent, threatened. This Section 4.7 does not relate to matters with respect to Taxes, which are the subject of Section 4.20 or the Tax Matters Agreement, as the case may be, to Environmental Matters, which are the subject of Section 4.10, to Employee Benefits Plan matters, which are the subject of Section 4.12 or to Labor and Employment Matters, which are the subject of Section 4.14.

Section 4.8. INTELLECTUAL PROPERTY.

- 4.8.1 Section 4.8.1 of the Parent Disclosure Letter sets forth a list of all patents, patent applications, registered trademarks, material unregistered trademarks, registered copyrights and Internet domain name registrations that are, as of the date of this Agreement, owned by the RSN Subsidiaries (the "Owned Intellectual Property"). The RSN Subsidiaries own the Owned Intellectual Property, free and clear of all Encumbrances and have the exclusive right to use and sublicense, without payment to any other Person, all of the Owned Intellectual Property. As of the date hereof, no license relating to any of the Owned Intellectual Property has been granted, except as provided in the Ancillary Agreements, and except for Customer Agreements entered into in the ordinary course of business.
- 4.8.2 Section 4.8.2 of the Parent Disclosure Letter sets forth a list that includes all material Intellectual Property that is held for use under license by the RSN Subsidiaries as of the date hereof (the "Licensed Intellectual Property"). As of the date hereof, neither Parent nor the RSN Subsidiaries have given or received any notice of material default or of any event which with the lapse of time would constitute a material default under any material agreement relating to the Licensed Intellectual Property; neither Parent nor the Transferred Subsidiaries, nor, to Parent's Knowledge, any other Person, currently is in material default under any such agreement.

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- 4.8.3 To Parent's Knowledge, as of the date hereof, no third party is infringing in any material respect a proprietary right in any Owned Intellectual Property. To Parent's Knowledge, the use of any Owned Intellectual Property or Licensed Intellectual Property in connection with the Transferred Business as currently conducted does not materially infringe upon, misappropriate, violate or conflict in any way with any material Intellectual Property rights of any Person.
- 4.8.4 There is no pending or, to Parent's Knowledge, threatened material claim (i) challenging the validity or enforceability of, or contesting the Parent's or the Transferred Subsidiaries' right to make, sell, offer to sell, and/or use any of the Owned Intellectual Property or Licensed Intellectual Property; (ii) challenging the validity or enforceability of any agreement relating to the Owned Intellectual Property or Licensed Intellectual Property; or (iii) asserting that the manufacture, sale, offer of sale, and/or use of any Owned Intellectual Property or Licensed Intellectual Property infringes upon, misappropriates, violates or conflicts in any way with the Intellectual Property rights of any Person.

- 4.8.5 The making, using, selling, offering to sell, or other implementation of any apparatus, systems, processes, methods, or other technologies (and/or combination thereof) used in or necessary for operation and conducting of the Transferred Business as currently conducted do not infringe upon, misappropriate, violate, or conflict in any way with the material Intellectual Property rights of any Person.

Section 4.9. ABSENCE OF SPLITCO OPERATIONS; SPLITCO ASSETS AND LIABILITIES. Splitco has conducted no activities other than in connection with the execution and delivery of the Ancillary Agreements to which it is or will be a party. As of the Closing, the assets of Splitco will consist solely of (i) all issued and outstanding equity interests of each RSN Subsidiary, (ii) the DTV Shares and (iii) the Cash Amount (collectively, the "Splitco Assets"). As of the Closing, the Transferred Subsidiaries will have no Liabilities other than Liabilities arising as a result of its ownership of the Splitco Assets and any Liabilities set forth in Section 4.9(a) of the Parent Disclosure Letter. Except as set forth in Section 4.9(b) of the Parent Disclosure Letter, the assets of the RSN Subsidiaries, along with the rights of Splitco and the RSN Subsidiaries under the Ancillary Agreements, are sufficient to permit the RSN Subsidiaries to conduct immediately following the Closing the Transferred Business in all material respects in the manner as the Transferred Business was being conducted as of the date hereof.

Section 4.10. ENVIRONMENTAL MATTERS.

- 4.10.1 The Transferred Business is currently being conducted in compliance in all material respects with, and, since January 1, 2004 has been conducted in compliance in all material respects with, all applicable Environmental Laws.
- 4.10.2 Except as would not reasonably be expected to form the basis of any material Environmental Claim against the Transferred Business, since January 1, 2004, the Transferred Business has not disposed of, Released, transported, stored, or arranged for the disposal of any Hazardous Materials to, at or upon: (i) any

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location other than a site lawfully permitted to receive such Hazardous Materials; (ii) any premises currently or formerly owned or leased by any of the RSN Subsidiaries, except for the use of household cleaners and office products in the ordinary course of business in compliance with applicable Environmental Laws; or (iii) any site which has been placed on the National Priorities List, CERCLIS or their state equivalents;

- 4.10.3 Since January 1, 2004, the operations of the Transferred Business have not resulted in any Release of Hazardous Materials at or from any Leased Real Property that requires Cleanup that has not been completed to the satisfaction of the relevant Governmental Authority or would reasonably be expected to form the basis of any material Environmental Claim against the Transferred Business;
- 4.10.4 The Transferred Business is not subject to, and, since January 1, 2004, none of the RSN Subsidiaries has received written notice of, any existing, pending, or, to the Knowledge of Parent, threatened material Action, by any Person under any Environmental Laws or involving the presence, Release or threatened Release of any Hazardous Material at any location currently or formerly owned or operated as part of the Transferred Business.

Section 4.11. LITIGATION.

- 4.11.1 Other than Actions of the type contemplated by Section 4.11.2 and judgments, decrees, written agreements, memoranda of understanding or orders of Governmental Authorities of the type contemplated by Section 4.11.3, (i) as of the date hereof, there are no Actions pending or, to the Knowledge of Parent, threatened against any of the Transferred Subsidiaries, by or before any Governmental Authority, (ii) there are no material Actions pending, or to the Knowledge of Parent, threatened against any of the Transferred Subsidiaries, by or before any Governmental Authority, (iii) as of the date hereof, there is no judgment, decree, injunction, ruling or order of any Governmental Authority outstanding against any Transferred Subsidiary and (iv) there is no material judgment, decree, injunction, ruling or order of any Governmental Authority outstanding against any Transferred Subsidiary.
- 4.11.2 As of the execution of this Agreement, there is no Action pending or, to Parent's Knowledge, threatened against Parent or any of its Affiliates that seeks, or would reasonably be expected, to prohibit

or restrain the ability of Parent or any of its Affiliates to enter into this Agreement or any of the Ancillary Agreements to which it is a party or to timely consummate the Transactions.

- 4.11.3 As of the execution of this Agreement, there are no material judgments, decrees, written agreements, memoranda of understanding or orders of any Governmental Authority outstanding against Parent or any of its Affiliates which would reasonably be expected to prevent, prohibit, materially delay or enjoin the consummation of the Transactions.

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Section 4.12. EMPLOYEE BENEFIT PLANS.

- 4.12.1 Section 4.12.1 of the Parent Disclosure Letter sets forth, as of the date of this Agreement, a list of all material "employee pension benefit plans" (as defined in Section 3(2) of ERISA), "employee welfare benefit plans" (as defined in Section 3(1) of ERISA), and deferred compensation, bonus, retention bonus, incentive, severance, stock bonus, stock option, restricted stock, stock appreciation right, stock purchase, holiday pay, and vacation pay plans, and any other employee benefit plan, program, policy or arrangement covering Transferred Employees as of the date hereof, that are currently either maintained by or contributed to by Parent or any of its Subsidiaries or to which Parent or any of its Subsidiaries is obligated to make payments or otherwise have any liability (collectively, the "Employee Benefit Plans"), and each employment, severance, retention, consulting or similar agreement currently in effect that has been entered into by Parent, any Transferred Subsidiary or any of their respective Affiliates, on the one hand, and any Transferred Employee, on the other hand (collectively, the "Employment Agreements"). Each Employee Benefit Plan which provides, as of the date of hereof, benefits solely with respect to the Transferred Employees and no other active employees of Parent or any other Subsidiary is separately identified on Section 4.12.1 of the Parent Disclosure Letter (collectively, the "Subsidiary Employee Benefit Plans"). Summaries of all Employee Benefit Plans (except for plans contributed to pursuant to a Collective Bargaining Agreement set forth on Section 4.12.1 of the Parent Disclosure Letter), copies of all such written Subsidiary Employee Benefit Plans and Employment Agreements and written summaries of all unwritten Subsidiary Employee Benefit Plans have been made available to LMC.

- 4.12.2 No Controlled Group Liability has been incurred by any Transferred Subsidiary or any trade or business that together with any Transferred Subsidiary would be deemed a "single employer," within the meaning of section 4001(b) of ERISA (an "ERISA Affiliate"), no condition exists that presents a material risk to any Transferred Subsidiary or any ERISA Affiliate of incurring any Controlled Group Liability, and no Controlled Group Liability would reasonably be expected to be incurred by the Transferred Subsidiaries following the Closing by reason of such Transferred Subsidiaries having been an ERISA Affiliate of Parent (or of any other ERISA Affiliate of Parent) prior to the Closing. For purposes of this Agreement, "Controlled Group Liability" means any and all liabilities (i) under Title IV of ERISA, other than for payment of premiums to the Pension Benefit Guaranty Corporation (which premiums have been paid when due), (ii) under Section 302 or 4068(a) of ERISA, (iii) under Sections 412(n) or 4971 of the Code and (iv) for violation of the continuation coverage requirements of Section 601 et seq. of ERISA and Section 4980B of the Code or the group health requirements of Sections 9801 et seq. of the Code and Sections 701 et seq. of ERISA. The consummation of the Transactions will not result in the occurrence of any reportable event within the meaning of Section 4043(c) of ERISA with respect to any pension plan maintained by Parent or an ERISA Affiliate. None of the

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Subsidiary Employee Benefit Plans is subject to Title IV of ERISA or Section 412 of the Code.

- 4.12.3 No Transferred Subsidiary has any liability, fixed or contingent, with respect to a Multiemployer Plan.
- 4.12.4 Each Employee Benefit Plan has been operated and administered in all material respects in accordance with its terms and applicable

law, including but not limited to ERISA and the Code. As of the date hereof, there are no actions, suits or claims pending (other than routine claims for benefits) or, to the Knowledge of Parent, threatened against, or with respect to, any of the Employee Benefit Plans or their assets. There are no material actions, suits or claims pending (other than routine claims for benefits) or, to the Knowledge of Parent, threatened against, or with respect to, any of the Employee Benefit Plans or their assets. There have been no "prohibited transactions" (as described in Section 406 of ERISA or Section 4975 of the Code) with respect to any of the Employee Benefit Plans. Other than routine filings, there is no matter pending or audit in progress with respect to any of the Employee Benefit Plans before or by any Governmental Authority.

- 4.12.5 Each Employee Benefit Plan intended to be qualified, within the meaning of Section 401(a) of the Code, has received a favorable determination letter regarding the Employee Benefit Plan's qualification from the IRS with respect to all amendments required by applicable law (or such plan has been submitted to the IRS for a determination as to its qualification within the applicable remedial amendment period).
- 4.12.6 The execution and delivery of this Agreement and the consummation of the Transactions will not (except as otherwise provided in this Agreement) (A) require any Transferred Subsidiary to make a larger contribution to, or pay greater benefits or provide other rights under, any Employee Benefit Plan, any Employment Agreement or any other employee benefit plan or arrangement than it otherwise would, whether or not some other subsequent action or event would be required to cause such payment or provision to be triggered or (B) create, give rise to or accelerate any additional benefits, vested rights or service credits under any Employee Benefit Plan, Employment Agreement or any other employee benefit plan or arrangement. In connection with the consummation of the Transactions, no payment of money or other property, acceleration of benefits or provision of other rights has been made under this Agreement, any Employee Benefit Plan or otherwise that would be nondeductible for income Tax purposes by Splitco or the Transferred Subsidiaries by virtue Section 280G of the Code.
- 4.12.7 No Subsidiary Employee Benefit Plan provides post employment medical, disability, life insurance benefits or other welfare benefits, except as required by Section 4980B of the Code or Part 6 of Title I of ERISA and at no expense to any Transferred Subsidiary.

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- 4.12.8 Except as disclosed on Section 4.12.8 of the Parent Disclosure Schedule, no Subsidiary Employee Benefit Plan, Employment Agreement or payment or benefit provided pursuant to any Subsidiary Employee Benefit Plan, Employment Agreement or other contract, agreement or benefit arrangement covering any "service provider" (within the meaning of Section 409A of the Code), including the grant, vesting or exercise of any option or appreciation right, will or may provide for the deferral of compensation subject to Section 409A of the Code, whether pursuant to the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby (either alone or upon the occurrence of any additional or subsequent events) or otherwise. Each Subsidiary Employee Benefit Plan that is a nonqualified deferred compensation plan subject to Section 409A of the Code has been operated and administered in good faith compliance with Section 409A of the Code from the period beginning January 1, 2005 through the date hereof.

Section 4.13. CONTRACTS. Section 4.13 of the Parent Disclosure Letter contains a complete list, as of the date hereof, of all Contracts (together with each material amendment, modification, change or waiver thereto) by and between any Transferred Subsidiary and one or more third parties (other than this Agreement or the Ancillary Agreements), pursuant to which any Transferred Subsidiary is obligated or liable or is entitled to any rights or benefits or pursuant to which any Transferred Subsidiary or any of its properties or assets is subject, in each case, which fall within any of the following categories (such Contracts as are required to be set forth in Section 4.13 of the Parent Disclosure Letter, the "Material Contracts"):

(a) each advertising and sponsorship Contract pursuant to which payment of more than \$100,000 annually is required to be paid to any Transferred Subsidiary;

(b) each Contract providing for the sale, lease or other disposition of a material portion of the assets of any Transferred Subsidiary other than in

the ordinary course of business;

(c) each material Contract relating to the production or licensing of any programming for any Network;

(d) each affiliation, distribution, carriage or similar agreement between any Transferred Subsidiary (or under which any Transferred Subsidiary is bound or is liable or pursuant to which any Transferred Subsidiary or any of its properties or assets is subject) and any of its affiliates, distributors, carriers, over-the-air broadcast operators and multichannel video programming distributors, in which such affiliate, distributor, carrier or operator accounts for at least 50,000 subscribers to a Network operated by such Transferred Subsidiary as of July 31, 2006;

(e) each material definitive rights agreement relating to the telecast of professional, collegiate conference, university or high school sports teams or any sports related tournaments or events on any Network;

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(f) each Contract pursuant to which any Transferred Subsidiary is obligated (or assuming performance of any Contract in effect at the date hereof, would be obligated) to any Person for payments in respect of capital expenditures in excess of \$1,000,000;

(g) each currently effective joint venture or partnership or similar agreement and each Contract providing for the formation of a joint venture, limited liability company, long-term alliance or partnership or involving an equity investment;

(h) each currently effective Contract (including any Employment Agreements) which (A) materially restricts the ability of any Transferred Subsidiary or any of its Affiliates or the Transferred Business to engage in any business activity in any geographic area or line of business following the Closing or (B) materially restricts the ability of any Transferred Subsidiary or any of its Affiliates or the Transferred Business to compete with any Person following the Closing;

(i) each Contract (or group of related Contracts) under which there has been created, incurred, assumed, or guaranteed any Indebtedness, or that relates to the lending or advancing of amounts or investment in any other Person, in each case, in excess of \$100,000, or providing for the creation of any Encumbrance securing an obligation likely to exceed \$100,000 upon any asset of any Transferred Subsidiary;

(j) each lease, sublease or similar agreement relating to tangible personal property used or held for use in the Transferred Business, for an annual rent in excess of \$100,000, or agreement regarding the purchase of real property;

(k) each currently effective material Real Property Lease;

(l) any currently effective Contract concerning the marketing or distribution by third parties of any products or services of the Transferred Business (including any Contract requiring the payment of any sales or marketing or distribution commissions or granting to any Person rights to market, distribute or sell such products or services) involving sales of products of more than \$100,000 annually;

(m) any other currently effective Contract which was entered into other than in the ordinary course of business involving payments to or from third parties in excess of \$500,000 over the remaining term of such Contract; and

(n) each satellite and transponder agreement to which any Transferred Subsidiary is a party or pursuant to which any Transferred Subsidiary or under which any Transferred Subsidiary is bound or is liable or pursuant to which any Transferred Subsidiary or any of its properties or assets is subject.

Parent has made available to LMC or its Representatives (as defined below) correct and complete copies of all such Material Contracts (other than such Material Contracts referenced in Section 4.13(n) pursuant to which the Transferred Subsidiaries shall have no liabilities or obligations of any kind after Closing other than pursuant to the Technical Services Agreement) with all amendments thereto. Each such Material Contract is valid, binding and enforceable against a Transferred Subsidiary and the other parties thereto in accordance with its terms and is

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in full force and effect, subject to expiration in accordance with its terms. Except as set forth in Section 4.13 of the Parent Disclosure Letter, none of the Transferred Subsidiaries is in material default under or in material breach of any such Material Contract, and no event has occurred that, with notice or lapse of time, or both, would constitute such a material default. Except as set forth in Section 4.13 of the Parent Disclosure Letter, each of the other parties to the Material Contracts has performed in all material respects all of the obligations required to be performed by it under, and is not in material default under, any such Material Contract, and to the Knowledge of Parent, no event has occurred that, with notice or lapse of time, or both, would constitute such a material default.

Section 4.14. LABOR MATTERS.

4.14.1 Except as set forth in the Parent Disclosure Letter, as of the date hereof, there are no collective bargaining agreements, union contracts or similar agreements or arrangements in effect that cover any Transferred Employee (each, a "Collective Bargaining Agreement"). With respect to the Transferred Business, (a) there is no material labor strike, dispute, slowdown, lockout or stoppage pending or, to the Knowledge of Parent, threatened, and no Transferred Subsidiary has experienced any labor strike, dispute, slowdown, lockout or stoppage relating to the Transferred Business or any Transferred Employee since January 1, 2004; (b) there is no material unfair labor practice charge or complaint pending or, to Parent's Knowledge, threatened before the National Labor Relations Board or before any similar state or foreign agency; (c) there is no material grievance or arbitration arising out of any Collective Bargaining Agreement or other grievance procedure; (d) no material charges are pending before the Equal Employment Opportunity Commission or any other agency responsible for the prevention of unlawful employment practices; and (e) Parent, Splitco and the Transferred Subsidiaries have complied in all material respects with all laws relating to the employment of labor, including provisions thereof relating to wages, hours, equal opportunity, collective bargaining, affirmative action, occupational safety and health, immigration and the withholding and payment of social security and other taxes, and no claim to the contrary has been made by any employee or Governmental Authority.

4.14.2 Neither Parent nor any of its Affiliates has effected any of the following with respect to any Transferred Employee: (a) a "plant closing" (as defined in the WARN Act) affecting any site of employment or one or more facilities or operating units within any site of employment or facility; or (b) a "mass layoff" (as defined in the WARN Act) affecting any site of employment or facility. None of the Transactions or any of the actions taken by Parent or its Affiliates in preparation for the Closing have or will result in plant closing or mass layoff under the WARN Act.

Section 4.15. RSN SUBSIDIARIES FINANCIAL STATEMENTS.

4.15.1 Attached as Section 4.15.1 of the Parent Disclosure Letter are the unaudited consolidated interim balance sheet (with respect to each RSN Subsidiary, the

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"INTERIM BALANCE SHEET") of each RSN Subsidiary as of October 1, 2006 (the "INTERIM BALANCE SHEET DATE"), and the unaudited consolidated statements of operations and partners' deficit and cash flows for each RSN Subsidiary for the fiscal year ended July 2, 2006 (such unaudited consolidated financial statements, collectively, the "FINANCIAL STATEMENTS"). Except as provided in Section 4.15.1 of the Parent Disclosure Letter, the Financial Statements (i) conform to the books and records of the RSN Subsidiaries in all material respects, (ii) present fairly in all material respects the financial position of the RSN Subsidiaries as of the dates indicated and the results of operations and partners' deficit and cash flows for the respective periods indicated, and (iii) were prepared in accordance with GAAP, consistently applied; PROVIDED that each Interim Balance Sheet is subject to normal, recurring year-end audit adjustments (none of which are material, individually or in the aggregate, to Parent's Knowledge).

4.15.2 From the Interim Balance Sheet Date to the date hereof, except as set forth on Section 4.15.2 of the Parent Disclosure Letter, (i) the business of the RSN Subsidiaries has been conducted in the ordinary course of business consistent with past practices, (ii) there has not been any event, circumstance, change or effect that has had or could reasonably be expected to have, individually or in

the aggregate, Material Adverse Effect on the Transferred Business, (iii) no RSN Subsidiary has redeemed any ownership interests in any RSN Subsidiary, (iv) no RSN Subsidiary has waived, released, compromised or settled any right or claim of substantial value to such RSN Subsidiary or any other Person and (v) no RSN Subsidiary has engaged in any transaction or taken any other action except in the ordinary course of business consistent with past practices. No RSN Subsidiary has engaged in any activity other than the operation of the Networks.

4.15.3 There are no Liabilities of the RSN Subsidiaries, and there is no existing condition, situation or set of circumstances that could reasonably be expected to result in such a Liability, other than: (i) Liabilities disclosed or provided for in the Interim Balance Sheet or in the notes to the Financial Statements; (ii) the Liabilities set forth on Section 4.15.3 of the Parent Disclosure Letter; and (iii) Liabilities incurred in the ordinary course of business consistent with past practice since the Interim Balance Sheet Date that have not had and could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Transferred Business.

4.15.4 Except as set forth in Section 4.15.4 of the Parent Disclosure Letter, each RSN Subsidiary is, and since the Interim Balance Sheet Date has been, in compliance with and, as of the date hereof, to the Knowledge of Parent is not under investigation with respect to and has not been threatened to be charged with or given any notice of any violation of, any applicable Law.

Section 4.16. PERMITS. The RSN Subsidiaries are in possession of, all franchises, grants, authorizations, licenses, permits, easements, variances, exemptions, consents, certificates, approvals and orders necessary to own, lease and operate the Transferred Business as it is being operated as of the date hereof, other than such franchises, grants, authorizations, licenses,

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permits, easements, variances, exemptions, consents, certificates, approvals and orders which the failure to hold would not adversely affect the ability of the RSN Subsidiaries to conduct the Transferred Business in all material respects as it is currently conducted by the RSN Subsidiaries (collectively, the "PERMITS"). As of the date hereof, there are no Business FCC Licenses. Except as set forth in Section 4.16 of the Parent Disclosure Letter (a) (i) as of the date hereof, there is no Action pending, or, to the Knowledge of Parent, threatened, regarding any of the Permits and (ii) there is no material Action pending, or to the Knowledge of Parent, threatened regarding any of the Permits and (b) each such Permit is in full force and effect. The RSN Subsidiaries do not possess any Business FCC Licenses.

Section 4.17. REAL ESTATE.

4.17.1 None of the Transferred Subsidiaries owns or has owned any real property.

4.17.2 As of the date hereof, the RSN Subsidiaries have good and valid leasehold interests in all Leased Real Property except for any such Leased Real Property which is no longer used or useful in the conduct of the Transferred Business.

4.17.3 Each of the RSN Subsidiaries has complied in all material respects with the terms of all Real Property Leases to which it is a party and under which it is in occupancy, and all such Real Property Leases and deeds are in full force and effect. Section 4.17.3 of the Parent Disclosure Letter sets forth a complete list, as of the date hereof, of all leases pursuant to which parcels of the Leased Real Property are held. The RSN Subsidiaries enjoy peaceful and undisturbed possession under all such leases and there are no existing material defaults beyond any applicable grace periods under such leases.

Section 4.18. GUARANTEES. Except to the extent contemplated by this Agreement or as set forth in Section 4.18 of the Parent Disclosure Letter, none of the Transferred Subsidiaries is directly or indirectly (a) liable, by guarantee or otherwise, upon or with respect to or (b) obligated to provide funds with respect to, or to guarantee or assume, any Indebtedness or other Liability of any other Person.

Section 4.19. TITLE TO DTV SHARES. As of the date hereof, FEG is the sole record owner and has good and valid title to the DTV Shares, free and clear of any and all Securities Encumbrances. As of the Closing, Splitco will be the sole record beneficial owner of, and will have good and valid title to the DTV Shares, free and clear of any and all Securities Encumbrances. The DTV Shares

are duly authorized, validly issued, fully paid and nonassessable, and have not been issued in violation of any preemptive or similar rights. The DTV Shares constitute all shares of common stock of DTV beneficially owned by Parent.

Section 4.20. CERTAIN TAX MATTERS.

4.20.1 FILING AND PAYMENT. (i) All material Tax Returns required to be filed with any Taxing Authority by or on behalf of the Transferred Subsidiaries or otherwise with respect to the Transferred Business have been filed when due (taking into account any extension of time within which to file) in accordance with all applicable Laws; (ii) all such Tax Returns are accurate and complete in all

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material respects and have been prepared in substantial compliance with all applicable Laws; (iii) all material Taxes due and payable by the Transferred Subsidiaries or with respect to the Transferred Business have been timely paid, or withheld and remitted to the appropriate Taxing Authority; (iv) no written claim has been made by any Taxing Authority in a jurisdiction where any of the Transferred Subsidiaries does not file a Tax Return that it is, or may be, subject to Tax by that jurisdiction; and (v) there are no Encumbrances on any of the assets of any of the Transferred Subsidiaries that arose in connection with any failure (or alleged failure) to pay any Tax (except for Encumbrances that arise by operation of Law for Taxes not yet due and payable).

4.20.2 WITHHOLDING. Each of the Transferred Subsidiaries has complied with all applicable Laws relating to the payment and withholding of any material amount of Taxes and have, within the time and the manner prescribed by applicable Law, withheld from and paid over to the proper Taxing Authorities all material amounts required to be so withheld and paid over under all applicable Laws.

4.20.3 PROCEEDINGS AND COMPLIANCE. (i) No outstanding written claim has been received, and no audit, action, suit or proceeding is in progress, against or with respect to any of the Transferred Subsidiaries in respect of any material Tax; and (ii) all material deficiencies, assessments or proposed adjustments asserted against any of the Transferred Subsidiaries by any Taxing Authority have been paid or fully and finally settled.

4.20.4 AVAILABILITY OF TAX RETURNS. Parent has furnished or made available to LMC complete and accurate copies of all portions of United States federal income Tax Returns and material state income Tax Returns relating to the Transferred Subsidiaries, and including, in each case, any amendments thereto, filed by or on behalf of any such Transferred Subsidiaries for all taxable periods beginning after December 31, 2000.

4.20.5 CONSOLIDATION AND SIMILAR ARRANGEMENTS; TAX SHARING AGREEMENTS. None of the Transferred Subsidiaries (i) is or has been a member of an affiliated group (within the meaning of Section 1504 of the Code) filing a consolidated federal income Tax Return, other than an affiliated group the common parent of which is or was Parent (a "Parent Group"), (ii) is or has been a member of any affiliated, combined, consolidated, unitary or similar group for state, local or foreign Tax purposes other than a group the common parent of which is Parent, (iii) is a party to, or has any liability for any Tax under, any Tax Sharing Agreement or (iv) has any liability for the Taxes of any Person under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local, or foreign Law) or as a transferee or successor, except for such liability arising from membership in a Parent Group.

4.20.6 TIMING. None of the Transferred Subsidiaries will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any

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(i) change in method of accounting for a taxable period (or portion thereof) ending on or prior to the Closing Date (other than any change in method of accounting made by LMC or any of its Affiliates, except for any change in method of accounting made on any Tax Return of or including the Transferred Subsidiaries which Parent is responsible for preparing pursuant to Section 2.1(a) of

the Tax Matters Agreement), (ii) "closing agreement" as described in Section 7121 of the Code (or any corresponding or similar provision of state, local or foreign income Tax Law) executed prior to the Closing, or (iii) installment sale or open transaction occurring prior to the Closing.

- 4.20.7 STATUTE OF LIMITATIONS. No waiver or extension of any statute of limitations in respect of material Taxes or any extension of time with respect to a material Tax assessment or deficiency is in effect for any of the Transferred Subsidiaries.
- 4.20.8 SECTION 355. Except with respect to the Transactions, none of the Transferred Subsidiaries has constituted either a "distributing corporation" or a "controlled corporation" (or is otherwise a successor to a "distributing corporation" or a "controlled corporation") in a distribution of stock qualifying or intended to qualify under Section 355 of the Code.
- 4.20.9 REPORTABLE TRANSACTIONS. None of the Transferred Subsidiaries has participated in a "listed transaction" within the meaning of Treasury Regulations Section 1.6011-4(b)(2).
- 4.20.10 CERTAIN AGREEMENTS AND RULINGS. None of the Transferred Subsidiaries is a party to or bound by any advance pricing agreement, closing agreement or other agreement or ruling relating to Taxes with any Taxing Authority that will remain in effect with respect to such Transferred Subsidiary after the Closing.
- 4.20.11 DTV SHARES. To the Knowledge of Parent, for United States federal income Tax purposes the aggregate basis of the DTV Shares is \$6.8 billion. Parent has not taken any position for Tax purposes or in computing any deferred income tax provision or reserve for financial reporting purposes that is inconsistent with the representation set forth in the preceding sentence.

Section 4.21. AFFILIATE TRANSACTIONS. Section 4.21 of the Parent Disclosure Letter sets forth, as of the date hereof, all Contracts and all material allocations, obligations, transactions or other arrangements (oral or written) between DTV, on the one hand, and Parent or any of its Subsidiaries, on the other hand, that, in each case, shall be in effect following the Closing (each, an "Affiliate Transaction").

Section 4.22. BROKERS OR FINDERS. Except as set forth in Section 4.22 of the Parent Disclosure Letter, no agent, broker, investment banker, financial advisor or other Person (any such Person, a "Broker") is or will be entitled to any financial advisory, broker's, finder's or similar fee or commission in connection with the Transactions (collectively, "Broker Fees") based upon arrangements made by or on behalf of Parent, DTV, a Transferred Subsidiary or any of their respective Affiliates.

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Section 4.23. INVESTIGATION; RELIANCE.

- 4.23.1 Notwithstanding anything to the contrary set forth herein, the express representations and warranties set forth in this Agreement, the Parent Tax Opinion Representations and the Tax Matters Agreement are the only representations and warranties concerning Parent and the DTV Shares made to LMC by Parent. Such representations and warranties are made expressly in lieu of all other warranties and representations, express or implied.
- 4.23.2 Parent hereby acknowledges and agrees that LMC makes no representations or warranties to Parent, express or implied, other than those representations and warranties set forth in this Agreement, the LMC Tax Opinion Representations, the Tax Matters Agreement and the Ancillary Agreements. Parent hereby expressly acknowledges and agrees that it is not relying on, is not entitled to rely on and, except in the case of fraud or willful breach, neither LMC nor any Person will have or be subject to any liability to Parent or any other Person resulting from, any statements or communications by LMC or any of its Affiliates or Representatives with respect to any matter in connection with its investigation or evaluation of the Transactions, except for the representations and warranties expressly set forth in this Agreement, the Tax Matters Agreement, the LMC Tax Opinion Representations and the Ancillary Agreements.

ARTICLE V.

REPRESENTATIONS AND WARRANTIES OF LMC

Except as set forth in the LMC Disclosure Letter delivered by LMC to Parent prior to the execution of this Agreement, LMC hereby represents and warrants to Parent as follows:

Section 5.1. ORGANIZATION AND STANDING. LMC and each Stockholder is (a) a corporation, limited liability company or other legal entity duly organized, validly existing and duly qualified or licensed and in good standing under the Laws of the state or jurisdiction of its organization with full corporate or other power and authority to own, lease, use and operate its properties and to conduct its business, and (b) duly qualified or licensed to do business and in good standing in any other jurisdiction in which the nature of the business conducted by it or the property it owns, leases or operates requires it to so qualify, be licensed or be in good standing, except where the failures to be so qualified, licensed or in good standing have not had a Material Adverse Effect on LMC or any of the Stockholders, as the case may be.

Section 5.2. CORPORATE POWER AND AUTHORITY. LMC and each Stockholder has all requisite corporate or other power and authority to execute and deliver this Agreement and to consummate the Transactions. LMC and each Stockholder has all requisite corporate or other power and authority to execute and deliver the Ancillary Agreements and the other agreements, documents and instruments to be executed and delivered by it in connection with this Agreement, including the LMC Tax Opinion Representations, the Closing Certificates required by Sections 7.3.1 and 7.3.2, or the Ancillary Agreements and to consummate the Transactions.

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The execution, delivery and performance of this Agreement by LMC and each Stockholder and the consummation by LMC and each Stockholder of the Transactions, including the exchange and delivery by the Stockholders to Parent of the LMC Parent Shares, and the execution, delivery and performance of the Ancillary Agreements and the other agreements, documents, certificates and instruments to be executed and delivered in connection with this Agreement or the Ancillary Agreements by LMC and each Stockholder and the consummation of the Transactions, have been duly authorized by all necessary action on the part of LMC and each Stockholder. Each of this Agreement and the Tax Matters Agreement has been duly executed and delivered by LMC and constitutes the legal, valid and binding obligation of LMC, enforceable against LMC in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to or affecting creditors' rights generally, including the effect of statutory and other Laws regarding fraudulent conveyances and preferential transfers and subject to the limitations imposed by general equitable principles (regardless of whether such enforceability is considered in a proceeding at Law or in equity). When signed, the Ancillary Agreements (other than the Tax Matters Agreement which is the subject of the preceding sentence) and the other agreements, documents, certificates (including the LMC Tax Opinion Representations) and instruments to be executed and delivered by LMC and each Stockholder in connection with this Agreement or the Transactions shall have been duly executed and delivered by LMC and each Stockholder and shall constitute the legal, valid and binding obligations of LMC and each Stockholder, enforceable against LMC and each Stockholder in accordance with their respective terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to or affecting creditors' rights generally, including the effect of statutory and other Laws regarding fraudulent conveyances and preferential transfers and subject to the limitations imposed by general equitable principles (regardless of whether such enforceability is considered in a proceeding at Law or in equity).

Section 5.3. NO VOTE REQUIRED. No vote or other action of the shareholders of LMC or any Stockholder is required by Law, the organizational documents of LMC or any Stockholder otherwise in order for LMC and/or the Stockholders to consummate the Exchange and the transactions contemplated hereby. The Board of Directors of LMC, by vote at a meeting duly called and held, has approved the Exchange.

Section 5.4. CONFLICTS; CONSENTS AND APPROVALS. Except as set forth in Section 5.4 of the LMC Disclosure Letter, neither the execution and delivery by LMC and each Stockholder of this Agreement, the Ancillary Agreements and the other agreements, documents and instruments to be executed and delivered by LMC and each Stockholder in connection with this Agreement and the Ancillary Agreements, nor the consummation of the Transactions, will:

- 5.4.1 conflict with, or result in a breach of any provision of, the organizational documents of LMC or any Stockholder;
- 5.4.2 violate, or conflict with, or result in a breach of any provision of, or constitute a default (or an event that, with the giving of notice, the passage of time or otherwise, would constitute a default) under, or entitle any Person (with the giving of notice, the passage of time or otherwise) to terminate, accelerate, modify

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a default under, or give rise to any obligation to make a payment under, or to any increased, additional or guaranteed rights of any Person under, or result in the creation of any Encumbrance upon any of the LMC Parent Shares or any of the other properties or assets of LMC or any Stockholder under any of the terms, conditions or provisions of any Contract to which LMC or any Stockholder is a party or pursuant to which any of its properties or assets are bound, except for any such conflicts, violations, breaches, defaults or occurrences which would not prevent or materially delay the performance of this Agreement by LMC or a Stockholder;

- 5.4.3 assuming the approvals required under Section 5.4.4 are obtained, violate any order, writ, or injunction, or any material decree, or material Law applicable to LMC or any Stockholder or any of their properties or assets except as would not have a Material Adverse Effect on LMC's or the Stockholders' ability to consummate the Exchange and the transactions contemplated hereby; or
- 5.4.4 require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Authority, except for (i) (A) applicable requirements of the Exchange Act, the Securities Act, and state securities or "blue sky" Laws, (B) the pre-merger notification requirements of the HSR Act, and (C) approval of the transactions contemplated by this Agreement under the Communications Act or (ii) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications would not prevent or materially delay the performance of this Agreement by LMC.

Section 5.5. LMC PARENT SHARES. The LMC Parent Shares constitute all shares of Parent Class A Common Stock and all shares of Parent Class B Common Stock beneficially owned by the Stockholders and/or LMC. Except as set forth on Section 5.5 of the LMC Disclosure Letter, each Stockholder has good and valid title to the LMC Parent Shares owned by it, free and clear of any and all Securities Encumbrances. Upon delivery to Parent of the certificates representing the LMC Parent Shares at the Closing, or evidence of a book-entry transfer of the LMC Parent Shares to an account of Parent, Parent will acquire good and valid title to such shares, free and clear of any and all Securities Encumbrances.

Section 5.6. LITIGATION. As of the execution of this Agreement, there is no Action pending or, to LMC's Knowledge, threatened against LMC that seeks, or would reasonably be expected, to prohibit or restrain the ability of LMC to enter into this Agreement or any Ancillary Agreement to which it is a party or to timely consummate any of the Transactions.

Section 5.7. GOVERNMENTAL ACTIONS. As of the execution of this Agreement, there are no material judgments, decrees, written agreements, memoranda of understanding or orders of any Governmental Authority outstanding against LMC which would reasonably be expected to prevent, prohibit, materially delay or enjoin the consummation of the Transactions.

Section 5.8. FCC MATTERS. LMC is legally and financially qualified under the Communications Act to hold the Business FCC Licenses and the DTV Shares. To LMC's Knowledge, there are no facts or circumstances pertaining to LMC or any of its Subsidiaries

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which, under the Communications Act, would reasonably be expected to result in the FCC's refusal to grant the FCC Consent or which would require waiver of, or exemption from, any provision of the Communications Act necessary to obtain the FCC Consent.

Section 5.9. INVESTMENT PURPOSE AND EXPERIENCE. The Stockholders are receiving the Splitco Shares, and indirectly the DTV Shares, for their own account and not with a view towards, or for resale in connection with, the public sale or distribution thereof, except pursuant to sales registered or exempted under the Securities Act. Each Stockholder is an "accredited investor," as that term is defined in Regulation D promulgated under the Securities Act. LMC acknowledges that each Stockholder can bear the economic risk and complete loss of its investment in the Splitco Shares, and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment contemplated hereby.

Section 5.10. Investigation; Reliance.

- 5.10.1 Notwithstanding anything to the contrary set forth herein, the express representations and warranties set forth in this Agreement, the LMC Tax Opinion Representations and the Tax Matters Agreement are the only representations and warranties concerning LMC and the LMC Parent Shares made to Parent by LMC. Such representations and warranties are made expressly in lieu of all other warranties and representations, express or implied.
- 5.10.2 LMC hereby acknowledges and agrees that Parent makes no representations or warranties to LMC, express or implied, other than those representations and warranties set forth in this Agreement, the Parent Tax Opinion Representations, the Tax Matters Agreement and the Ancillary Agreements. LMC hereby expressly acknowledges and agrees that it is not relying on, is not entitled to rely on and, except in the case of fraud or willful breach, neither Parent nor any Person will have or be subject to any liability to LMC or any other Person resulting from, any statements or communications by Parent, any Transferred Subsidiary, DTV or any of their respective Affiliates or Representatives with respect to any matter in connection with its investigation or evaluation of the Transferred Business, the Transferred Subsidiaries, Splitco or DTV (including any of the assets or liabilities of the Transferred Business, the Transferred Subsidiaries, Splitco or DTV), including any information, document or material made available in any offering memorandum, in any "data room," in any management presentations or in any other form, except for the representations and warranties expressly set forth in this Agreement, the Parent Tax Opinion Representations, the Tax Matters Agreement and the Ancillary Agreements

Section 5.11. BROKERS AND FINDERS. Except as set forth in Section 5.11 of the LMC Disclosure Letter, no Broker is or will be entitled to any Broker Fees based upon arrangements made by or on behalf of LMC or any of its Affiliates.

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ARTICLE VI.

COVENANTS AND AGREEMENTS

Section 6.1. ACCESS AND INFORMATION. During the period from the date of this Agreement to the Closing, except to the extent prohibited by applicable Law or the terms of any Contract entered into prior to the date hereof for which Parent has been unable, despite use of its reasonable best efforts, to obtain a consent or waiver from the other parties thereto (other than any Affiliate of Parent) to enable disclosure to LMC, or as would reasonably be expected to violate or result in a loss or impairment of any attorney-client or work product privilege (it being understood that the parties shall use reasonable best efforts to cause such information to be provided in a manner that does not result in such violation, loss or impairment), and subject to the obligations of LMC under the Confidentiality Agreement with respect thereto, Parent will permit (and will cause the Transferred Subsidiaries to permit) Representatives of LMC to have reasonable access during normal business hours and upon reasonable notice to all premises, properties, personnel, books, records, Contracts, commitments, reports of examination, and documents of or pertaining to the Transferred Business, and reasonable opportunity upon prior notice and consultation with Parent to communicate with employees of the Transferred Business (PROVIDED that Parent and the Transferred Subsidiaries shall have the right to be present by representative for all such contacts between LMC and any employee of the Transferred Business, whether in person, telephonic or otherwise), except with respect to DTV, as may be necessary to permit LMC to, at its sole expense, make, or cause to be made, such investigations thereof as are reasonably necessary in connection with the consummation of the Transactions, and Parent shall (and shall cause the Transferred Subsidiaries to) reasonably cooperate with any such investigations; PROVIDED that Parent's designees on the Board of Directors of DTV, subject to their fiduciary duties to DTV and its stockholders, shall take no action to interfere with the investigation of DTV by LMC. No information or knowledge obtained in any investigation pursuant to this Section 6.1 or otherwise shall affect or be deemed to modify any representation or warranty contained herein or delivered pursuant hereto or to modify the conditions to the obligations of the parties hereto to consummate the Transactions.

Section 6.2. CONDUCT OF BUSINESS BY PARENT. Except (i) as contemplated or permitted by this Agreement and the Ancillary Agreements, (ii) as required by applicable Law, (iii) as described in Section 6.2 of the Parent Disclosure Letter or (iv) with the prior written consent of LMC (not to be unreasonably withheld or delayed), during the period from the date hereof to the Closing Date, Parent shall, and shall cause each of the Transferred Subsidiaries to, conduct the Transferred Business only in the ordinary course of business

consistent with past practice and use reasonable best efforts to preserve intact current business organizations of the Transferred Business and relationships with third parties and keep available the service of the current officers and employees of the Transferred Business. From the date hereof until the earlier of the Closing or the termination of this Agreement, Parent will vote or cause its Affiliates to vote all shares of DTV over which it has the power to vote or cause to be voted against any action by DTV or any of its Subsidiaries, which is outside its ordinary course of business (including amendments to DTV's Charter) that is presented or proposed for consideration by DTV stockholders at any time after the date of this Agreement and prior to the Closing or termination of this Agreement, subject to Parent's obligations under Section 6.13.3 of this Agreement. Without limiting the generality of the foregoing, except (i) as contemplated or permitted by this Agreement and the

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Ancillary Agreements, (ii) as required by applicable Law, (iii) as described in Section 6.2 of the Parent Disclosure Letter or (iv) with the prior written consent of LMC, prior to the Closing Date, Parent shall not take any action that would violate the terms of the RSN Non-Competition Agreement (assuming that the period referred to therein is effective beginning as of the date hereof) and Parent shall cause each of the Transferred Subsidiaries not to:

- 6.2.1 make any change in or amendments to the charter, bylaws, partnership agreement, membership agreement or other organizational documents applicable to any Transferred Subsidiary;
- 6.2.2 issue, grant, sell or deliver any shares of capital stock or other equity interests or securities of any Transferred Subsidiary, or any securities convertible into, or options, warrants or rights of any kind to subscribe for or acquire, any shares of capital stock or other equity interests or securities of any Transferred Subsidiary, or any phantom shares, phantom equity interests or stock or equity appreciation rights of any Transferred Subsidiary, or enter into any Contract, commitment or arrangement with respect to any of the foregoing;
- 6.2.3 split, combine or reclassify the outstanding shares of capital stock or other equity interests or securities of any Transferred Subsidiary or issue any capital stock or other equity interests or securities of any Transferred Subsidiary in exchange for any such shares or interests;
- 6.2.4 redeem, purchase or otherwise acquire, directly or indirectly, any shares of capital stock or any other equity interests or securities of any Transferred Subsidiary;
- 6.2.5 adopt or authorize any stock or equity appreciation rights, restricted stock or equity, stock or equity purchase, stock or equity bonus or similar plan, arrangement or agreement applicable to any Transferred Subsidiary;
- 6.2.6 make any other changes in the capital structure or the partnership or membership structure of any Transferred Subsidiary;
- 6.2.7 make any change in any method of financial accounting or financial accounting principles, practice or policy employed by or applicable to a Transferred Subsidiary, except for any such change required by reason of a concurrent change in GAAP;
- 6.2.8 except to the extent sold or otherwise disposed of in the ordinary course of business consistent with past practices, sell, lease (as lessor), mortgage, pledge or otherwise dispose of any material asset of a Transferred Subsidiary to any Person;
- 6.2.9 except (A) in accordance with Parent's cash management system or (B) for dividends and distributions permitted under clause (6.2.10) below, make any loans or advances to, investments in, or guarantees for the benefit of, any Person, except for travel and similar advances made to employees, officers or directors, in the ordinary course of business, or engage in or amend, or modify, or extend any

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Contract, arrangement, commitment or transaction with any Affiliate of Parent which will continue in full force and effect following the Closing;

- 6.2.10 declare or pay any dividend or make any other distribution to its

stockholders whether or not upon or in respect of any shares of its capital stock or equity interest; PROVIDED, HOWEVER, that LMC acknowledges and agrees that (A) the Transferred Subsidiaries do not maintain cash balances and, at the time of the Closing, Parent will withdraw any cash balances of the Transferred Subsidiaries (other than the material proceeds from an insurance claim) and (B) from the date hereof until the Closing, dividends and distributions of cash may continue to be made by the Transferred Subsidiaries to wholly owned Subsidiaries of Parent in the ordinary course of business consistent with past practices;

- 6.2.11 except to the extent required pursuant to the terms of any Employee Benefit Plan or in effect on the date hereof, (i) increase salary, wages or other compensation (including any bonuses, commissions and any other payments) of any Transferred Employee whose annual salary, wages and such other compensation is, or after giving effect to such change would be, in the aggregate, \$150,000 or more per annum; (ii) hire any new employee who would be a Transferred Employee or enter into a contract with any consultant to perform services relating to the Transferred Business, in each case on terms providing for annual salary, wages and other compensation, in the aggregate, of \$150,000 or more per annum; (iii) adopt, enter into or amend any Employee Benefit Plan other than a Subsidiary Employee Benefit Plan, except as required by applicable Law or applicable to all participants of such plan; PROVIDED that such plan does not disproportionately affect Transferred Employees; or (iv) adopt, enter into or amend any Collective Bargaining Agreement or other labor union contract, Subsidiary Employee Benefit Plan or Employment Agreement applicable to Transferred Employees, or enter into any Contract, commitment or arrangement with respect to any of the foregoing; PROVIDED that it is the understanding of the parties that Parent shall have the right, prior to or at the Closing, to transfer the employment of each Transferred Employee not already employed by one of the Transferred Subsidiaries to the applicable Transferred Subsidiary;
- 6.2.12 pay, discharge or satisfy Liabilities, other than (i) the payment, discharge or satisfaction of Liabilities reflected or reserved against in the Interim Balance Sheet or incurred since the Interim Balance Sheet Date in the ordinary course of business consistent with past practices and (ii) scheduled repayments of indebtedness reflected on any Interim Balance Sheet;
- 6.2.13 cancel any Indebtedness or waive or assign any claims or rights (tangible and intangible), except in the ordinary course of business and consistent with past practices;
- 6.2.14 (i) incur or assume or become obligated with respect to any Indebtedness or guarantee any such Indebtedness of another Person, issue or sell any debt securities or warrants or other rights to acquire any debt securities, or guarantee

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any debt securities of another Person, except, in each case, in the ordinary course of business consistent with past practices, (ii) secure any of its outstanding unsecured Indebtedness or provide additional security for any of its outstanding secured Indebtedness or (iii) except in the ordinary course of business consistent with past practices, incur, impose or permit to exist any Encumbrance on any asset;

- 6.2.15 (i) other than in the ordinary course of business, enter into any Contract of a character required to be disclosed in Section 4.13 of the Parent Disclosure Letter or terminate, renew, modify or amend any of the Material Contracts; PROVIDED that, for the avoidance of doubt, the expiration in accordance with its terms of any Material Contract shall not constitute termination, renewal or amendment of such Material Contracts; or (ii) cancel or terminate, or permit to be cancelled or terminated, any material insurance relating to the Transferred Business or any related assets;
- 6.2.16 (i) acquire any business or significant assets and properties of any Person (whether by merger, consolidation or otherwise); (ii) make any capital contribution or investment (or agree to make any capital contribution or investment) in or acquire any securities or debt or equity interests in any other Person; or (iii) except as necessary in the ordinary course of business consistent with past practices, dispose of, grant, or obtain, or permit to lapse any rights to, any material Owned or Licensed Intellectual Property;
- 6.2.17 settle any Actions in a manner in which the settlement of such

Action would materially adversely affect the conduct of the Transferred Business following the Closing Date, except where any such material adverse effect on the conduct of the Transferred Business resulting from the settlement of any such Action is not disproportionate to the adverse effect of such settlement on the conduct of the business of the regional sports programming cable networks operated by Parent and its Subsidiaries (other than the RSN Subsidiaries); or

6.2.18 enter into an agreement to do any of the foregoing.

Section 6.3. CONDUCT OF BUSINESS BY LMC. Except as described in Schedule 6.3, during the period from the date hereof to the Closing Date, or the date, if any, on which this Agreement is earlier terminated in accordance with Article IX, neither LMC nor any of its Subsidiaries shall acquire or make any investment in any corporation, partnership, limited liability company, other business organization or any division thereof that holds, or has an attributable interest in, any license, authorization, permit or approval issued by the FCC if such acquisition or investment would reasonably be expected to prevent or materially delay or impede receipt of the FCC Consent.

Section 6.4. PROXY STATEMENT.

6.4.1 Within forty-five (45) days of the signing of this Agreement, Parent shall prepare and shall cause to be filed with each of the SEC and the ASX a proxy statement in

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preliminary form (together with any amendments thereof or supplements thereto, the "Proxy Statement") relating to the Parent Stockholders' Meeting. Parent shall include in the Proxy Statement the recommendation of the Board of Directors of Parent that the Parent stockholders approve the Exchange (the "Parent Recommendation"); PROVIDED that prior to the approval of the Exchange by Parent's stockholders in accordance with this Agreement the Board of Directors of Parent may fail to make or withdraw, modify or change in a manner adverse to LMC its recommendation that the stockholders vote in favor of this Agreement (a "Parent Change in Recommendation"), if, and only if, the Board of Directors of Parent has determined, in its good faith judgment and after consultation with outside legal counsel, that the failure to effect such action could reasonably be expected to be inconsistent with the fulfillment of its fiduciary duties to Parent's stockholders under applicable Law; PROVIDED that a Parent Change in Recommendation shall not relieve Parent of its obligations pursuant to Section 6.5 hereof. Parent shall use its reasonable best efforts to respond as promptly as practicable to any comments of the SEC and the ASX with respect to the Proxy Statement. Parent shall promptly notify LMC upon the receipt of any comments (written or oral) from the SEC or the ASX or their respective staff or any request from the SEC or the ASX or their respective staff for amendments or supplements to the Proxy Statement, shall consult with LMC prior to responding to any such comments or request or filing any amendment or supplement to the Proxy Statement, and shall provide LMC with copies of all correspondence between Parent and its Representatives, on the one hand, and the SEC and the ASX and their respective staff, on the other hand. In addition to the Parent Stockholder Approval required by Law, the parties have agreed as a matter of contract that the affirmative vote of a majority of the votes cast in person or by proxy by holders of Parent Class B Shares other than LMC, the Stockholders and any of their respective Associates, and the Murdoch Interests (the "Disinterested Stockholder Approval" and, together with the Parent Stockholder Approval, the "Requisite Parent Stockholder Approval") is required to approve the Exchange. Parent represents and warrants that (i) none of the information with respect to Parent or its Subsidiaries to be included in the Proxy Statement or incorporated by reference therein will, at the time of the mailing of the Proxy Statement or any amendments or supplements thereto, and at the time of the Parent Stockholders' Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; and (ii) the Proxy Statement will comply as to form in all material respects with the provisions of the Exchange Act and the rules and regulations promulgated thereunder and any applicable rules and regulations promulgated by the ASX, except for any such failures to comply as to form which result from any actions or omissions of LMC or any person authorized to act on its behalf, and will include, or be accompanied by, a report from Grant Samuel & Associates as to the fairness and reasonableness of the

Exchange, which is qualified as an independent expert for these purposes under the ASX Listing Rules and applicable Law (the "Independent Expert Report"). Parent will provide LMC with drafts of the

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Independent Expert Report received by Parent to the extent permitted by applicable Law and to the extent that Australian counsel to Parent has advised Parent that such action will not compromise the independence of such expert. LMC represents and warrants that none of the information with respect to LMC or its Subsidiaries supplied by LMC or any person authorized to act on its behalf for inclusion in the Proxy Statement or incorporated by reference therein will, at the time of the mailing of the Proxy Statement or any amendments or supplements thereto, and at the time of the Parent Stockholders' Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

- 6.4.2 Parent and LMC shall cooperate and consult with each other in preparation of the Proxy Statement and any other documents or reports to be disseminated to holders of Parent Class B Common Stock primarily in connection with such holders' consideration of the Exchange (other than, except, to the extent permitted by applicable Law, any factual matters contained in such report, the Independent Expert Report). Without limiting the generality of the foregoing, LMC will use reasonable best efforts to furnish to Parent the information relating to it required by the Exchange Act and the rules and regulations promulgated thereunder or any applicable rules and regulations promulgated by the ASX to be set forth or incorporated by reference in the Proxy Statement. Notwithstanding anything to the contrary stated above, prior to filing and mailing the Proxy Statement (or any amendment or supplement thereto) or responding to any comments of the SEC or the ASX with respect thereto, Parent shall provide LMC an opportunity to review and comment on such document or response.
- 6.4.3 As promptly as reasonably practicable after the Proxy Statement has been cleared by the SEC and the ASX, Parent shall mail the Proxy Statement to the holders of Parent Class B Common Stock as of the record date established for the Parent Stockholders' Meeting. If at any time prior to the Parent Stockholders' Meeting any event, occurrence or circumstance relating to the Parent, LMC or any of their respective Subsidiaries, or their respective officers or directors, should be discovered by Parent or LMC, respectively, which, pursuant to the Securities Act or Exchange Act or any applicable rule or regulation promulgated by the ASX, should be set forth in an amendment or a supplement to the Proxy Statement, such party shall promptly inform the other parties hereto. Each of LMC and Parent agrees to correct any information provided by it for use or incorporated by reference in the Proxy Statement which shall have become false or misleading. Parent will be solely responsible for all filing fees, costs and expenses relating to the preparation of the Proxy Statement and matters related to the Parent Stockholder Meeting.

Section 6.5. PARENT STOCKHOLDERS' MEETING. Unless this Agreement has been earlier terminated in accordance with Article VIII, Parent shall, acting through its Board of Directors, as promptly as reasonably practicable following the date of this Agreement, establish a record date for, duly call, give notice of, convene and hold a meeting of the holders of Parent Class B

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Common Stock in accordance with the Listing Rules of the ASX and any other applicable Laws, for the purpose of voting upon the approval of the Exchange (the "Parent Stockholders' Meeting"). Except as required by any Governmental Authority, and for matters to which LMC shall have provided its prior written consent (which consent shall not be unreasonably withheld or delayed), the only matters Parent shall propose to be acted on by the holders of Parent Class B Common Stock at the Parent Stockholders' Meeting shall be the approval of the Exchange. In connection with the Parent Stockholders' Meeting, Parent will use reasonable best efforts to obtain the requisite quorum at the Parent Stockholders' Meeting and to obtain the Requisite Parent Stockholder Approval, including by soliciting from its stockholders proxies in favor of the approval of the Exchange, PROVIDED that Parent shall have no obligation to solicit from

its stockholders proxies in favor of the approval of the Exchange from and after the date upon which there shall have been a Parent Change in Recommendation in accordance with Section 6.4.1; provided, however, Parent shall continue to be obligated to convene and hold the Parent Stockholders' Meeting in accordance with the terms of this Agreement.

Section 6.6. APPROPRIATE ACTION; CONSENTS; FILINGS.

- 6.6.1 The parties hereto will use their respective reasonable best efforts to consummate and make effective the Transactions and to cause the conditions to the Closing set forth in Article VII to be satisfied, including (i) the obtaining of all necessary actions or nonactions, consents and approvals from Governmental Authorities or other Persons necessary in connection with the consummation of the Transactions, and the making of all necessary registrations and filings (including filings with Governmental Authorities if any) and the taking of all reasonable steps as may be necessary to obtain an approval from, or to avoid an Action by, any Governmental Authority or other Persons necessary in connection with the consummation of the Transactions; and (ii) the defending of any lawsuits or other Actions, whether judicial or administrative, challenging this Agreement or the consummation of the transactions performed or consummated by such party in accordance with the terms of this Agreement, including the Exchange, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Authority vacated or reversed.
- 6.6.2 Each of the parties hereto shall promptly (in no event later than twenty (20) Business Days following the date that this Agreement is executed) make its respective filings, and thereafter make any other required submissions under the HSR Act with respect to the Transactions.
- 6.6.3 LMC and Parent shall cooperate to prepare such applications as may be necessary for submission to the FCC in order to obtain the FCC Consent (the "FCC Applications"). LMC and Parent shall promptly (in no event later than twenty (20) Business Days following the date that this Agreement is executed) file the FCC Applications with the FCC, and the parties shall diligently take, or cooperate in the taking of, all necessary, desirable and proper actions, and provide any additional information, reasonably required or requested by the FCC. Each of LMC and Parent agrees not to, and shall not permit any of its respective

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Subsidiaries to, take any action that would reasonably be expected to prevent or materially delay or impede receipt of the FCC Consent.

- 6.6.4 Each of LMC and Parent shall give (or shall cause its respective Subsidiaries to give) any notices to third parties, and each of LMC and Parent shall use, and cause each of its Subsidiaries to use, its reasonable best efforts to obtain any third party consents not covered by Sections 6.6.1, 6.6.2 and 6.6.3 above, necessary, proper or advisable to consummate Transactions. Each of the parties hereto will furnish to the other such necessary information and reasonable assistance as the other may request in connection with the preparation of any required governmental filings or submissions and will cooperate in responding to any inquiry from a Governmental Authority, including promptly informing the other party of such inquiry, consulting in advance before making any presentations or submissions to a Governmental Authority, and supplying each other with copies of all correspondence, filings or communications between either party and any Governmental Authority with respect to this Agreement. No party hereto shall independently participate in any formal meeting with any Governmental Authority in respect of any such filings, submissions, investigation, or other inquiry without giving the other parties hereto prior notice of the meeting and, to the extent permitted by such Governmental Authority, the opportunity to attend and/or participate.
- 6.6.5 If any objections are asserted with respect to the Transactions under any Antitrust Law or any Communications Regulation or if any suit is instituted by any Governmental Authority or any private party challenging any of the Transactions as violative of any Antitrust Law or Communications Regulation, the parties shall use their reasonable best efforts to resolve any such objections or challenge as such Governmental Authority or private party may have to such transactions under such law so as to permit consummation of the Transactions. In furtherance of the parties' obligations under this Section 6.6, LMC and Parent shall be required to (and, to the

extent required by any Governmental Authority, shall cause their respective current and future Subsidiaries to), propose, negotiate, commit to and enter into one or more settlements, undertakings, conditions, consent decrees, stipulations and other agreements with or to one or more Governmental Authorities (each, a "Settlement") in connection with the Transactions (including obtaining the requisite consent of such Governmental Authorities), including one or more Settlements that require LMC or Parent to restructure the operations of, or sell or otherwise divest or dispose of, its assets and/or the assets of its current and future Subsidiaries; provided, however, that (i) neither LMC nor any of its Subsidiaries shall be required to take (or commit to take) any of the foregoing actions, or any other action contemplated by this Section 6.6, (A) if any such actions would reasonably be expected to have a material adverse effect on the business or operations of LMC and its Subsidiaries or any of their cable, television (including video or electronic home shopping) or satellite businesses, or (B) if the Board of Directors of LMC determines, in good faith, that the taking of such actions would be reasonably likely to have a Material Adverse Effect on Splitco (without giving effect, for purposes of this Section

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6.6.5, to the exception contained in clause (i) of the second sentence of the definition of "Material Adverse Effect" relating to the performance of this Agreement), (ii) neither Parent nor any of its Subsidiaries shall be required to take (or commit to take) any of the foregoing actions or any other action contemplated by this Section 6.6, if the Board of Directors of Parent determines, in good faith, that the taking of such actions would be reasonably expected to have a Material Adverse Effect on Splitco (without giving effect, for purposes of this Section 6.6.5, to the exception contained in clause (i) of the second sentence of the definition of "Material Adverse Effect" relating to the performance of this Agreement), without the prior written consent of LMC, and (iii) neither Parent nor any of its Subsidiaries shall be required to take (or commit to take) any of the foregoing actions, or any other action contemplated by this Section 6.6, if any such actions would reasonably be expected to have a material adverse effect on the business or operations of Parent and its Subsidiaries or any of their cable programming or television businesses.

Section 6.7. FURTHER ASSURANCES.

6.7.1 Each of the parties shall use its reasonable best efforts to take, or cause to be taken, all appropriate action, do or cause to be done all things necessary, proper or advisable under applicable Law, and execute and deliver such documents and other papers, as may be reasonably required to consummate the Transactions.

Section 6.8. STANDSTILL AGREEMENTS.

6.8.1 LMC agrees that, during the period commencing on the date hereof and ending on the earliest of (w) the valid termination of this Agreement in accordance with Article IX hereof, (x) the 10th anniversary of the date hereof, (y) the consummation of the sale of all or substantially all of the assets of Parent and its Subsidiaries to any Person and (z) the effective time of any merger, consolidation or business combination of Parent with or into any other Person, other than a merger, consolidation or business combination in which the holders of Parent common stock immediately prior to such consummation hold immediately following the consummation of such merger, consolidation or other business combination, shares of the surviving entity constituting at least a majority of the outstanding voting power of such surviving entity, it shall not, and shall not authorize or permit any of its Affiliates or their respective Representatives to do or agree to do any of the following, without the prior written consent of Parent: (a) effect or seek, offer or propose (whether publicly or otherwise) to effect, or announce any intention to effect or cause or participate in or in any way assist, facilitate or encourage any other Person to effect or seek, offer or propose (whether publicly or otherwise) to effect or participate in, (i) any acquisition of any equity securities (or beneficial ownership thereof), or rights or options to acquire any equity securities (or beneficial ownership thereof), or any securities convertible into or exercisable or exchangeable for equity securities (or beneficial ownership thereof) ("Convertible Securities") any assets, indebtedness or businesses of Parent or any of its Affiliates, (ii) any tender or exchange offer,

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consolidation, business combination, acquisition, merger, joint venture or other business combination involving Parent, any of Parent's Affiliates or any of the assets of Parent or its Affiliates, (iii) any recapitalization, restructuring, liquidation, dissolution or other extraordinary transaction with respect to Parent or any of its Affiliates, or (iv) any "solicitation" of "proxies" (as such terms are used in the proxy rules of the SEC) to vote any voting securities of Parent or consents to any action from any holder of any voting securities of Parent or seek to advise or influence any Person with respect to the voting of or the granting of any consent with respect to any voting securities of Parent; (b) form, join or in any way participate in a "group" (as defined under the Exchange Act) in connection with the voting securities of Parent or otherwise act in concert with any Person in respect of any such securities; (c) otherwise act, alone or in concert with others, to seek representation on or to control or influence the management, Board of Directors or policies of Parent or to obtain representation on the Board of Directors of Parent; (d) enter into any discussions or arrangements with any third party with respect to any of the foregoing; (e) request that Parent or any of its Representatives amend or waive any provision of this paragraph, or make any public announcement with respect to the restrictions of this paragraph, or take any action which would reasonably be expected to require Parent make a public announcement regarding the possibility of a business combination or merger; or (f) advise, assist or encourage, or direct any Person to advise, assist or encourage any other Persons, in connection with any of the foregoing; PROVIDED, HOWEVER, that, notwithstanding anything contained herein, (1) any acquisition (or proposed acquisition) of an indirect interest in equity securities of Parent or any of its Affiliates arising out of an acquisition by LMC or any of its Affiliates of an interest in another Person (which Person, immediately following such acquisition, would be an Affiliate of LMC) that beneficially owns equity securities or Convertible Securities of Parent or any of its Affiliates will not constitute a breach or violation of LMC's obligations under this Section 6.8.1 and, for all purposes of this Section 6.8.1, LMC will not be deemed to have acquired beneficial ownership of, and following such acquisition will not be deemed to have beneficial ownership of, any such equity securities or Convertible Securities of Parent or any of its Affiliates, so long as such equity securities and Convertible Securities of Parent or any of its Affiliates beneficially owned by such Person do not constitute, in the aggregate, on an as-converted basis, more than two percent (2%) of any class of Parent's or any of its Affiliate's equity securities immediately prior to the execution in full of a binding purchase or similar agreement relating to such acquisition (but after giving effect to any sale or other disposition of equity securities or Convertible Securities of Parent or any of its Affiliates by such Person to occur on a reasonably prompt basis after the closing of such acquisition pursuant to a binding agreement entered into by such acquired Person prior to or in connection with the closing of such acquisition to sell or dispose of such Person's shares of equity securities or Convertible Securities of Parent or any of its Affiliates, subject to such disposition closing; provided that prior to such disposition, LMC shall vote, and shall cause its Affiliates to vote, any such equity securities or Convertible Securities at any special or annual meeting of the

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shareholders of Parent or any of its Affiliates, as applicable, in proportion to the votes cast by shareholders of Parent or its Affiliates, as applicable, other than LMC and its Affiliates, at such meeting), and (2) for all purposes of this Section 6.8.1, LMC will not be deemed to have acquired beneficial ownership of, and following such acquisition will not be deemed to have beneficial ownership of, any equity securities or Convertible Securities of Parent or any of its Affiliates to the extent that such equity securities or Convertible Securities are received by LMC or its Affiliates as a result of any dividend or other distribution made, or similar action taken (including the receipt by LMC or any of its Affiliates of any rights, warrants or other securities granting to the holder the right to acquire equity securities or Convertible Securities of Parent or its Affiliates, and any acquisition of equity securities or Convertible Securities of Parent or its Affiliates upon the exercise thereof), by Parent, any of its

Affiliates or any other Person which is not LMC or an Affiliate of LMC. Except as provided on Section 6.8 of the LMC Disclosure Letter, from the date hereof until the Closing Date or the date upon which this Agreement is earlier terminated in accordance with Article IX, LMC shall not, and shall cause its respective Affiliates not to, without Parent's prior written consent, (i) offer for sale, sell (including short sales), transfer, tender, pledge, encumber, assign or otherwise dispose of (including by gift) (collectively, a "Transfer"), or enter into any contract, option, derivative, hedging or other agreement or arrangement or understanding (including any profit-sharing arrangement) with respect to, or consent to, a Transfer of, any or all of the LMC Parent Shares; (ii) grant any proxies or powers of attorney with respect to any or all of the LMC Parent Shares; (iii) permit to exist any Encumbrance (other than pursuant to this Agreement or the Ancillary Agreements) of any nature whatsoever with respect to any or all of the LMC Parent Shares; or (iv) take any action that would have the effect of preventing, impeding, interfering with or adversely affecting LMC's ability to perform its obligations under this Agreement.

6.8.2 Parent agrees that, during the period commencing on the date hereof and ending on the earliest of (w) the valid termination of this Agreement in accordance with Article IX hereof, (x) the 10th anniversary of the date hereof, (y) solely with respect to the securities of LMC or DTV, as applicable, the consummation of the sale of all or substantially all of the assets of LMC and its Subsidiaries or DTV and its Subsidiaries, as applicable, to any Person and (z) solely with respect to the securities of LMC or DTV, as applicable, the effective time of any merger, consolidation or business combination of LMC or DTV, as applicable, with or into any other Person, other than a merger, consolidation or business combination in which the holders of LMC or DTV, as applicable, immediately prior to such consummation hold immediately following the consummation of such merger, consolidation or other business combination shares of the surviving entity constituting at least a majority of the outstanding voting power of such surviving entity, it shall not, and shall not authorize or permit any of its Affiliates or their respective Representatives to do or agree to do any of the following, without the prior written consent of LMC: (a) effect or seek, offer or propose (whether publicly or otherwise) to effect, or announce any intention to effect or cause or participate in or in any way assist, facilitate or encourage any other Person to

effect or seek, offer or propose (whether publicly or otherwise) to effect or participate in, (i) any acquisition of any equity securities (or beneficial ownership thereof), or rights or options to acquire any equity securities (or beneficial ownership thereof), Convertible Securities or any assets, indebtedness or businesses of LMC, DTV or any of their respective Affiliates, (ii) any tender or exchange offer, consolidation, business combination, acquisition, merger, joint venture or other business combination involving LMC, DTV or any of their respective Affiliates or any of the assets of LMC, DTV or their respective Affiliates, (iii) any recapitalization, restructuring, liquidation, dissolution or other extraordinary transaction with respect to LMC, DTV or any of their respective Affiliates, or (iv) any "solicitation" of "proxies" (as such terms are used in the proxy rules of the SEC) to vote any voting securities of LMC, DTV or any of their respective Affiliates or consents to any action from any holder of any voting securities of LMC or DTV or seek to advise or influence any Person with respect to the voting of or the granting of any consent with respect to any voting securities of LMC or DTV; (b) form, join or in any way participate in a "group" (as defined under the Exchange Act) in connection with the voting securities of LMC or DTV or otherwise act in concert with any Person in respect of any such securities; (c) otherwise act, alone or in concert with others, to seek representation on or to control or influence the management, Board of Directors or policies of LMC or DTV or to obtain representation on the Board of Directors of LMC or DTV; (d) enter into any discussions or arrangements with any third party with respect to any of the foregoing; (e) request that LMC or any of its Representatives amend or waive any provision of this paragraph, or make any public announcement with respect to the restrictions of this paragraph, or take any action which would reasonably be expected to require LMC make a public announcement regarding the possibility of a business combination or merger; or (f) advise, assist or encourage, or direct any Person to advise, assist or encourage any other Persons, in connection with any of the foregoing; PROVIDED, HOWEVER, that, notwithstanding anything

contained herein, (1) any acquisition (or proposed acquisition) of an indirect interest in equity securities of LMC, DTV or any of their respective Affiliates arising out of an acquisition by Parent or any of its Affiliates of an interest in another Person (which Person, immediately following such acquisition, would be an Affiliate of Parent) that beneficially owns equity securities or Convertible Securities of LMC, DTV or any of their respective Affiliates will not constitute a breach or violation of Parent's obligations under this Section 6.8.2 and, for all purposes of this Section 6.8.2, Parent will not be deemed to have acquired beneficial ownership of, and following such acquisition will not be deemed to have beneficial ownership of, any such equity securities or Convertible Securities of LMC, DTV or any of their respective Affiliates, so long as such equity securities or Convertible Securities beneficially owned by such Person do not constitute, in the aggregate on an as-converted basis, more than two percent (2%) of any class of LMC's or DTV's or any of their respective Affiliates' equity securities, as applicable, immediately prior to the execution in full of a binding purchase or similar agreement relating to such acquisition (but after giving effect to any sale or other disposition of equity securities or

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Convertible Securities of LMC, DTV or any of their respective Affiliates by such Person to occur on a reasonably prompt basis after the closing of such acquisition pursuant to a binding agreement entered into by such acquired Person prior to or in connection with the closing of such acquisition to sell or dispose of such Person's shares of equity securities or Convertible Securities of LMC, DTV or any of their respective Affiliates, subject to such disposition closing; provided that prior to such disposition, Parent shall vote, and shall cause its Affiliates to vote, any such equity securities or Convertible Securities at any specified or annual meeting of the shareholders of LMC or DTV or any of their Affiliates, as applicable, in proportion to the votes cast by shareholders of LMC, DTV or their Affiliates, as applicable, other than Parent and its Affiliates, at such meeting), and (2) for all purposes of this Section 6.8.2, Parent will not be deemed to have acquired beneficial ownership of, and following such acquisition will not be deemed to have beneficial ownership of, any equity securities or Convertible Securities of LMC, DTV or any of their respective Affiliates to the extent that such equity securities or Convertible Securities are received by Parent or its Affiliates as a result of any dividend or other distribution made, or similar action taken (including the receipt by Parent or any of its Affiliates of any rights, warrants or other securities granting to the holder the right to acquire equity securities or Convertible Securities of LMC, DTV or their respective Affiliates, and any acquisition of equity securities or Convertible Securities of LMC, DTV or their respective Affiliates upon the exercise thereof), by LMC, DTV, any of their respective Affiliates or any other Person which is not Parent or an Affiliate of Parent. Notwithstanding anything to the contrary in this Section 6.8.2, neither Parent nor any Affiliate of Parent nor any of their respective Representatives shall be bound by any of the restrictions set forth in this Section 6.8.2 with respect to DTV or the equity securities or Convertible Securities of DTV from and after the date upon which LMC and its Affiliates (including any LMC Related Party) shall have disposed of, in the aggregate, in any transaction or series of transactions, 50% or more (by number, with appropriate adjustment for any subdivision, share split, consolidation, share dividend, combination, reclassification or similar event occurring following the Closing) of the DTV Shares (or an equivalent amount of securities (based on voting power) of any successor to DTV, whether by consolidation, business combination, acquisition, or merger, or any entity which shall acquire a majority of DTV's voting power, whether by tender or exchange offer or otherwise, or any entity to which DTV shall sell, lease or otherwise transfer all or substantially all of its assets).

Section 6.9. CONFIDENTIALITY; ACCESS TO RECORDS AFTER CLOSING.

6.9.1 LMC acknowledges that the information being provided to it in connection with the Exchange and the consummation of the other transactions contemplated hereby, or by any of the Ancillary Agreements, is subject to the terms of the Confidentiality Agreement, the terms of which are incorporated herein by reference. Effective upon, and only upon, the Closing, the Confidentiality Agreement shall terminate with respect to information relating to the Transferred Business; PROVIDED, HOWEVER, that LMC acknowledges that any and all other

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information provided to it by Parent or its Representatives concerning Parent or any of its Affiliates (other than information relating to the Transferred Business) shall remain subject to the terms and conditions of the Confidentiality Agreement after the Closing. Parent agrees to hold all Proprietary Information (as defined in the Confidentiality Agreement) in its possession as of the Closing Date confidential and to refrain from using such Proprietary Information for a period of two (2) years following the Closing Date; PROVIDED, that, notwithstanding anything to the contrary herein, Parent may use such Proprietary Information to the extent reasonably necessary for purposes of preparing and filing Tax Returns, corresponding with tax authorities, preparing accounting records, and in connection with any litigation, including, without limitation, litigation arising out of, relating to or resulting from the Transactions or the subject matter of such Proprietary Information.

- 6.9.2 LMC acknowledges and agrees that Parent may from time to time, subsequent to the consummation of the Transactions require access to or copies of the business records of Splitco or Transferred Subsidiaries to the extent relating to the operations of the Transferred Business prior to the Closing and LMC agrees that upon reasonable prior notice from Parent it will, during normal business hours, provide or cause to be provided to Parent, at Parent's option, access to or copies of such records. Parent hereby agrees to hold any Proprietary Information so provided in confidence; PROVIDED, that, notwithstanding anything to the contrary herein, Parent may use such Proprietary Information to the extent reasonably necessary for purposes of preparing and filing Tax Returns, corresponding with tax authorities, preparing accounting records, and in connection with any litigation, including, without limitation, litigation arising out of, relating to or resulting from the Transactions or the subject matter of such Proprietary Information.
- 6.9.3 Parent recognizes that, after the Closing, it may have documents, books, records, work papers and information, whether in written, magnetic, electronic or optical form (collectively, "Records") which relate to the Transferred Business with respect to the period or matters arising prior to the Closing, including Records pertaining to the assets and Liabilities related to the Transferred Business and Splitco's or the Transferred Subsidiaries' respective employees, assets and liabilities (the "Business Records") or other Records relating to the Transferred Business. Parent recognizes that LMC, the Stockholders or their respective Affiliates may need access to such Business Records and other Records after the Closing. Upon LMC's, a Stockholder's or Splitco's reasonable request Parent shall provide LMC, the Stockholders or Splitco and their respective Representatives access to, and the right to photocopy (at LMC's, the Stockholders' or Splitco's expense), during normal business hours on reasonable advance notice, such reasonably requested Records. For a period of five (5) years following the Closing, Parent shall use reasonable best efforts to maintain all such Records or, at Parent's discretion or at LMC's, the Stockholders' or Splitco's reasonable request (at LMC's, the Stockholders' or Splitco's expense), transfer any such Records to LMC, the Stockholders or Splitco.

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- 6.9.4 Notwithstanding any provision herein to the contrary, from and after the Closing, Records pertaining to Taxes shall be governed solely by the Tax Matters Agreement.

Section 6.10. EMPLOYEE MATTERS.

- 6.10.1 Section 1.1 of the Parent Disclosure Letter sets forth the name of each Transferred Employee, along with such employee's job title and reporting position, current salary and incentive bonus opportunities, and years of service, and designating such employee's status as exempt or non-exempt under the FLSA, whether such employee is full-time or part-time. Prior to the Closing, Parent shall update Section 1.1 of the Parent Disclosure Letter.
- 6.10.2 LMC acknowledges and agrees that, effective as of the Closing Date, each Transferred Employee, including any such employee on approved leave of absence (whether family leave, workers' maternity or

parental leave, workers' compensation, short-term and long-term disability, medical leave or otherwise) shall be employed in a substantially comparable position to the position in which such Transferred Employee was employed immediately prior to Closing Date. As of and for no less than one year following the Closing, LMC shall, and shall cause its Affiliates to, provide the Transferred Employees who remain employed with LMC and its Affiliates with the same rate of base salary and wages and commissions and with employee benefit and compensation plans, programs and arrangements that are substantially equivalent in the aggregate to those provided to similarly situated employees of LMC and its Affiliates. Any Transferred Employee who became entitled to short-term or long-term disability benefits under the applicable Employee Benefit Plans (the "Seller Disability Plans") prior to Closing shall be entitled to continue to receive such benefits under the terms of the Seller Disability Plans until his or her return to active employment, so long as such benefits are payable pursuant to third-party insurance coverage. Parent agrees to use commercially reasonable efforts to cause the insurance policies underlying the Seller Disability Plans to provide for such payments. Notwithstanding anything to the contrary contained herein, LMC and its Affiliates shall have no obligation to keep any Transferred Employee employed for any period of time following the Closing, PROVIDED that if the employment of any Transferred Employee is terminated by LMC or its Affiliates during the 12-month period beginning on the Closing Date, LMC or its Affiliates shall pay to such terminated employee severance payments that are no less favorable than those provided under the Employee Benefit Plans immediately prior to the Closing Date. Parent and its Affiliates shall cause the Employment Agreements and, to the extent necessary, any talent Contract identified on Sections 4.13(c) of the Parent Disclosure Letter, to be assigned to the appropriate Transferred Subsidiary prior to the Closing. Notwithstanding the provisions of the employment agreement between Mark Shuken ("Shuken") and Fox Cable Networks Services, LLC, dated as of July 16, 2006 (the "Shuken Agreement"), during the period between the date of this Agreement and Closing, Parent agrees to allow (and to cause its Affiliates to allow) Shuken to discuss terms of potential employment

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with LMC and its Affiliates, and to waive (and cause its Affiliates to waive) any restrictions in the Employment Agreement or any other agreement that would prevent Shuken from accepting employment with LMC or its Affiliates as of the Closing. Following the Closing, LMC shall assume and honor and/or shall cause its Affiliates to assume and to honor in accordance with their terms all Employment Agreements, and take all actions necessary to update such Employment Agreements to reflect such assumption, and Parent and Parent Group shall cease to have any further obligations under the Employment Agreements as of the Closing Date. Parent shall take all actions necessary such that following the Closing, the LMC Indemnitees, as applicable, shall have no liabilities with respect to any Employee Benefit Plans or any other employee benefit plans, arrangements or agreements sponsored or contributed to by Parent Group other than the Subsidiary Employee Benefit Plans and the Employment Agreements. For purposes of all plans, programs or arrangements maintained, sponsored or contributed to by LMC or its Affiliates in which the Transferred Employees shall be eligible to participate, LMC shall cause each such plan, program or arrangement to treat the prior service of each Transferred Employee with Parent, the Parent Entities or any of their Subsidiaries as service rendered to LMC for purposes of eligibility and vesting for all purposes and levels of benefits for purposes of severance and vacation, except to the extent such treatment would result in the duplication of benefits with respect to the same period of service. From and after the Closing, LMC and its Affiliates shall (i) cause any pre-existing conditions, limitations and eligibility waiting periods under any group health plans of LMC or its Affiliates to be waived with respect to the Transferred Employees and their eligible dependents to the extent such condition would have been covered, or limitation or waiting period would not have applied, with respect to such Transferred Employee (or dependent) under the terms of the Employee Benefit Plan in which such Transferred Employee was a participant immediately prior to the Closing and (ii) give each Transferred Employee credit for the plan year in which the Closing (or the transition from Parent's plans to LMC's plans) occurs towards applicable deductibles and annual out-of-pocket limits for expenses incurred prior to the Closing (or such later transition date). LMC or its Affiliates shall not provide financial incentive to any Transferred Employee to elect continued group health plan

coverage under Section 601 et seq. of ERISA and Section 4980B of the Code (or any similar state Law) with respect to plans maintained by Parent and its Affiliates, except to the extent LMC or its Affiliates directly or indirectly pay for such continued group health plan coverage for all Transferred Employees, whether pursuant to the Transitional Services Agreement or otherwise.

- 6.10.3 Effective as of the Closing, Parent and its Affiliates shall cause each Transferred Employee to be fully vested in his or her accrued benefit under the savings plan in which such Transferred Employee participates immediately prior to Closing.
- 6.10.4 Notwithstanding the foregoing, nothing contained herein, whether express or implied, shall be treated as an amendment or other modification of any Subsidiary Employee Benefit Plan, or shall limit the right of LMC, Splitco, the Transferred

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Subsidiaries or any of their Subsidiaries to amend, terminate or otherwise modify any Subsidiary Employee Benefit Plan following the Closing Date. In the event that (i) a party other than Parent makes a claim or takes other action to enforce any provision in this Agreement as an amendment to any Subsidiary Employee Benefit Plan, and (ii) such provision is deemed to be an amendment to such Subsidiary Employee Benefit Plan even though not explicitly designated as such in this Agreement, then such provision shall lapse retroactively and shall have no amendatory effect. Parent acknowledges and agrees that all provisions contained in this Section 6.10 with respect to the Transferred Employees are included for the sole benefit of Parent, and that nothing in this Agreement, whether express or implied, shall create any third party beneficiary or other rights (i) in any other Person, including, without limitation, any employees, former employees, any participant in any Subsidiary Employee Benefit Plan, or any dependent or beneficiary thereof, or (ii) to continued employment with LMC, Splitco, the Transferred Subsidiaries or any of their respective Affiliates.

Section 6.11. INTERCOMPANY SERVICES AND ACCOUNTS. Except for the Ancillary Agreements, and except as set forth in Section 6.11 of the Parent Disclosure Letter, all Contracts pursuant to which any goods, services, materials or supplies have at any time been provided (i) by any RSN Subsidiary, on the one hand, to Parent or any of its Affiliates (other than the RSN Subsidiaries), on the other hand, or (ii) by Parent or any of its Affiliates (other than the RSN Subsidiaries), on the one hand, to any RSN Subsidiary, on the other hand, will be terminated as of the Closing. Parent shall use commercially reasonable efforts to obtain at or before the Closing the written release and waiver from all appropriate Persons of any Encumbrances arising therefrom. Without derogating from the Parent's rights to withdraw cash from the RSN Subsidiaries pursuant to Section 6.2.10, prior to the Closing, all intercompany receivables or payables and loans then existing between Parent and its Affiliates (other than the RSN Subsidiaries), on the one hand, and the RSN Subsidiaries, on the other hand, shall be settled by way of capital contribution, dividend or otherwise and all intercompany arrangements shall be terminated, except for those arrangements contemplated by the Ancillary Agreements or as expressly set forth in Section 6.11 of the Parent Disclosure Letter.

Section 6.12. COOPERATION WITH RESPECT TO FINANCIAL REPORTING. Until the third anniversary of the Closing Date, each of Parent, on the one hand, and LMC, on the other hand, shall, and shall cause each of their respective Affiliates to, reasonably cooperate with the other (at the other's expense) in connection with the other's preparation of historical financial statements of, or including, the Transferred Business as required for the other's filings under the Exchange Act following the Closing. Until the third anniversary of the Closing Date, LMC shall, and shall cause Splitco to, (i) reasonably cooperate with Parent (at Parent's expense) in connection with Parent's preparation of pro forma and historical financial statements of the Transferred Business as may be required for Parent's filings under the Exchange Act following the Closing and (ii) use its reasonable best efforts to cause DTV to reasonably cooperate with Parent (at Parent's expense) in connection with Parent's preparation of Parent's financial statements as may be required for Parent's filings under the Exchange Act following the Closing.

Section 6.13. NO SOLICITATION.

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- 6.13.1 Parent and its Affiliates have ceased all, and, from the date of

this Agreement until the Closing or the earlier termination of this Agreement, Parent shall not, nor shall it authorize or permit any of its Affiliates nor any of its or their respective officers, directors, employees, representatives, consultants, advisors, accountants or agents ("Representatives") to, (A) directly or indirectly, initiate, solicit or knowingly encourage or facilitate (including, in each case, by way of furnishing information) any inquiries or the making of any proposal or offer with respect to, or any indication of interest in, any acquisition by any third party of all or a substantial portion of the assets of any Transferred Subsidiary, any acquisition by any third party of any securities or other ownership interests of any of the Transferred Subsidiaries or any acquisition of all or a portion of the DTV Shares (any such proposal, offer or indication of interest, a "Parent Acquisition Proposal"), (B) directly or indirectly, engage in any negotiations or discussions concerning a Parent Acquisition Proposal, or provide access to its properties, books and records or any non-public information or data to, any third party that has made, or to Parent's Knowledge, is considering making a Parent Acquisition Proposal or any Representatives thereof, (C) approve or recommend, or propose to approve or recommend, or execute or enter into any letter of intent, agreement in principle, option agreement, acquisition agreement or other agreement relating to a Parent Acquisition Proposal or (D) propose publicly or agree to any of the foregoing relating to a Parent Acquisition Proposal.

6.13.2 Parent will, and will take such lawful action solely in its capacity as a stockholder of DTV as may be reasonable to cause DTV and each of its Affiliates to, cease any ongoing, and not initiate any new, activities, directly or indirectly, through any Representative or otherwise, to solicit, initiate or encourage inquiries or submission of proposals or offers from any Person relating to (A) any sale or other disposition of all or any substantial portion of the assets of DTV or its Affiliates or all or any substantial portion of the equity interests in DTV or its Affiliates or (B) any business combination involving DTV or any of its Affiliates, whether by merger, consolidation, tender offer or otherwise (any of the foregoing, an "Extraordinary Transaction") or to participate in any negotiation regarding, or furnishing to any other Person any information with respect to, or otherwise cooperate in any way with or assist in, facilitate or encourage, any effort or attempt by any other Person to do or seek to do any of the foregoing; PROVIDED, HOWEVER, that nothing in this Section 6.13.2 shall prohibit (or require Parent to prohibit) any director of DTV from exercising (solely in his or her capacity as a director of DTV) fiduciary duties to DTV or its shareholders (other than Parent) under applicable Law;

6.13.3 From the date hereof until the earlier of the Closing or the termination of this Agreement, Parent will (A) vote all voting shares of DTV or of any other Person held by Parent and any Affiliate of Parent against any Extraordinary Transaction that is presented or proposed to them at any time after the date of this Agreement and prior to the Closing or termination of this Agreement, (B) not solicit proxies or become a "participant" in a "solicitation" with respect to the shares of capital stock of DTV (as such terms are defined in Regulation 14A under the Exchange

Act) in opposition to or in competition with the consummation of the Exchange or otherwise encourage or assist any party in taking or planning any action which would compete with or materially impede, interfere with, adversely effect or tend to discourage or inhibit the timely consummation of the Exchange and (C) in the event of a tender offer for all or a portion of the outstanding shares of capital stock of DTV, not tender any DTV Shares in such tender offer and publicly announce, within 5 days of the announcement of such tender offer, Parent's intention not to tender any DTV Shares in such tender offer; PROVIDED, HOWEVER that, in the event this Agreement is terminated by Parent or LMC pursuant to Section 9.1.6 or 9.1.7 or by LMC pursuant to Section 9.1.9, Parent's obligations under clauses (A), (B) and (C) of this sentence shall continue until the date that is six (6) months from the date of such termination, and, solely with respect to any transaction in respect of at least a majority of DTV's outstanding shares or all or substantially all of DTV's assets with respect to which a bona fide written proposal was publicly announced and not withdrawn prior to such termination, until the date that is twelve (12) months from the date of such termination. Parent will notify LMC promptly if any inquiries or proposals are received by, any information is requested from, or any negotiations or discussions

are sought to be initiated or continued with, Parent or, to the knowledge of Parent, DTV or any of its Affiliates, in each case in connection with any Extraordinary Transaction.

6.13.4 LMC and its Affiliates have ceased all, and from the date hereof until the Closing or the earlier termination of this Agreement, LMC shall not, nor shall it authorize or permit any of its Affiliates nor any of its Representatives to, (A) directly or indirectly, initiate, solicit or knowingly encourage or facilitate (including, in each case, by way of furnishing information) any inquiries or the making of any proposal or offer with respect to, or any indication of interest in, any acquisition by any third party of all or a portion of the LMC Parent Shares (any such proposal, offer or indication of interest, a "L Acquisition Proposal"), (B) directly or indirectly, engage in any negotiations or discussions concerning an L Acquisition Proposal, or provide access to its properties, books and records or any non-public information or data to, any third party that has made, or to LMC's Knowledge, is considering making an L Acquisition Proposal or any Representatives thereof, (C) approve or recommend, or propose to approve or recommend, or execute or enter into any letter of intent, agreement in principle, option agreement, acquisition agreement or other agreement relating to an L Acquisition Proposal or (D) propose publicly or agree to any of the foregoing relating to an L Acquisition Proposal.

Section 6.14. DTV CHARTER RESTRICTIONS. From the date of this Agreement to the Closing, neither LMC nor Parent shall, and each shall cause its respective Affiliates not to, propose to the Board of Directors of DTV, nor enter into any discussion with the Board of Directors of DTV regarding, any amendment to the DTV certificate of incorporation or bylaws. From the date of this Agreement until the earlier of the termination of this Agreement or the Closing, notwithstanding the foregoing, to the extent that any amendment to DTV's certificate of incorporation is proposed by DTV for approval of DTV's stockholders, Parent will publicly state its intention to vote against, and cause all DTV Shares beneficially owned by Parent to be voted

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against any such amendment, unless LMC has consented to Parent voting in favor of such amendment

Section 6.15. CERTAIN TAX MATTERS. Notwithstanding anything to the contrary in this Agreement, except as expressly provided in the Tax Matters Agreement, as set forth in Sections 4.20, 7.2.4, 7.2.5, 7.3.5, 7.3.6 or this 6.15, or as set forth in Sections 4.12 or 6.10 (including any indemnities related to Sections 4.12 or 6.10), the parties' sole and exclusive representations, warranties, agreements or other obligations (including indemnities) with respect to Tax matters (interpreted in its broadest sense), including the Tax consequences of the Transactions, shall be as set forth in the Tax Matters Agreement, and in the event of any conflict or inconsistency between any provision of this Agreement and any provision of the Tax Matters Agreement, the applicable provision of the Tax Matters Agreement shall govern.

Section 6.16. ANCILLARY AGREEMENTS. Each of Parent and LMC shall, and shall cause each of its respective Affiliates to, at or prior to the Closing, duly execute and deliver each of the Ancillary Agreements (other than the Tax Matters Agreement which shall be executed and delivered concurrently with this Agreement) to which it is to become a party pursuant to the terms of this Agreement.

Section 6.17. PLEDGED SHARES. Prior to or at the Closing, LMC shall unwind or terminate any variable forward OTC contracts to which any or all of the Pledged Shares are subject or substitute other securities, property or assets for the Pledged Shares under any such contracts, such that, at the Closing all of the Pledged Shares shall be delivered to Parent pursuant to Section 3.1; provided, that, nothing in this Section 6.17 shall require LMC to terminate or unwind such contracts; provided further, that, nothing in this Section 6.17 shall derogate from LMC's obligation to deliver the LMC Parent Shares in accordance with Section 3.1.

ARTICLE VII.

CONDITIONS TO CLOSING

Section 7.1. MUTUAL CONDITIONS. The respective obligations of each party hereto to consummate the transactions contemplated by this Agreement, including the Exchange, shall be subject to the fulfillment or, if legally permitted, waiver at or prior to the Closing of the following conditions:

7.1.1 No Governmental Authority of competent jurisdiction located in the United States shall have enacted, issued, promulgated, enforced or

entered any statute, rule, regulation, judgment, decree, injunction or other order of any nature that prohibits, enjoins or restrains the consummation of the transactions contemplated by this Agreement, including the Exchange.

- 7.1.2 Any waiting period (and any extension thereof) applicable to the consummation of the transactions contemplated by this Agreement, including the Exchange, under the HSR Act shall have expired or been terminated.
- 7.1.3 Each of the Tax Matters Agreement and the Global Affiliation Agreement Side Letter shall be valid, binding and in full force and effect and shall not have been

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repudiated by any party thereto (PROVIDED that the right to assert this condition shall not be available to any party if the failure of such condition to be satisfied was due to any wrongful action or omission by such party).

- 7.1.4 The Parent Stockholder Approval shall have been obtained.

Section 7.2. CONDITIONS TO LMC'S OBLIGATIONS. The obligations of LMC to consummate the transactions contemplated by this Agreement, including the Exchange, shall be subject to the fulfillment or waiver by LMC prior to or at the Closing of each of the following conditions:

- 7.2.1 Except as set forth in the following sentence, the representations and warranties of Parent contained in this Agreement and in Article III of the Tax Matters Agreement shall be true and correct (without giving effect to any limitation as to "materiality" or "Material Adverse Effect" set forth therein) at and as of the Closing Date as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date), except where the failure of such representations and warranties to be true and correct (without giving effect to any limitation as to "materiality" or "Material Adverse Effect" set forth therein) would not, individually or in the aggregate, have a Material Adverse Effect on Splitco. The representations and warranties of the Parent contained in Section 4.2 and Section 4.19 shall be true and correct in all respects at and as of the Closing Date as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date). LMC shall have received a certificate, dated the Closing Date, signed on behalf of Parent by an executive officer of Parent to such effect.
- 7.2.2 Parent shall have performed in all material respects each obligation and agreement to be performed by it at or prior to Closing, and shall have complied in all material respects with each covenant required by this Agreement and by Article V of the Tax Matters Agreement to be performed or complied with by it at or prior to the Closing, and LMC shall have received a certificate, dated the Closing Date, signed on behalf of Parent by an authorized officer of Parent to such effect.
- 7.2.3 Prior to or at the Closing, Parent shall have delivered to the Stockholders the items to be delivered by Parent pursuant to Section 3.3.
- 7.2.4 (i) Parent shall have received a private letter ruling from the IRS which includes rulings to the effect that, subject to customary caveats, for United States federal income tax purposes, no gain or loss will be recognized by (and no amount will be includible in the income of) Parent or any of its Affiliates on the Exchange, except with respect to any DITs or ELAs (the "Parent Exchange Ruling"), (ii) LMC shall have received a private letter ruling from the IRS which includes rulings to the effect that, subject to customary caveats, for United States federal income tax purposes, no gain or loss will be recognized by (and no amount will be includible in the income of) the Stockholders on the Exchange (the "LMC

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Exchange Ruling," and collectively with the Parent Exchange Ruling, the "Exchange Rulings"), (iii) each of the Exchange Rulings shall be in form and substance reasonably satisfactory to LMC, and (iv) neither LMC, Parent nor any of their respective Affiliates shall have been notified by the IRS that either Exchange Ruling has been

withdrawn, invalidated or modified in an adverse manner.

- 7.2.5 LMC shall have received the LMC Tax Opinion.
- 7.2.6 No change, effect, event, occurrence, development, condition or circumstance shall have occurred which has had or would be reasonably expected to have a Material Adverse Effect on Splitco.
- 7.2.7 The FCC Consent shall have been obtained, without the imposition of any conditions other than those contemplated by Sections 6.6.5 as applicable to LMC and its Affiliates.

Section 7.3. CONDITIONS TO PARENT'S OBLIGATIONS. The obligations of Parent to consummate the transactions contemplated by this Agreement, including the Exchange shall be subject to the fulfillment or waiver at or prior to the Closing of each of the following conditions:

- 7.3.1 Except as set forth in the following sentence, the representations and warranties of LMC contained in this Agreement and in Article IV of the Tax Matters Agreement shall be true and correct (without giving effect to any limitation as to "materiality" or "Material Adverse Effect" set forth therein) at and as of the Closing Date as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date), except where the failure of such representations and warranties to be true and correct (without giving effect to any limitation as to "materiality" or "Material Adverse Effect" set forth therein) would not, individually or in the aggregate, have a Material Adverse Effect on LMC's ability to consummate the transactions contemplated by this Agreement, including the Exchange. The representations and warranties of LMC contained in Section 5.5 shall be true and correct in all respects at and as of the Closing Date as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date). Parent shall have received a certificate, dated the Closing Date, signed on behalf of LMC by an executive officer of LMC to such effect.
- 7.3.2 LMC and each Stockholder shall have performed in all material respects each obligation and agreement to be performed by it at or prior to Closing, and shall have complied in all material respects with each covenant required by this Agreement and by Article V of the Tax Matters Agreement to be performed or complied with by it at or prior to the Closing, and Parent shall have received a certificate, dated the Closing Date, signed on behalf of LMC by an authorized officer of LMC to such effect.

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- 7.3.3 Prior to or at the Closing, the Stockholders shall have delivered to Parent the items to be delivered pursuant to Section 3.4.
- 7.3.4 The Disinterested Stockholder Approval shall have been obtained.
- 7.3.5 (i) LMC shall have received the LMC Exchange Ruling, (ii) Parent shall have received the Parent Exchange Ruling, (iii) Parent shall have received a private letter ruling from the IRS, in form and substance reasonably satisfactory to Parent, which includes rulings to the effect that, subject to customary caveats, for United States federal income tax purposes, no gain or loss will be recognized by (and no amount will be includible in the income of) Parent or any of its Affiliates on the Parent Restructuring, except with respect to any DITs or ELAs (the "Parent Restructuring Ruling"), (iv) each of the Exchange Rulings and the Parent Restructuring Ruling shall be in form and substance reasonably satisfactory to Parent, and (v) neither LMC, Parent nor any of their respective Affiliates shall have been notified by the IRS that either Exchange Ruling or the Parent Restructuring Ruling has been withdrawn, invalidated or modified in an adverse manner.
- 7.3.6 Parent shall have received the Parent Tax Opinion.
- 7.3.7 The FCC Consent shall have been obtained, without the imposition of any conditions other than those contemplated by Sections 6.6.5 as applicable to Parent and its Affiliates.

Section 7.4. FRUSTRATION OF CLOSING CONDITIONS. Neither Parent, nor LMC may rely on the failure of any condition set forth in this Article VII to be satisfied if such failure was caused by such party's failure to act in good faith or to use its reasonable best efforts to cause the Closing to occur as required by Section 6.6.

INDEMNIFICATION

Section 8.1. SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS

8.1.1 The representations and warranties contained in this Agreement shall survive the Closing as follows: (i) the representations and warranties contained in Sections 4.1 (Organization and Standing), 4.2 (Capitalization), 4.3 (Corporate Power and Authority), 4.4 (Shareholder Votes Required), 4.19 (Title to DTV Shares), 4.22 (Brokers and Agents), 4.23 (Investigation; Reliance), 5.1 (Organization and Standing), 5.2 (Corporate Power and Authority), 5.3 (No Vote Required), 5.5 (LMC Parent Shares), 5.10 (Investigation and Reliance) and 5.11 (Brokers and Agents) shall survive indefinitely; (ii) the representations and warranties contained in Sections 4.12 (Employee Benefit Plans) shall survive until the date that is 60 calendar days following the expiration of the statute of limitations applicable to actions with respect thereto; (iii) the representations and warranties contained in Sections 4.20.6, 4.20.10 and 4.20.11 (relating to Certain Tax

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Matters) shall survive, but solely for purposes of the Tax Matters Agreement as provided therein; and (iv) all other representations and warranties contained in this Agreement (other than the representations and warranties contained in Sections 4.20.1 - 4.20.5 and Sections 4.20.7 - 4.20.9 (Certain Tax Matters), which shall not survive the Closing) shall survive until the date that is 18 months following the Closing Date.

8.1.2 The covenants and agreements made by each party in this Agreement shall survive the Closing, unless specified to the contrary herein. Notwithstanding Section 8.1.1, any breach of representation, warranty, covenant or agreement in respect of which indemnity may be sought under this Agreement shall survive the time at which it would otherwise terminate pursuant to Section 8.1.1 or 8.1.2 if notice of the inaccuracy or breach thereof giving rise to such right of indemnity shall have been given to the party against whom such indemnity may be sought prior to such time.

Section 8.2. INDEMNIFICATION.

8.2.1 Provided that the Closing shall have occurred, subject to Sections 8.1 and 8.2.2, Parent hereby agrees to indemnify each LMC Indemnitee against and agrees to hold each of them harmless (without duplication) from any and all Damages incurred or suffered by any LMC Indemnitee arising out of or resulting from (i) any representation or warranty of Parent contained in this Agreement (other than the representations and warranties contained in Section 4.20) not being true and correct (which representations and warranties (except those made as of a specified date) shall be deemed to have been made again as of the Closing Date for purposes of this Section 8.2.1) or (ii) any breach or nonperformance of any covenant or agreement made or to be performed by Parent.

8.2.2 No indemnification by Parent shall be due and payable under Section 8.2.1 in respect of any Parent Basket Breach unless and until the cumulative amount of all Damages arising out of or resulting from all such Parent Basket Breaches exceeds the Parent Basket Amount, whereupon Parent will be obligated to indemnify the LMC Indemnitees for the cumulative amount of Damages incurred or suffered by the LMC Indemnitees in excess of the Parent Basket Amount, and only to the extent of such excess. Parent shall not be obligated to indemnify the LMC Indemnitees for Damages arising out of or resulting from all Parent Basket Breaches under this Agreement in an aggregate amount in excess of the Maximum Amount; PROVIDED that the limitation on Parent's obligations set forth in this sentence shall not apply to breaches of the representations and warranties contained in Section 4.12. The limitations on indemnification set forth in this Section 8.2.2 shall not be applicable to (x) any Parent Basket Exception Breach (and the LMC Indemnitees will be entitled to indemnification with respect to any Parent Basket Exception Breach without regard to any Parent Basket Amount or any Maximum Amount) and (y) any claim based upon fraud or knowing misrepresentation. For purposes of determining the amount of Damages arising from any Parent Basket Breach (but not for purposes of determining whether any

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such Parent Basket Breach has occurred), the representations and warranties shall be read without giving effect to any limitations or qualifications as to "materiality" (including the words "material" or "materially") or "Material Adverse Effect" set forth therein.

8.2.3 Provided that the Closing shall have occurred, subject to Sections 8.1 and 8.2.4, LMC hereby agrees to indemnify each Parent Indemnitee against and agrees to hold each of them harmless (without duplication) from any and all Damages incurred or suffered by any Parent Indemnitee arising out of or resulting from (i) any representation or warranty of LMC contained in this Agreement not being true and correct (which representations and warranties (except those made as of a specified date) shall be deemed to have been made again as of the Closing Date for purposes of this Section 8.2.3) or (ii) any breach or nonperformance of any covenant or agreement made or to be performed by LMC pursuant to this Agreement.

8.2.4 No indemnification by LMC shall be due and payable under Section 8.2.3(i) in respect of any Liberty Basket Breach unless and until the cumulative amount of all Damages arising out of or resulting from all such Liberty Basket Breaches exceeds the Liberty Basket Amount, whereupon LMC will be obligated to indemnify the Parent Indemnitees for the cumulative amount of Damages incurred or suffered by the Parent Indemnitees in excess of the Liberty Basket Amount, and only to the extent of such excess. LMC shall not be obligated to indemnify the Parent Indemnitees for Damages arising out of or resulting from all Liberty Basket Breaches under this Agreement in an aggregate amount in excess of the Maximum Amount. The limitations on indemnification set forth in this Section 8.2.4 shall not be applicable to (x) any Liberty Basket Exception Breach (and the Parent Indemnitees will be entitled to indemnification with respect to any Liberty Basket Exception Breach without regard to any Liberty Basket Amount or any Maximum Amount) and (y) any claim based upon fraud or knowing misrepresentation. For purposes of determining the amount of Damages arising from any Liberty Basket Breach (but not for purposes of determining whether any such Liberty Basket Breach has occurred), the representations and warranties shall be read without giving effect to any limitations or qualifications as to "materiality" (including the words "material" and "materially") or "Material Adverse Effect" set forth therein.

Section 8.3. PROCEDURES.

8.3.1 The party or parties seeking indemnification under Section 8.2 (the "Indemnified Party") agrees to give prompt notice to the party or parties against whom indemnity is sought (the "Indemnifying Party") of the assertion of any claim, or the commencement of any suit, action or proceeding in respect of which indemnity may be sought under such Section and will provide the Indemnifying Party such information with respect thereto in its possession that the Indemnifying Party may reasonably request; PROVIDED, HOWEVER, that failure to give such notification shall not affect the indemnification provided hereunder except to the

extent the Indemnifying Party shall have been actually materially prejudiced as a result of such failure.

8.3.2 In the case of a third party claim, the Indemnified Party shall be entitled to exercise full control of the defense, compromise or settlement of any third party claim, investigation, action, suit or proceeding unless the Indemnifying Party within a reasonable time after the giving of notice of such indemnity claim by the Indemnified Party shall: (i) deliver a written confirmation to such Indemnified Party that the indemnification provisions of Section 8.2 are applicable to such claim, investigation, action, suit or proceeding and that the Indemnifying Party will indemnify such Indemnified Party in respect of such claim, action or proceeding pursuant to the terms of Section 8.2, (ii) notify such Indemnified Party in writing of the Indemnifying Party's intention to assume the defense thereof and (iii) retain legal counsel reasonably satisfactory to such Indemnified Party to conduct the defense of such claim, investigation, action, suit or proceeding.

8.3.3 If the Indemnifying Party so assumes the defense of any such claim, investigation, action, suit or proceeding in accordance herewith,

then such Indemnified Party shall cooperate with the Indemnifying Party in any manner that the Indemnifying Party reasonably may request in connection with the defense, compromise or settlement thereof. If the Indemnifying Party so assumes the defense of any such claim, investigation, action, suit or proceeding, the Indemnified Party shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise or settlement thereof, but the fees and expenses of such counsel shall be the expense of such Indemnified Party unless (i) the Indemnifying Party has agreed to pay such fees and expenses, (ii) any relief other than the payment of money damages is sought against the Indemnified Party or (iii) such Indemnified Party shall have been advised by its regular outside counsel that there may be one or more legal defenses available to it that are different from or additional to those available to the Indemnifying Party or that a conflict of interest between the Indemnifying Party and the Indemnified Party in the conduct of the defense of such action would reasonably be expected (in which case the Indemnifying Party shall not have the right to control the defense, compromise or settlement of such action on behalf of the Indemnified Party), and in any such case described in clauses (i), (ii) or (iii) the reasonable fees and expenses of one such separate counsel, and one local counsel, if necessary, shall be borne by the Indemnifying Party. No Indemnified Party shall settle or compromise or consent to entry of any judgment with respect to any such action for which it is entitled to indemnification hereunder without the prior consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed, unless the Indemnifying Party shall have failed, after reasonable notice thereof, to undertake control of such action in the manner provided above in this Section 8.3 to the extent the Indemnifying Party was entitled to do so pursuant to this Section 8.3. The Indemnifying Party shall not, without the consent of such Indemnified Party, settle or compromise or consent to entry of any judgment with respect to any such claim, investigation, action, suit or proceeding (x) in which any relief other than the payment of money damages is or may be sought against such Indemnified

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Party or (y) that does not include as an unconditional term thereof the giving by the claimant, party conducting such investigation, plaintiff or petitioner to such Indemnified Party of a release from all liability with respect to such claim, action, suit or proceeding.

Section 8.4. EXCLUSIVITY. Following the Closing, except in the case of common law fraud, the sole and exclusive monetary remedy of the parties with respect to any and all claims arising from any breach of this Agreement or any of the other matters addressed in Section 8.2 shall be pursuant to the indemnification provisions set forth in this Article VIII; PROVIDED that this Section 8.4 shall not be construed so as to derogate from or otherwise limit any party's right to seek the remedy of specific performance, injunctive relief or other non-monetary equitable remedies with respect to any such breach.

Section 8.5. CERTAIN RIGHTS AND LIMITATIONS.

- 8.5.1 The treatment of any Tax costs or Tax benefits to any party as a result of any indemnification payment(s) pursuant to this Article VIII shall be as set forth in the Tax Matters Agreement.
- 8.5.2 Notwithstanding anything to the contrary herein, no party shall be entitled to assert any right to indemnification under this Article VIII unless, and until, the Closing shall have occurred.

ARTICLE IX.

TERMINATION

Section 9.1. TERMINATION. This Agreement may be terminated and the Exchange and other transactions contemplated hereby abandoned at any time prior to the consummation of the Closing, whether before or after receipt of the Requisite Parent Stockholder Approval, under the following circumstances:

- 9.1.1 by mutual written consent of Parent and LMC;
- 9.1.2 by LMC or Parent upon written notice to the other if the Closing shall not have been consummated on or before December 22, 2007 (the "Termination Date"); PROVIDED, that if, as of the Termination Date all conditions to this Agreement shall have been satisfied or waived (other than those that are satisfied by action taken at the Closing) other than the conditions set forth in Sections 7.2.7,

7.3.7, 7.2.4 or 7.3.5 then the Termination Date shall be extended to March 22, 2008 (the "Extended Termination Date");

- 9.1.3 by LMC upon written notice to Parent, if there has been a breach by Parent or Splitco of any representation, warranty, covenant or agreement contained in this Agreement or the Tax Matters Agreement which would result in a failure of a condition set forth in Section 7.2 and either cannot be cured prior to the Termination Date, or is not cured within 45 days after LMC shall have given Parent written notice stating LMC's intention to terminate this Agreement

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pursuant to this Section 9.1.3 and the basis for such termination; PROVIDED, at the time of the delivery of such notice, LMC shall not be in material breach of its obligations under this Agreement or the Tax Matters Agreement;

- 9.1.4 by Parent upon written notice to LMC, if there has been a breach by LMC of any representation, warranty, covenant or agreement contained in this Agreement or the Tax Matters Agreement which would result in a failure of a condition set forth in Section 7.3 and either cannot be cured prior to the Termination Date, or is not cured within 45 days after Parent shall have given LMC written notice stating Parent's intention to terminate this Agreement pursuant to this Section 9.1.4 and the basis for such termination; PROVIDED, at the time of the delivery of such notice, Parent shall not be in material breach of its obligations under this Agreement or the Tax Matters Agreement;
- 9.1.5 by either LMC or Parent upon written notice to the other party hereto, if any Governmental Authority of competent jurisdiction shall have issued an order or taken any other action permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement, and such order or other action shall have become final and non-appealable, PROVIDED that the party seeking to terminate this Agreement pursuant to this Section 9.1.5 shall have used its reasonable best efforts to remove such order or other action; PROVIDED, FURTHER, that the right to terminate this Agreement under this Section 9.1.5 shall not be available to a party if the issuance of such final, non-appealable order was primarily due to the failure of such party to perform any of its obligations under this Agreement, including, without limitation, the obligation of LMC and Parent to comply with Section 6.6 of this Agreement so as to allow the parties to close the transactions contemplated by this Agreement as promptly as practicable;
- 9.1.6 by either LMC or Parent upon written notice to the other party hereto if the Parent Stockholder Approval shall not have been obtained by reason of the failure to obtain the required vote at the Parent Stockholders' Meeting or any adjournment thereof;
- 9.1.7 by either LMC or Parent upon written notice to the other party hereto, if the Disinterested Stockholder Approval shall not have been obtained by reason of the failure to obtain the required vote at the Parent Stockholders' Meeting or any adjournment thereof; PROVIDED that LMC (i) shall not be entitled to exercise its termination right pursuant to this Section 9.1.7 earlier than the eleventh (11th) Business Day following the Parent Stockholders' Meeting; and (ii) shall only be entitled to exercise such right if Parent shall not have delivered written notice of its waiver of the condition set forth in Section 7.3.4 and its termination right under this Section 9.1.7 prior to such eleventh (11th) Business Day;
- 9.1.8 by LMC if there shall have occurred following the date of this Agreement a Material Adverse Effect on Splitco which is continuing and has not been cured within 30 days after LMC shall have given Parent written notice stating LMC's

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intention to terminate this Agreement pursuant to this Section 9.1.8 and describing in reasonable detail the basis for such termination; or

- 9.1.9 by LMC upon written notice to Parent, if there shall have occurred a Parent Change in Recommendation; PROVIDED that LMC's right to terminate pursuant to this Section 9.1.9 shall terminate ten (10)

Business Days following the earlier of the date notice of the Parent Change in Recommendation is filed with the SEC and the date LMC receives written notice from Parent pursuant to Section 10.1 of such Parent Change in Recommendation.

Section 9.2. EFFECT OF TERMINATION.

9.2.1 In the event of the termination of this Agreement pursuant to Section 9.1, this Agreement, except for the provisions of (i) Section 6.9.1 relating to the obligation of the parties to keep confidential certain information obtained by them, (ii) Section 6.13.3 relating to Parents obligation with respect to the DTV Shares, (iii) Article X, and (iv) this Section 9.2.1, which shall, in each case, remain in full force and effect, shall become void and have no effect, without any liability on the part of any party hereto or its directors, officers or stockholders. Notwithstanding the foregoing, nothing in this Section 9.2.1 shall relieve any party hereto of liability for a willful breach of any of its obligations under this Agreement.

9.2.2 If:

(i) either LMC or Parent terminates this Agreement pursuant to 9.1.6 (and the votes associated with the shares held by the Murdoch Interests shall have been disregarded under the ASX listing rules for purposes of the Parent Stockholder Approval) or 9.1.7 (and prior to vote at the Parent Stockholders' Meeting there shall not have occurred a Parent Change in Recommendation), then Parent shall pay to LMC by wire transfer of immediately available funds an amount equal to one hundred million dollars (\$100,000,000); or

(ii) (A) (1) either LMC or Parent terminates this Agreement pursuant to Section 9.1.7 and (2) prior to the vote at Parent Stockholders' Meeting, there shall have occurred a Parent Change in Recommendation, (B) (1) either LMC or Parent terminates this Agreement pursuant to Section 9.1.6 and (2) the votes associated with the shares held by the Murdoch Interests shall not have been disregarded under the ASX listing rules for purposes of the Parent Stockholder Approval or (C) LMC terminates this Agreement pursuant to Section 9.1.9, then Parent shall pay to LMC by wire transfer of immediately available funds an amount equal to three hundred million dollars (\$300,000,000) (the amounts payable under paragraphs (i) and (ii) of Section 9.2.2, as the case may be, the "Termination Fee").

Parent acknowledges that the agreements contained in this Section 9.2.2 are an integral part of the transactions contemplated by this Agreement and that, without these agreements, LMC would not enter into this Agreement; accordingly, if

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Parent fails to pay when due the amounts due pursuant to this Section 9.2.2, LMC shall be entitled to interest on the amounts set forth in this Section 9.2.2 at the prime rate of Citibank, N.A. in effect on the date such payment was required to be made. All payments made pursuant to paragraphs (i) and (ii) of this Section 9.2.2 shall be made by wire transfer of immediately available funds within two (2) Business Days of the applicable termination date. If payable, the Termination Fee shall not be payable more than once under this Agreement.

ARTICLE X.

MISCELLANEOUS

Section 10.1. NOTICES. All notices or other communications required or permitted hereunder shall be in writing and shall be delivered personally, by facsimile (with confirming copy sent by one of the other delivery methods specified herein), by overnight courier or sent by certified, registered or express air mail, postage prepaid, and shall be deemed given when so delivered personally, or when so received by facsimile or courier, or, if mailed, three calendar days after the date of mailing, as follows:

If to Parent: News Corporation
1211 Avenue of the Americas
New York, NY 10036
Facsimile: (212) 768-9896
Attention: General Counsel

with a copy to: Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square

New York, New York 10036
Facsimile: (917) 777-2000
Attention: Lou R. Kling
Howard L. Ellin

If to LMC: Liberty Media Corporation
12300 Liberty Boulevard
Englewood, Colorado 80112
Facsimile: (720) 875-5382
Attention: General Counsel

with a copy to: Baker Botts L.L.P.
30 Rockefeller Plaza
44th Fl.
New York, NY 10112
Facsimile: (212) 408-2501
Attention: Frederick H. McGrath
Jonathan Gordon

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or to such other address and with such other copies as any party hereto shall notify the other parties hereto (as provided above) from time to time.

Section 10.2. EXPENSES. Regardless of whether the transactions provided for in this Agreement are consummated, except as otherwise expressly provided herein, each of the parties hereto shall pay its own expenses incident to this Agreement and the transactions contemplated herein (including legal fees, accounting fees, investment banking fees and filing fees). Notwithstanding anything herein to the contrary, Parent shall pay and be responsible for all reasonable and reasonably documented out-of-pocket fees, costs and expenses incurred by DTV in connection with the negotiation of this Agreement and any of the Ancillary Agreements, LMC's due diligence review of DTV and DTV's Subsidiaries, and DTV's actions taken in anticipation of the consummation of the Transactions, including the fees and expenses of the advisers, accountants and legal counsel of DTV and of any special committee of the board of directors of DTV and any filing fees paid to any Governmental Authority.

Section 10.3. GOVERNING LAW; CONSENT TO JURISDICTION. This Agreement shall be governed by, and construed in accordance with, the internal Laws of the State of Delaware, without reference to the choice of law principles thereof. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the courts of the Delaware Chancery Courts, or, if the Delaware Chancery Courts do not have subject matter jurisdiction, in the state courts of the State of Delaware located in Wilmington, Delaware, or in the United States District Court for any district within such state, for the purpose of any Action or judgment relating to or arising out of this Agreement or any of the transactions contemplated hereby and to the laying of venue in such court. Service of process in connection with any such Action may be served on each party hereto by the same methods as are specified for the giving of notices under this Agreement. Each party hereto irrevocably and unconditionally waives and agrees not to plead or claim any objection to the laying of venue of any such Action brought in such courts and irrevocably and unconditionally waives any claim that any such Action brought in any such court has been brought in an inconvenient forum.

Section 10.4. WAIVER OF JURY TRIAL. EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND, THEREFORE, EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY ACTION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY HERETO CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF SUCH ACTION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG

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OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.4.

Section 10.5. ASSIGNMENT; SUCCESSORS AND ASSIGNS; NO THIRD PARTY RIGHTS. This Agreement may not be assigned by any party hereto without the prior written consent of the other parties hereto, and any attempted assignment shall be null and void; PROVIDED, HOWEVER, that following the Closing LMC will be permitted to assign its rights hereunder, without obtaining the consent of Parent, to any Person (any such Person a "LMC Related Party") to which ownership of one hundred

percent (100%) of the shares of capital stock of Splitco are or have been transferred in connection with any spin off, split off or other distribution of the securities of such transferee in which holders of LMC capital stock immediately prior thereto are entitled to, or have the opportunity to, participate in such distribution. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Agreement shall be for the sole benefit of the parties hereto, and their respective successors and permitted assigns and is not intended, nor shall be construed, to give any Person, other than the parties hereto and their respective successors and permitted assigns any legal or equitable right, benefit, remedy or claim hereunder, except in the case of Section 10.2, DTV.

Section 10.6. COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original agreement, but all of which together shall constitute one and the same instrument.

Section 10.7. TITLES AND HEADINGS. The headings and table of contents in this Agreement are for reference purposes only, and shall not in any way affect the meaning or interpretation of this Agreement.

Section 10.8. AMENDMENT AND MODIFICATION. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 10.9. PUBLICITY; PUBLIC ANNOUNCEMENTS. The initial press release concerning this Agreement and the Transactions shall be a joint press release approved in advance by Parent and LMC and thereafter each of Parent and LMC shall consult with the other prior to issuing any press releases or otherwise making public announcements with respect to this Agreement and the Transactions and prior to making any filings with any third party or any Governmental Authority (including any national securities exchange or interdealer quotation system) with respect thereto, except as may be required by applicable Laws or the requirements of any national securities exchange or interdealer quotation system on which the securities of Parent or LMC are listed or quoted; PROVIDED that the foregoing limitations shall not apply to any disclosure of any information concerning this Agreement or the Transactions (i) which Parent or LMC deems appropriate in its reasonable judgment, in light of its status as a publicly owned company, including without limitation to securities analysts and institutional investors and in press interviews; and (ii) in connection with any dispute between the parties regarding this Agreement or the Transactions.

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Section 10.10. WAIVER. Any of the terms or conditions of this Agreement may be waived at any time by the party or parties hereto entitled to the benefit thereof, but only by a writing signed by the party or parties waiving such terms or conditions.

Section 10.11. SEVERABILITY. If any term, provisions, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 10.12. NO STRICT CONSTRUCTION. LMC and Parent each acknowledge that this Agreement has been prepared jointly by the parties hereto and shall not be strictly construed against any party hereto.

Section 10.13. ENTIRE AGREEMENT. This Agreement (including the Disclosure Letters, Schedules and Exhibits attached hereto or delivered in connection herewith), the Ancillary Agreements and the Confidentiality Agreement constitute the entire agreement among the parties hereto with respect to the matters covered hereby and thereby, and supersede all previous written, oral or implied understandings among them with respect to such matters.

Section 10.14. EQUITABLE REMEDIES. Neither rescission, set-off nor reformation of this Agreement shall be available as a remedy to any of the parties hereto. The parties hereto agree that irreparable damage would occur in the event any of the provisions of this Agreement were not to be performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof in addition to any other remedies at Law or in equity.

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

NEWS CORPORATION

By: /s/ John P. Nallen

Name: John P. Nallen
Title: Executive Vice President & Deputy
CFO

LIBERTY MEDIA CORPORATION

By: /s/ Gregory B. Maffei

Name: Gregory B. Maffei
Title: President & CEO

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OMITTED SCHEDULES

The following schedules to the Share Exchange Agreement have been omitted pursuant to Regulation S-K Item 601(b)(2):

Schedule A: Form of LMC Tax Opinion Representations

Schedule B: Fox Sports net Current Assets & Liabilities Descriptions

Schedule C: Parent Restructuring

Schedule D: Form of Parent Tax Opinion Representations

The Registrant agrees to furnish supplementally a copy of any of the foregoing to the Commission upon request.

TAX MATTERS AGREEMENT

This Tax Matters Agreement (the "AGREEMENT") is entered into as of December 22, 2006, by and among News Corporation, a Delaware corporation ("PARENT"), and Liberty Media Corporation, a Delaware corporation ("LMC").

RECITALS

WHEREAS, as of the date hereof, Parent is the common parent of an affiliated group of domestic corporations within the meaning of Section 1504(a) of the Code, and the members of the affiliated group have heretofore joined in filing consolidated federal income Tax Returns;

WHEREAS, pursuant to the Share Exchange Agreement, dated as of December 22, 2006 (the "SHARE EXCHANGE AGREEMENT"), by and between Parent and LMC, as of the Closing Date, (a) the assets of Greenlady Corp., a newly formed Delaware corporation ("SPLITCO"), will consist solely of (i) all issued and outstanding equity interests of each Transferred Subsidiary, (ii) the DTV Shares and (iii) the Cash Amount and (b) Parent will own all of the Splitco Shares;

WHEREAS, on the Closing Date, Parent will transfer the Splitco Shares to the Stockholders in exchange for the LMC Parent Shares;

WHEREAS, the obligation of LMC to consummate the Exchange is conditioned, among other things, upon the receipt of the LMC Exchange Ruling and the LMC Tax Opinion, and the obligation of Parent to consummate the Exchange is conditioned, among other things, upon the receipt of the Parent Exchange Ruling, the Parent Restructuring Ruling and the Parent Tax Opinion;

WHEREAS, the Parties to this Agreement intend that the Exchange qualify as a tax-free exchange under Section 355(a) of the Code and this Agreement together with the Share Exchange Agreement constitute a "plan of reorganization," as defined in Section 368 of the Code; and

WHEREAS, in anticipation of the Exchange, the Parties desire to enter into this Agreement to provide for certain Tax matters, including the assignment of responsibility for the preparation and filing of Tax Returns, the payment of and indemnification for Taxes (including Taxes with respect to the Exchange and the Parent Restructuring), entitlement to refunds of Taxes, and the prosecution and defense of any Tax Contest;

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, the Parties hereby agree as follows:

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ARTICLE I
DEFINITIONS

Section 1.1 GENERAL. Capitalized terms used in this Agreement and not defined herein shall have the meanings that such terms have in the Share Exchange Agreement. As used in this Agreement, the following terms shall have the following meanings:

"ACQUISITION TRANSACTIONS" shall mean the acquisition by the LMC Entities, Liberty Media LLC or their respective predecessors or Affiliates of LMC Parent Shares or stock (or ADSs) of The News Corporation Limited (now known as News Holdings Limited) in each of the Domestication and the Merger Transactions.

"ACTION" shall have the meaning specified in the Share Exchange Agreement.

"AFFILIATE" shall have the meaning specified in the Share Exchange Agreement.

"AGREEMENT" shall have the meaning specified in the preamble.

"ANCILLARY AGREEMENTS" shall have the meaning specified in the Share Exchange Agreement.

"BUSINESS DAY" shall have the meaning specified in the Share Exchange Agreement.

"CLOSING" shall have the meaning specified in the Share Exchange Agreement.

"CLOSING DATE" shall have the meaning specified in the Share Exchange

Agreement.

"CLOSING OF THE BOOKS METHOD" means the apportionment of items between portions of a Taxable period based on a closing of the books and records as of the end of the day on the Closing Date (as if the Closing Date were the end of the Taxable period), provided that any items not susceptible to such apportionment shall be apportioned pro rata on the basis of elapsed days during the relevant portion of the Taxable period.

"CODE" shall have the meaning specified in the Share Exchange Agreement.

"DAMAGES" shall have the meaning specified in the Share Exchange Agreement.

"DISCLOSING PARTY" shall have the meaning specified in Section 8.3.

"DTV SHARES" shall have the meaning specified in the Share Exchange Agreement.

"DOMESTICATION" means the "Proposed Transaction" as defined in the Information Memorandum.

"EXCHANGE" shall have the meaning specified in the Share Exchange Agreement.

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"EXCHANGE TAXES" means all Taxes (including any United States federal, state, local or foreign Taxes, but excluding Transfer Taxes) resulting from the Exchange or the Parent Restructuring.

"FINAL DETERMINATION" means a determination within the meaning of Section 1313 of the Code or any similar provision of state or local Law.

"FOX SPORTS AGREEMENTS" means (i) the Parents' Agreement, dated as of July 15, 1999, by and among Liberty Media Corporation (now known as Liberty Media LLC) and The News Corporation Limited (now known as News Holdings Limited), and (ii) the Agreement and Plan of Merger, dated as of July 15, 1999, by and among Liberty Media Corporation (now known as Liberty Media LLC), LMC Newco U.S., Inc., New LMC KBL, Inc., New LMC Bay Area, Inc., New LMC Chicago, Inc., New LMC Northwest, Inc., New LMC Upper Midwest, Inc., The News Corporation Limited (now known as News Holdings Limited), and News Publishing Australia Limited.

"GM AGREEMENTS" means (i) the Stock Purchase Agreement, dated April 9, 2003, as amended, by and among General Motors Corporation, Hughes Electronics Corporation and The News Corporation Limited (now known as News Holdings Limited), and (ii) the Agreement and Plan of Merger, dated April 9, 2003, as amended, between Hughes Electronics Corporation, The News Corporation Limited (now known as News Holdings Limited), and GMH Merger Sub, Inc.

"GM TRANSACTION" means the transactions effected by GM Agreements.

"GOVERNMENTAL AUTHORITY" shall have the meaning specified in the Share Exchange Agreement.

"INFORMATION MEMORANDUM" means the information memorandum of The News Corporation Limited (now known as News Holdings Limited), dated September 15, 2004, relating to the U.S. reincorporation and certain acquisitions from Murdoch family interests.

"INTEREST RATE" means LIBOR, as adjusted as of each Interest Rate Determination Date, plus 2%. Interest will be calculated at the applicable Interest Rate based upon the number of days elapsed in each year of 365/366 days.

"INTEREST RATE DETERMINATION DATE" means the Closing Date and each March 31, June 30, September 30 and December 31 thereafter.

"INTERNAL RESTRUCTURING" means the "Post-Transaction Internal Restructuring" as defined in the Information Memorandum.

"IRS" shall have the meaning specified in the Share Exchange Agreement.

"IRS SUBMISSION" shall mean the Ruling Request and any supplemental materials submitted to the IRS relating thereto.

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"JOINT RULING REQUEST" means any ruling request submitted jointly by Parent and LMC to the IRS for (x) the Rulings, and (y) any other ruling in connection with the Exchange or the Parent Restructuring that Parent and LMC deem to be appropriate.

"LIBERTY NEWCO INTERNATIONAL AGREEMENT" shall mean the Agreement and Plan of Merger, dated as of December 3, 2001, by and among Liberty Media Corporation (now known as Liberty Media LLC), Liberty Newco International, Inc., The News Corporation Limited (now known as News Holdings Limited), and News Publishing Australia Limited.

"LIBOR" means, with respect to each period between two consecutive Interest Rate Determination Dates (an "interest period"), a rate determined at approximately 11:00 a.m., London time, two London business days before the applicable Interest Rate Determination Date (the "determination time") on the following basis: (A) the rate appearing on Telerate Page 3750 (or on any successor or substitute page of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by LMC from time to time, for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at the determination time as the rate for dollar deposits with a maturity comparable to such interest period, and (B) if such rate is not available at such time for any reason, then the arithmetic mean (rounded upward, if necessary, to the nearest 1/16 of 1%) of the offered rates for deposits in U.S. dollars, for a period comparable to such interest period and in an amount approximately equal to the aggregate outstanding principal amount as to which the interest period applies, quoted at the determination time, as such rates appear on the display designated as page "LIBO" on the Reuters Monitor Money Rates Service (or such other page as may replace the "LIBO" page on that service for the purpose of displaying London interbank offered rates of major banks). If neither rate is available at such time for any reason, then "LIBOR" with respect to such interest period shall be the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which dollar deposits of \$5,000,000 and for a maturity comparable to such interest period are offered by the principal London office of JPMorgan Chase Bank at the determination time.

"LMC" shall have the meaning specified in the preamble.

"LMC ENTITIES" mean LMC and the Stockholders.

"LMC EXCHANGE RULING" shall have the meaning specified in the Share Exchange Agreement.

"LMC INDEMNITEES" shall have the meaning specified in the Share Exchange Agreement.

"LMC MATERIALS" shall have the meaning specified in Section 5.2(b).

"LMC PARENT SHARES" shall have the meaning specified in the Share Exchange Agreement.

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"LMC RULING REQUEST" means any ruling request submitted by LMC to the IRS for (x) the LMC Exchange Ruling, and (y) any other ruling in connection with the Exchange or the Parent Restructuring that Parent and LMC deem to be appropriate.

"LMC TAX OPINION" shall have the meaning specified in the Share Exchange Agreement.

"LMC TAX OPINION REPRESENTATIONS" shall have the meaning specified in the Share Exchange Agreement.

"MERGER TRANSACTIONS" shall mean each of the transactions effected by the TVGIA Agreement, the UVSG Agreement, the Liberty Newco International Agreement, and the Fox Sports Agreements.

"PARENT" shall have the meaning specified in the preamble.

"PARENT EXCHANGE RULING" shall have the meaning specified in the Share Exchange Agreement.

"PARENT INDEMNITEES" shall have the meaning specified in the Share Exchange Agreement.

"PARENT MATERIALS" shall have the meaning specified in Section 5.2(a).

"PARENT RESTRUCTURING" shall have the meaning specified in the Share

Exchange Agreement.

"PARENT RESTRUCTURING RULING" shall have the meaning specified in the Share Exchange Agreement.

"PARENT RULING REQUEST" means any ruling request submitted by Parent to the IRS for (x) the Parent Exchange Ruling, (y) the Parent Restructuring Ruling, and (z) any other ruling in connection with the Exchange or the Parent Restructuring that Parent and LMC deem to be appropriate.

"PARENT TAX OPINION" shall have the meaning specified in the Share Exchange Agreement.

"PARENT TAX OPINION REPRESENTATIONS" shall have the meaning specified in the Share Exchange Agreement.

"PARTY" means any of Parent or LMC, as the case may be.

"PERSON" shall have the meaning specified in the Share Exchange Agreement.

"POST-EXCHANGE PERIOD" means any Taxable year or other Taxable period beginning after the Closing Date and, in the case of any Taxable year or other Taxable period

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that begins on or before and ends after the Closing Date, that part of the Taxable year or other Taxable period that begins at the beginning of the day after the Closing Date.

"PRE-EXCHANGE PERIOD" means any Taxable year or other Taxable period that ends on or before the Closing Date and, in the case of any Taxable year or other Taxable period that begins on or before and ends after the Closing Date, that part of the Taxable year or other Taxable period through the end of the day on the Closing Date.

"PRE-EXCHANGE TAX RETURN" means any Tax Return that is required to be filed with respect to any Transferred Subsidiary for a Taxable period ending on or before the Closing Date.

"RECEIVING PARTY" shall have the meaning specified in Section 8.3.

"RULING REQUEST" shall mean the Joint Ruling Request, if permitted to be filed by the IRS, and if the IRS does not permit a Joint Ruling Request to be filed, the Parent Ruling Request and the LMC Ruling Request.

"RULINGS" shall have the meaning specified in the Share Exchange Agreement.

"SHARE EXCHANGE AGREEMENT" shall have the meaning specified in the recitals.

"SPLITCO" shall have the meaning specified in the recitals.

"SPLITCO SHARES" shall have the meaning specified in the Share Exchange Agreement.

"STOCKHOLDERS" shall have the meaning specified in the Share Exchange Agreement.

"STRADDLE PERIOD" means any Taxable period commencing on or prior to, and ending after, the Closing Date.

"STRADDLE RETURN" means a Tax Return that is required to be filed with respect to any Transferred Subsidiary for a Straddle Period.

"SUBSIDIARY" shall have the meaning specified in the Share Exchange Agreement.

"TAX" or "TAXES" shall have the meaning specified in the Share Exchange Agreement.

"TAXING AUTHORITY" means any Governmental Authority or any quasi-governmental or private body having jurisdiction over the assessment, determination, collection, or imposition of any Tax (including the IRS).

"TAX CONTEST" shall have the meaning specified in Section 6.5.

"TAX-FREE STATUS OF THE TRANSACTIONS" means no Exchange Taxes will be imposed upon Parent, LMC or any of their respective Affiliates.

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"TAX MATERIALS" shall have the meaning specified in Section 3.1.

"TAX OPINION REPRESENTATIONS" shall have the meaning specified in the Share Exchange Agreement.

"TAX OPINIONS" shall have the meaning specified in the Share Exchange Agreement.

"TAX RETURNS" shall have the meaning specified in the Share Exchange Agreement.

"TAX SHARING AGREEMENTS" means all existing agreements or arrangements (whether or not written) between or among Parent or any of its Affiliates (other than any of the Transferred Subsidiaries), on the one hand, and any of the Transferred Subsidiaries, on the other hand, including any such agreements or arrangements where a third party is also a party, that provide for the allocation, apportionment, sharing, assignment or indemnification of any Tax liability or benefit, or the transfer or assignment of income, revenues, receipts or gains for the purpose of determining any Person's Tax liability, other than the Ancillary Agreements (including this Agreement) and the Share Exchange Agreement.

"TRANSFER TAXES" means all U.S. federal, state, local or foreign sales, use, privilege, transfer, documentary, gains, stamp, duties, recording, and similar Taxes and fees (including any penalties, interest or additions thereto) imposed upon any Party in connection with the Exchange or the Parent Restructuring.

"TRANSFERRED BUSINESS" shall have the meaning specified in the Share Exchange Agreement.

"TRANSFERRED SUBSIDIARIES" shall have the meaning specified in the Share Exchange Agreement.

"TREASURY REGULATIONS" shall have the meaning specified in the Share Exchange Agreement.

"TVGIA AGREEMENT" shall mean the Agreement and Plan of Merger, dated as of November 27, 2001, by and among Liberty Media Corporation (now known as Liberty Media LLC), Liberty TVGIA, Inc., The News Corporation Limited (now known as News Holdings Limited) and News Publishing Australia Limited.

"UVSG AGREEMENT" shall mean the Agreement and Plan of Merger, dated as of May 2, 2001, by and among Liberty Media Corporation (now known as Liberty Media LLC), Liberty UVSG, Inc., The News Corporation Limited (now known as News Holdings Limited) and News Publishing Australia Limited.

Section 1.2 REFERENCES; INTERPRETATION. References in this Agreement to any gender include references to all genders, and references to the singular include references to the plural and vice versa. The word "including" when used in this Agreement shall be deemed to be followed by the phrase "without limitation". Unless the context otherwise requires, references in

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this Agreement to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, such Agreement. Unless the context otherwise requires, the words "hereof", "hereby", and "herein" and words of similar meaning when used in this Agreement refer to this Agreement in its entirety and not to any particular Article, Section or provision of this Agreement.

ARTICLE II

PREPARATION OF TAX RETURNS; ALLOCATION AND PAYMENT OF TAXES

Section 2.1 PREPARATION OF TAX RETURNS.

(a) PRE-EXCHANGE TAX RETURNS.

(i) CONSOLIDATED AND COMBINED RETURNS FOR PRE-EXCHANGE PERIODS. Where required or permitted by applicable Law, Parent shall include the Transferred Subsidiaries in, or cause the Transferred Subsidiaries to be included in, and shall prepare and file or cause to be prepared and filed, (A) the United States consolidated federal income Tax Returns of Parent for the Taxable periods (or portions thereof) of the Transferred Subsidiaries ending on or prior to the Closing Date and (B) all other consolidated, combined or unitary Tax Returns for the Taxable periods (or portions thereof) of the Transferred

Subsidiaries ending on or prior to the Closing Date. Parent shall pay any and all Taxes due with respect to the Tax Returns referred to in clause (A) or (B) of this Section 2.1(a) (i).

(ii) SEPARATE RETURNS FOR PRE-EXCHANGE PERIODS. In addition to the Tax Returns described in Section 2.1(a)(i), Parent shall prepare (or cause to be prepared) (A) all Tax Returns required to be filed by any of the Transferred Subsidiaries on or prior to the Closing Date (taking into account any applicable extensions), and (B) all Tax Returns required to be filed by any of the Transferred Subsidiaries after the Closing Date (taking into account any applicable extensions) for a Pre-Exchange Period (other than a Pre-Exchange Period that is part of a Straddle Period). With respect to Tax Returns described in clause (A) of this Section 2.1(a)(ii), Parent shall cause the applicable Transferred Subsidiary to file such Tax Returns and Parent shall pay any and all Taxes shown due thereon. With respect to Tax Returns described in clause (B) of this Section 2.1(a)(ii), provided that the applicable Transferred Subsidiary has received such Tax Returns from Parent not less than five days prior to the due date for filing such Tax Returns (taking into account any applicable extensions) along with the amount of any and all Taxes shown as due thereon, LMC shall cause the applicable Transferred Subsidiary to execute and timely file such Tax Returns and timely remit such Taxes.

(iii) PROVISION OF TAX INFORMATION. After the Closing, LMC shall cause the Transferred Subsidiaries to furnish Tax information to Parent as reasonably requested in order to permit Parent to prepare and timely file the Pre-Exchange Tax Returns described in Section 2.1(a) (i) and (ii).

(b) OTHER TAX RETURNS. All Tax Returns of the Transferred Subsidiaries other than those Tax Returns described in Section 2.1(a), shall be prepared and timely filed by LMC. LMC shall timely pay or cause to be paid all Taxes shown on such Tax Returns.

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(c) STRADDLE RETURNS. With respect to any Straddle Return, LMC shall deliver, at least 20 days prior to the due date for filing such Straddle Return (taking into account any applicable extensions), to Parent a statement setting forth the amount of Tax that Parent owes pursuant to clause (i) of Section 6.2, including the allocation of Taxes under Section 6.4, and copies of such Straddle Return and related work-papers. Parent shall have the right to review such Straddle Return and related work-papers and liability for Taxes and to suggest to LMC any reasonable changes to such Straddle Return no later than 10 days prior to the date for the filing of such Straddle Return. Parent and LMC agree to consult and to attempt to resolve in good faith any issue arising as a result of the review of such Straddle Return and related work-papers and allocation of liability for Taxes and mutually to consent to the filing as promptly as possible of such Straddle Return. Not later than five days before the due date for the payment of Taxes with respect to such Straddle Return (taking into account any applicable extensions), Parent shall pay to LMC an amount equal to the Taxes as agreed to by LMC and Parent as being owed by Parent pursuant to Sections 6.2 and 6.4 with respect to such Straddle Return. If LMC and Parent cannot agree on the amount of Taxes owed by Parent with respect to a Straddle Return, Parent shall pay to LMC the amount of Taxes reasonably determined using the mid-point of LMC's and Parent's determination of the amount of Taxes to be owed by Parent in respect of such Straddle Return pursuant to Sections 6.2 and 6.4. Within 10 days after such payment, Parent and LMC shall refer the matter to an independent nationally recognized accounting firm agreed to by LMC and Parent to arbitrate the dispute. Parent and LMC shall equally share the fees and expenses of such accounting firm and its determination as to the amount owing by Parent pursuant to Sections 6.2 and 6.4 with respect to a Straddle Return shall be binding on both parties. Within five days after the determination by such accounting firm, if necessary, the appropriate Party shall pay the other Party any amount which is determined by such accounting firm to be owed plus interest from the due date for the payment of Taxes with respect to such Straddle Return (taking into account any applicable extensions) at the Interest Rate.

Section 2.2 MANNER OF PREPARATION. All Tax Returns that include any of the Transferred Subsidiaries, Parent, LMC, the Stockholders, or any of their respective Affiliates, or otherwise relate to the Transferred Business or the ownership of the DTV Shares shall be prepared in a manner that is consistent with the Ruling Request, the Rulings, and the Tax Opinions. To the extent that the items reported on any Tax Return of or with respect to any Transferred Subsidiary that is prepared by a Party or its Affiliates is likely to increase any Tax liability or Tax indemnity obligation under this Agreement of the other Party or its Affiliates, such Tax Return shall be prepared in accordance with Tax accounting and other practices used by such Transferred Subsidiary or Parent with respect to the relevant Tax Returns filed prior to the date hereof (unless such past practices are not permissible under applicable Law), and to the extent any items are not covered by past practices (or in the event such past practices are not permissible under applicable Law), in accordance with reasonable practices selected by the Party (or its Affiliate) responsible for filing such

Tax Return hereunder with the consent, not to be unreasonably withheld or delayed, of the other Party. Unless otherwise required by applicable Law, neither Party nor any of their respective Affiliates will make, change or revoke (or cause to be made, changed, or revoked) any Tax election with respect to the Transferred Subsidiaries that is likely to increase materially any Tax liability (or Tax indemnity obligation under this Agreement) of the other Party or its Affiliates without the consent, not to be unreasonably withheld or delayed, of the other Party.

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Section 2.3 REFUNDS, CREDITS OR OFFSETS.

(a) Except as otherwise contemplated by this Section 2.3 or Section 2.4, (i) any refunds, credits or offsets with respect to Taxes of any Transferred Subsidiaries or that otherwise relate to the Transferred Business or the ownership of the DTV Shares for a Pre-Exchange Period shall be for the account of Parent, and (ii) any refunds, credits or offsets with respect to Taxes of any Transferred Subsidiaries or that otherwise relate to the Transferred Business or the ownership of the DTV Shares for a Post-Exchange Period shall be for the account of LMC.

(b) Notwithstanding Section 2.3(a), (i) any refunds, credits or offsets with respect to Exchange Taxes allocated to, and actually paid by, Parent pursuant to this Agreement shall be for the account of Parent, and (ii) any refunds, credits or offsets with respect to Exchange Taxes allocated to, and actually paid by, LMC pursuant to this Agreement shall be for the account of LMC.

(c) Any such refunds, credits or offsets shall be allocated between the Pre-Exchange Period and the Post-Exchange Period in a manner consistent with the principles of Section 6.4. LMC shall forward to Parent, or reimburse Parent, for any such refunds, credits or offsets, plus any interest received thereon, for the account of Parent within 10 days from receipt thereof by LMC or any of its Affiliates. Parent shall forward to LMC, or reimburse LMC, for any refunds, credits or offsets, plus any interest received thereon, for the account of LMC within 10 days from receipt thereof by Parent or any of its Affiliates. Any refunds, credits or offsets, plus any interest received thereon, or reimbursements not forwarded or made within the 10 day period specified above shall bear interest from the date received by the refunding or reimbursing party (or its Affiliate) at the Interest Rate. If, subsequent to a Taxing Authority's allowance of a refund, credit or offset, such Taxing Authority reduces or eliminates such allowance, any refund, credit or offset, plus any interest received thereon, forwarded or reimbursed under this Section 2.3 shall be returned to the party who had forwarded or reimbursed such refund, credit or offset and interest upon the request of such forwarding party in an amount equal to the applicable reduction, including any interest received thereon.

Section 2.4 CARRYBACKS. To the extent permitted by Law, LMC and its Affiliates shall waive the right to carryback any Tax attribute of the Transferred Subsidiaries arising in a Post-Exchange Period to a Pre-Exchange Period. If and to the extent that LMC or any of its Affiliates are not permitted by applicable Law to elect to forego such carryback and LMC requests in writing that Parent or any of its Affiliates obtain a refund, credit or offset of Taxes with respect to such carryback, and provided that Parent or any of its Affiliates would not otherwise be required to forego a refund, credit or offset of Taxes for its own account or otherwise be adversely affected as a result of such carryback, then (i) Parent (or its Affiliate) shall take all reasonable measures to obtain a refund, credit or offset of Tax with respect to such carryback (including by filing an amended Tax Return), and (ii) to the extent that Parent or any of its Affiliates receives any refund, credit or offset of Taxes attributable (on a last dollar basis) to such carryback, Parent shall pay such refund, credit or offset, plus any interest net of Taxes received thereon, to LMC within 10 days from receipt thereof by Parent or any of its Affiliates; provided, that Parent shall be entitled to reduce the amount of any such refund, credit or offset for its reasonable costs and expenses; and provided further that LMC, upon the request of Parent,

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agrees to repay such refund, credit or offset, plus any interest net of Taxes received thereon, to Parent in the event, and to the extent, that Parent is required to repay such refund, credit or offset, plus any interest net of Taxes received thereon, to a Governmental Authority.

Section 2.5 AMENDED RETURNS. Any amended Tax Return or claim for Tax refund, credit or offset with respect to any Transferred Subsidiary may be made only by the Party (or its Affiliates) responsible for preparing the original Tax Return with respect to such Transferred Subsidiary pursuant to Section 2.1. Such

Party (or its Affiliates) shall not, without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed, file, or cause to be filed, any such amended Tax Return or claim for Tax refund, credit or offset to the extent that such filing, if accepted, is likely to change the Tax liability of, or give rise to a payment under this Agreement by, such other Party (or any Affiliate of such other Party) for any Taxable period (or portion thereof).

Section 2.6 ALLOCATION OF EXCHANGE TAXES.

(a) Except as otherwise provided in this Section 2.6, any Exchange Taxes imposed on Parent, the Transferred Subsidiaries or on any Affiliate of Parent shall be allocated to Parent, and any Exchange Taxes imposed on the LMC Entities or on any Affiliate of the LMC Entities (other than the Transferred Subsidiaries) shall be allocated to LMC.

(b) LMC shall be allocated any Exchange Taxes imposed on Parent, the Transferred Subsidiaries or any Affiliate of Parent that result from (i) any of the representations and warranties of LMC in this Agreement not being true and correct when made or deemed made, (ii) any breach or nonperformance of any covenant or agreement made or to be performed by LMC in this Agreement, or (iii) any other action (x) by LMC or any of its Affiliates (other than the Transferred Subsidiaries) or (y) by, after the Closing, the Transferred Subsidiaries.

(c) Parent shall be allocated any Exchange Taxes imposed on the LMC Entities or any Affiliate of the LMC Entities that result from (i) any of the representations and warranties of Parent in this Agreement not being true and correct when made or deemed made, (ii) any breach or nonperformance of any covenant or agreement made or to be performed by Parent in this Agreement, or (iii) any other action (x) by Parent or any of its Affiliates (other than the Transferred Subsidiaries) or (y) by, prior to the Closing, the Transferred Subsidiaries.

Section 2.7 TRANSFER TAXES. All Transfer Taxes imposed by a U.S. federal, state or local Taxing Authority shall be allocated one-half to LMC and one-half to Parent. All Transfer Taxes imposed by a foreign Taxing Authority shall be allocated to Parent. LMC, on the one hand, or Parent, on the other hand, whichever is required under applicable Law, shall file all necessary documentation with respect to such Transfer Taxes on a timely basis.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF PARENT

Parent represents and warrants to LMC as of the date hereof and as of the Closing that:

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Section 3.1 THE RULING REQUEST AND THE RULINGS. Parent (i) has examined (A) the Ruling Request and each other IRS Submission, (B) the Rulings, and (C) any other materials delivered in connection with the issuance of the Rulings (collectively, the "TAX MATERIALS"), and (ii) the facts presented and representations made therein, to the extent descriptive of or otherwise relating to Parent, the Transferred Subsidiaries or any of their respective Affiliates are true, correct, and complete in all material respects. This representation is made as of the Closing Date and not as of the date hereof.

Section 3.2 PARENT TAX OPINION AND PARENT TAX OPINION REPRESENTATIONS.

(a) As of the date hereof, none of Parent or its Affiliates has taken or agreed to take any action, has failed to take any action or knows after consultation with Tax counsel, of any fact, agreement, plan or other circumstance, that is reasonably likely, directly or indirectly, in whole or in part, to (i) jeopardize the receipt of any of the Rulings or the Tax Opinions, or (ii) adversely affect the Tax-Free Status of the Transactions.

(b) The Parent Tax Opinion Representations are true, correct and complete in all respects and are incorporated herein by this reference. This representation is made as of the Closing Date and not as of the date hereof.

(c) Parent does not have any plan or intention to take any action, or to fail to take any action, which action or omission would be inconsistent with the Parent Tax Opinion Representations.

(d) As of the date hereof, Parent expects the Parent Tax Opinion Representations to be true, correct and complete in all respects as of the Closing Date.

Section 3.3 REPRESENTATIONS RELATED TO THE TRANSFERRED SUBSIDIARIES. The representations and warranties set forth in Sections 4.20.6, 4.20.10, and 4.20.11 of the Share Exchange Agreement are true, correct and complete in all respects and are incorporated herein by this reference. For purposes of the

representation made by this Section 3.3 as of the Closing Date, the representations and warranties set forth in Sections 4.20.6, 4.20.10, and 4.20.11 of the Share Exchange Agreement shall be deemed to have been made again as of the Closing Date.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF LMC

LMC represents and warrants to Parent as of the date hereof and as of the Closing that:

Section 4.1 THE RULING REQUEST AND THE RULINGS. LMC (i) has examined the Tax Materials, and (ii) the facts presented and representations made therein, to the extent descriptive of or otherwise relating to the LMC Entities or any of their respective Affiliates, are true, correct, and complete in all material respects, subject to the limitations described in the next sentence. With respect to any facts or representations related to the application of Section 355(d) of the Code to the Exchange, LMC is permitted to assume, and has assumed, all matters it is expressly permitted to assume pursuant to Section 4.3 (subject to the limitations set forth in such section). This representation is made as of the Closing Date and not as of the date hereof.

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Section 4.2 LMC TAX OPINION AND LMC TAX OPINION REPRESENTATIONS.

(a) As of the date hereof, none of LMC or its Affiliates has taken or agreed to take any action, has failed to take any action or knows, after consultation with Tax counsel, of any fact, agreement, plan or other circumstance, that is reasonably likely, directly or indirectly, in whole or in part, to (i) jeopardize the receipt of any of the Rulings or the Tax Opinions, or (ii) adversely affect the Tax-Free Status of the Transactions.

(b) The LMC Tax Opinion Representations are true, correct and complete in all respects and are incorporated herein by this reference. This representation is made as of the Closing Date and not as of the date hereof.

(c) LMC does not have any plan or intention to take any action, or to fail to take any action, which action or omission would be inconsistent with the LMC Tax Opinion Representations.

(d) As of the date hereof, LMC expects the LMC Tax Opinion Representations to be true, correct and complete in all respects as of the Closing Date.

Section 4.3 SECTION 355(d). For purposes of Section 355(d) of the Code, immediately after the Exchange, no person (determined after applying Section 355(d)(7) of the Code) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Splitco stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Splitco stock, that was attributable to distributions on Parent stock that was acquired by "purchase" (within the meaning of Section 355(d) of the Code) during the five-year period (determined after applying Section 355(d)(6) of the Code) ending on the date of the Exchange; provided, however, that for purposes of making this representation, LMC is permitted to assume that:

(a) for U.S. federal income tax purposes, (i) the Domestication constituted a transfer of property governed by Section 351 of the Code pursuant to which an amount of stock in The News Corporation Limited (now known as News Holdings Limited), a South Australia corporation, that meets the requirements of Section 1504(a)(2) of the Code was acquired, and (ii) each of the Merger Transactions constituted a reorganization within the meaning of Section 368(a) of the Code;

(b) each of the Acquisition Transactions was not, in and of itself, a "purchase" within the meaning of Section 355(d)(5)(A) and (B) of the Code, as such provisions are interpreted by Treasury Regulations Section 1.355-6(d), and as such provisions would apply without regard to any other provision of Section 355(d) of the Code or the Treasury Regulations thereunder (including, for the avoidance of doubt, the application of Section 355(d)(5)(C) of the Code and Treasury Regulations Section 1.355-6(e));

(c) neither Parent nor any of its Affiliates has taken any action at any time that did not, directly or indirectly, involve any of the LMC Entities, Liberty Media LLC or any of their respective predecessors or Affiliates, which action would cause any of the Acquisition Transactions to constitute a "purchase" within the meaning of Section 355(d) of the Code and the Treasury Regulations thereunder; and

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(d) the Internal Restructuring did not result in a "purchase," within the meaning of Section 355(d) of the Code and the Treasury Regulations thereunder, of any stock by any Person.

Notwithstanding the foregoing, the assumptions set forth in Section 4.3(a) and (b) shall not apply to the extent that any of the LMC Entities, Liberty Media LLC or any of their respective predecessors or Affiliates has taken any action at any time inconsistent with such assumptions.

ARTICLE V
COVENANTS AND AGREEMENTS

Section 5.1 PREPARATION AND FILING OF IRS SUBMISSIONS.

(a) As soon as reasonably practicable after the date of this Agreement, the Ruling Request shall be submitted to the IRS. Parent and LMC shall use reasonable best efforts to cause the IRS to accept a Joint Ruling Request; provided, however, that if the IRS does not permit a Joint Ruling Request to be submitted, then Parent shall submit the Parent Ruling Request and LMC shall submit the LMC Ruling Request. The Joint Ruling Request and any other IRS Submissions relating thereto shall be prepared by Parent and submitted to the IRS jointly on behalf of Parent and LMC. If a Joint Ruling Request is not permissible, then Parent shall prepare the Parent Ruling Request and any other IRS Submissions relating thereto. The LMC Ruling Request shall be prepared in a form substantially similar to the Parent Ruling Request, except to the extent reasonably necessary or appropriate to reflect the fact that such LMC Ruling Request will be filed by LMC (including with respect to any rulings requested), and other IRS Submissions relating to the LMC Ruling Request shall be prepared in a form substantially similar to any corresponding IRS Submission relating to the Parent Ruling Request, except to the extent reasonably necessary or appropriate to reflect the fact that such IRS Submission will be filed by LMC. Parent shall provide LMC with a reasonable opportunity to review and comment on each IRS Submission to be filed by Parent prior to the filing of such IRS Submission with the IRS, and LMC shall provide Parent with a reasonable opportunity to review and comment on each IRS Submission to be filed by LMC prior to the filing of such IRS Submission with the IRS. Each of Parent and LMC will designate certain representatives to be listed on the power of attorney delivered to the IRS in connection with any Ruling Request.

(b) No IRS Submission shall be filed by Parent with the IRS unless, prior to such filing, LMC shall have agreed as to the contents of such IRS Submission to the extent that the IRS Submission (i) includes statements or representations relating to facts that are or will be under the control of LMC or any of its Affiliates or (ii) is relevant to, or creates, any actual or potential obligations of, or limitations on, LMC or any of its Affiliates (including any of the Transferred Subsidiaries for periods after the Exchange), including any such obligations of, or limitations on, LMC or its Affiliates under the Share Exchange Agreement and other documents related to the Exchange; provided, however, that if the IRS requests same-day filing of an IRS Submission that does not include any material issue or statement, then Parent is required only to make a good faith effort to notify LMC's representatives and to give such representatives an opportunity to review and comment on such IRS Submission prior to filing it with the IRS. No IRS Submission shall be filed by LMC with the IRS unless, prior to such filing, Parent shall have agreed as to the contents of such IRS Submission to the extent that the

IRS Submission (i) includes statements or representations relating to facts that are or will be under the control of Parent or any of its Affiliates or (ii) is relevant to, or creates, any actual or potential obligations of, or limitations on, Parent or any of its Affiliates (including any of the Transferred Subsidiaries for periods prior to the Exchange), including any such obligations of, or limitations on, Parent or its Affiliates under the Share Exchange Agreement and other documents related to the Exchange; provided, however, that if the IRS requests same-day filing of an IRS Submission that does not include any material issue or statement, then LMC is required only to make a good faith effort to notify Parent's representatives and to give such representatives an opportunity to review and comment on such IRS Submission prior to filing it with the IRS. Each Party shall provide the other Party with copies of each IRS Submission filed with the IRS promptly following the filing thereof. Neither Party nor their representatives shall conduct any substantive communications with the IRS regarding any material issue arising with respect to the Ruling Request, including meetings or conferences with IRS personnel, whether telephonically, in person or otherwise, without first notifying the other Party (or their representatives) and giving the latter Party (or their representatives) a reasonable opportunity to participate, and a reasonable number of each Party's representatives shall have an opportunity to participate in all conferences or meetings with IRS personnel that take place in person, regardless of the nature of the issues expected to be discussed. Each Party

shall copy the other Party (or their representatives) on all written correspondence of such Party (or their representatives) to the IRS, and shall promptly provide the other Party (or their representatives) with copies of any correspondence received by such Party (or their representatives) from the IRS.

Section 5.2 COMPLIANCE WITH TAX MATERIALS.

(a) Parent hereby confirms and agrees to (and to cause its Affiliates to) comply and otherwise act in a manner consistent with any and all representations, statements, covenants and agreements in (i) the Tax Materials applicable to Parent or any of its Affiliates (other than the Transferred Subsidiaries), and (ii) the Parent Tax Opinion, the Parent Tax Opinion Representations, and any other materials delivered or deliverable by Parent or any of its Affiliates in connection with the rendering of the Tax Opinions (collectively, the material described in clause (ii), the "PARENT MATERIALS"). Prior to the Exchange, Parent will cause the Transferred Subsidiaries to comply and otherwise act in a manner consistent with any and all representations, statements, covenants and agreements in the Tax Materials and the Parent Materials applicable to the Transferred Subsidiaries.

(b) LMC hereby confirms and agrees to (and to cause its Affiliates to) comply and otherwise act in a manner consistent with any and all representations, statements, covenants and agreements in (i) the Tax Materials applicable to LMC or any of its Affiliates (other than the Transferred Subsidiaries), and (ii) the LMC Tax Opinion, the LMC Tax Opinion Representations, and any other materials delivered or deliverable by LMC or any of its Affiliates in connection with the rendering of the Tax Opinions (collectively, the material described in clause (ii), the "LMC MATERIALS"). After the Exchange, LMC will cause the Transferred Subsidiaries to comply and otherwise act in a manner consistent with any and all representations, statements, covenants and agreements in the Tax Materials and the LMC Materials applicable to the Transferred Subsidiaries.

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Section 5.3 ADDITIONAL COVENANTS.

(a) None of Parent, LMC or their respective Affiliates will take or permit to be taken any action at any time that is reasonably likely, directly or indirectly, in whole or in part, to (i) jeopardize the receipt of any of the Rulings or the Tax Opinions or (ii) adversely affect the Tax-Free Status of the Transactions.

(b) Parent, LMC, and their respective Affiliates will use reasonable best efforts to take or cause to be taken any action reasonably necessary (i) to ensure the receipt of, as well as the continued validity and applicability of, the Rulings and the Tax Opinions and (ii) to preserve the Tax-Free Status of the Transactions.

(c) Parent shall not modify the steps of the Parent Restructuring set forth on Schedule C to the Share Exchange Agreement in a manner that would be reasonably likely, directly or indirectly, in whole or in part, to (x) jeopardize the receipt of any of the Rulings or the Tax Opinions or (y) adversely affect the Tax-Free Status of the Transactions.

Section 5.4 TAX SHARING AGREEMENTS. Parent shall cause all Tax Sharing Agreements to which any of the Transferred Subsidiaries is a party or may be subject and all obligations thereunder to terminate as to such Transferred Subsidiaries on or prior to the Closing, and after the Closing, none of the Transferred Subsidiaries shall be bound by such Tax Sharing Agreements or have any liability or rights thereunder.

Section 5.5 ACTIONS BETWEEN SIGNING AND CLOSING. From the date hereof until the Closing Date, Parent will not, and will not permit its respective Affiliates to (i) make, change or revoke any material Tax election relating primarily to any of the Transferred Subsidiaries, (ii) change materially any method of accounting relating primarily to any of the Transferred Subsidiaries with respect to Taxes, (iii) consent to any extension or waiver of the limitations period applicable to any material Tax claim or assessment relating primarily to any of the Transferred Subsidiaries, (iv) settle or compromise any material Tax liability relating primarily to any of the Transferred Subsidiaries, (v) enter into any material agreement relating primarily to Taxes of the Transferred Subsidiaries with any Taxing Authority or (vi) make any material change in any Tax practice or policy relating primarily to any of the Transferred Subsidiaries; except, in each case, (A) as consented to or approved in advance by LMC, which consent shall not be unreasonably withheld or delayed, (B) as otherwise required because of a change in Law or a Final Determination or (C) if such actions would not affect material Taxes of or with respect to the Transferred Subsidiaries due for any Post-Exchange Period.

Section 5.6 SECTION 355(e). For a period of six months from the Closing Date, none of LMC, its Affiliates, or any of their respective officers,

directors or authorized agents will enter into any agreement, understanding or arrangement or any substantial negotiations with respect to any transaction or series of transactions, including any issuance or transfer of an option (within the meaning of Section 355(e) of the Code), that is for purposes of Section 355(e) of the Code and any proposed, temporary or final Treasury Regulations thereunder, part of a plan or series of related transactions with the Exchange pursuant to which one or more Persons acquire (other than pursuant to the Exchange), directly or indirectly, stock possessing fifty percent or

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more of the total combined voting power of all classes of stock of Splitco entitled to vote or stock possessing fifty percent or more of the total value of all classes of stock of Splitco.

ARTICLE VI
SURVIVAL; INDEMNIFICATION

Section 6.1 SURVIVAL. The representations and warranties contained (or incorporated by reference, including, for the avoidance of doubt, Sections 4.20.6, 4.20.10, and 4.20.11 of the Share Exchange Agreement) in this Agreement shall, for purposes of this Agreement, survive the Closing until the date that is 60 calendar days following the expiration of the statute of limitations applicable to actions with respect thereto. Except as otherwise specified to the contrary herein, all covenants and agreements of each Party contained in this Agreement shall, for purposes of this Agreement, survive the Closing, unless specified to the contrary herein.

Section 6.2 PARENT INDEMNITY. Parent hereby indemnifies each LMC Indemnitee against and agrees to hold each of them harmless (without duplication), from any and all (i) Taxes of the Transferred Subsidiaries or that otherwise relate to the Transferred Business or the ownership of the DTV Shares for any Pre-Exchange Period (consistent with the principles of Section 6.4), (ii) liabilities of any Transferred Subsidiary for Taxes of any Person (other than any of the Transferred Subsidiaries) as a result of such Transferred Subsidiary being, or having been, on or before the Closing Date, a member of an affiliated, consolidated, combined or unitary group, pursuant to Treasury Regulations Section 1.1502-6 or any other provision of federal, state, local or foreign Law, (iii) liabilities for Taxes of any Transferred Subsidiary under any Tax Sharing Agreement, (iv) liabilities for Taxes of any Person (other than any of the Transferred Subsidiaries) imposed on any of the Transferred Subsidiaries as a result of their becoming, prior to the Closing, a transferee or successor to any other Person's liabilities, (v) Taxes and Damages arising out of or based upon any of the representations and warranties of Parent in this Agreement not being true and correct when made or deemed made, (vi) Taxes and Damages arising out of or based upon any breach or nonperformance of any covenant or agreement made or to be performed by Parent in this Agreement, (vii) Transfer Taxes allocated to Parent pursuant to Section 2.7, (viii) Exchange Taxes allocated to Parent pursuant to Section 2.6, (ix) liabilities of Parent or any of its Affiliates for Taxes of any Person arising out of the GM Transaction or under the GM Agreements, and (x) reasonable out-of-pocket legal, accounting and other advisory and court fees incurred in connection with the items described in clauses (i) through (ix); provided, however, that notwithstanding clauses (i), (ii), (iv), (v) and (vi) of this Section 6.2, Parent shall not be responsible for (x) Exchange Taxes allocated to LMC pursuant to Section 2.6, (y) Taxes arising out of or based upon any of the representations and warranties of LMC in this Agreement not being true and correct when made or deemed made, or (z) Taxes arising out of or based upon any breach or nonperformance of any covenant or agreement made or to be performed by LMC in this Agreement.

Section 6.3 LMC INDEMNITY. LMC hereby indemnifies each Parent Indemnitee against and agrees to hold each of them harmless (without duplication), from any and all (i) Taxes of the Transferred Subsidiaries or that otherwise relate to the Transferred Business or the ownership of the DTV Shares for any Post-Exchange Period (consistent with the principles of Section 6.4), (ii) Taxes and Damages arising out of or based upon any of the representations

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and warranties of LMC in this Agreement not being true and correct when made or deemed made, (iii) Taxes and Damages arising out of or based upon any breach or nonperformance of any covenant or agreement made or to be performed by LMC in this Agreement, (iv) Transfer Taxes allocated to LMC pursuant to Section 2.7, (v) Exchange Taxes allocated to LMC pursuant to Section 2.6, and (vi) reasonable out-of-pocket legal, accounting and other advisory and court fees incurred in connection with the items described in clauses (i) through (v); provided, however, that notwithstanding clauses (i), (ii) and (iii) of this Section 6.3, LMC shall not be responsible for (x) Exchange Taxes allocated to Parent pursuant to Section 2.6, (y) Taxes arising out of or based upon any of the

representations and warranties of Parent in this Agreement not being true and correct when made or deemed made, or (z) Taxes arising out of or based upon any breach or nonperformance of any covenant or agreement made or to be performed by Parent in this Agreement.

Section 6.4 ALLOCATION OF TAXES BETWEEN PRE-EXCHANGE AND POST-EXCHANGE PERIODS. In the case of Taxes that are attributable to a Straddle Period, such Taxes shall be allocated between the portion of the Straddle Period that is a Pre-Exchange Period and the portion of the Straddle Period that is a Post-Exchange Period based on a Closing of the Books Method. Notwithstanding the foregoing provisions of this Section 6.4 or Treasury Regulations Section 1.1502-76(b)(1)(ii)(B), Taxes attributable to any transaction or action taken by or with respect to any Transferred Subsidiary out of the ordinary course of business before the Closing on the Closing Date shall be allocated to the Pre-Exchange Period, and Taxes attributable to any transaction or action taken by or with respect to any Transferred Subsidiary out of the ordinary course of business after the Closing on the Closing Date shall be allocated to the Post-Exchange Period.

Section 6.5 NOTICE OF TAX CONTESTS. Each Party shall promptly notify the other Party of a written communication from any Taxing Authority with respect to any pending or threatened audit, dispute, suit, action, proposed assessment, or other proceeding, concerning any Tax, or any other adjustment or claim (each a "TAX CONTEST") (i) which could reasonably give rise to an indemnification liability or indemnification payment of the other Party pursuant to this Agreement or (ii) which could reasonably be expected to affect the Tax consequences of the Exchange to either Party or its Affiliates; provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except, and only to the extent that, the indemnifying party shall have been actually prejudiced as a result of such failure. Thereafter, the indemnified party shall deliver to the indemnifying party such additional information with respect to such Tax Contest in its possession that the indemnifying party may reasonably request.

Section 6.6 INDEMNIFICATION PROCEDURES.

(a) In the case of a Tax Contest, the indemnified party shall be entitled to exercise full control of the defense, compromise or settlement of any Tax Contest unless the indemnifying party within a reasonable time after the giving of notice of such Tax Contest by the indemnified party (i) delivers a written confirmation to such indemnified party that the indemnification provisions of this Agreement are applicable to such Tax Contest and that the indemnifying party will indemnify such indemnified party in respect of such Tax Contest pursuant to the applicable indemnification provisions of this Agreement, (ii) notifies such indemnified party in writing of the indemnifying party's intention to assume the defense thereof

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and (iii) retains legal counsel reasonably satisfactory to such indemnified party to conduct the defense of such Tax Contest, in which case the indemnifying party shall be entitled to exercise full control of the defense, compromise or settlement of such Tax Contest.

(b) If the indemnifying party so assumes the defense of any such Tax Contest in accordance herewith, then such indemnified party shall cooperate with the indemnifying party in any manner that the indemnifying party reasonably may request in connection with the defense, compromise or settlement thereof. If the indemnifying party so assumes the defense of any such Tax Contest, the indemnified party shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise or settlement thereof, but the fees and expenses of such counsel shall be the expense of such indemnified party. If such indemnified party shall have been advised by outside counsel that there may be one or more legal defenses available to it that are different from or additional to those available to the indemnifying party or that a conflict of interest between the indemnifying party and the indemnified party in the conduct of the defense of such Tax Contest would reasonably be expected, then (i) the indemnifying party shall not have the right to control the defense, compromise or settlement of such Tax Contest on behalf of the indemnified party, (ii) the indemnifying and indemnified party shall have the right to control jointly the defense, compromise or settlement of such Tax Contest, and (iii) the reasonable fees and expenses of the indemnified party's separate counsel shall be borne by the indemnifying party. No indemnified party shall settle or compromise or consent to entry of any judgment with respect to any such Tax Contest for which it is entitled to indemnification hereunder without the prior consent of the indemnifying party, which shall not be unreasonably withheld, unless the indemnifying party shall have failed, after reasonable notice thereof, to undertake control of such action in the manner provided above in this Section 6.6 to the extent the indemnifying party was entitled to do so pursuant to this Section 6.6. If the indemnifying party assumes the defense of a Tax Contest, the indemnified party shall agree to any settlement, compromise or discharge of a Tax Contest that the indemnifying party

may recommend and as to which the indemnifying party acknowledges in writing its obligation to make payment in full; provided that such settlement, compromise or discharge of such Tax Contest would not otherwise materially and adversely affect the indemnified party.

(c) Notwithstanding the foregoing, in the case of a Tax Contest relating to the Tax-Free Status of the Transactions, both the indemnifying party and the indemnified party shall have the right to control jointly the defense, compromise or settlement of any such Tax Contest. No indemnified party shall settle or compromise or consent to entry of any judgment with respect to any such Tax Contest without the prior consent of the indemnifying party, which consent may be withheld in the indemnifying party's sole discretion.

Section 6.7 PAYMENTS. Except as otherwise provided herein, payments due under this Agreement shall be made no later than ten (10) Business Days after (i) the receipt or crediting of a refund, (ii) the realization of a Tax benefit for which the other Party is entitled to reimbursement, or (iii) the delivery of notice of payment of a Tax for which the other Party is responsible under this Agreement, in each case by wire transfer of immediately available funds to an account designated by the Party entitled to such payment. Payments due hereunder, but not made within such period, shall bear interest at the Interest Rate.

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Section 6.8 TREATMENT OF PAYMENTS; AFTER TAX BASIS. Notwithstanding anything to the contrary contained herein or in the Share Exchange Agreement, the Parties agree that (i) following the Closing and subject to LMC's consent, which consent shall not be unreasonably withheld or delayed, any amounts owing between the Parties and their respective Affiliates pursuant to this Agreement or the Share Exchange Agreement shall be settled by making payments by or to Splitco instead of LMC, and (ii) any payments made between the Parties or their Affiliates pursuant to this Agreement or the Share Exchange Agreement (other than interest accruing on payments not timely made under such agreements) with respect to a Pre-Exchange Period or as a result of an event or action occurring in a Pre-Exchange Period shall be treated, to the extent permitted by law, for all Tax purposes as a distribution from or a capital contribution to Splitco made immediately prior to the Exchange. If the receipt or accrual of any such payment results in Taxable income (including an increase in the amount of any gain or other income realized on the Exchange) to the recipient thereof, such payment shall be increased so that, after the payment of any Taxes with respect to the payment, the recipient thereof shall have realized the same net amount it would have realized had the payment not resulted in Taxable income. To the extent that Taxes for which one Party (the indemnifying Party) is required to pay the other Party (the indemnified party) pursuant to this Agreement (the "INDEMNIFIED TAXES") may be deducted or credited in determining the amount of any other Taxes required to be paid by the indemnified Party (for example, state Taxes which are permitted to be deducted in determining federal Taxes), the amount of any payment made to the indemnified Party by the indemnifying Party shall be decreased by taking into account any resulting reduction in other Taxes of the indemnified Party. If such a reduction in Taxes of the indemnified Party occurs following the payment made to the indemnified Party with respect to the relevant Indemnified Taxes, the indemnified Party shall promptly repay the indemnifying Party the amount of such reduction when actually realized. If the Tax benefit arising from the foregoing reduction of Taxes described in this Section 6.8 is subsequently decreased or eliminated, then the indemnifying Party shall promptly pay the indemnified Party the amount of the decrease in such Tax benefit.

ARTICLE VII COOPERATION

Section 7.1 GENERAL. Parent, LMC and their respective Affiliates shall cooperate with each other and with each other's agents, including accounting firms and legal counsel, in connection with (a) Tax matters relating to the Transferred Subsidiaries and their assets and operations, including (i) preparation and filing of Tax Returns, (ii) determining the liability and amount of any Taxes due, the right to and amount of any refund, credit or offset of Taxes and the amount of any Tax attributes allocable to the Transferred Subsidiaries, (iii) obtaining any refund, credit or offset of Taxes, (iv) examinations of Tax Returns, and (v) any administrative or judicial proceeding, or other Tax Contest, in respect of Taxes assessed or proposed to be assessed, and (b) the defense of any Tax Contest involving the Exchange or the Parent Restructuring. Each Party shall also make available to the other Party, as reasonably requested and available, personnel (including officers, directors, employees and agents) responsible for preparing, maintaining, and interpreting information and providing information or documents in connection with any administrative or judicial proceedings relating to Taxes.

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Section 7.2 CONSISTENT TREATMENT. Unless and until there has been a Final Determination to the contrary, each Party agrees (a) to treat the Exchange as a tax-free exchange under Section 355(a) of the Code, and (b) not to take any position on any Tax Return, in connection with any Tax Contest, or otherwise for Tax purposes (in each case, excluding any position taken for financial accounting purposes) that is inconsistent with (i) the allocation of Taxes and Tax benefits hereunder, (ii) the Rulings, (iii) the Tax Opinions, or (iv) the Tax-Free Status of the Transactions.

ARTICLE VIII
RECORDS; ACCESS

Section 8.1 DELIVERY OF TAX RECORDS. At or before the Closing, Parent shall provide to LMC (to the extent not previously provided or held by any Transferred Subsidiary at Closing) copies of (A) the separate Tax Returns of any Transferred Subsidiaries, (B) the relevant portions of any other Tax Returns with respect to any Transferred Subsidiaries, and (C) other existing Tax records (or the relevant portions thereof) reasonably necessary to prepare and file any Tax Returns of, or with respect to, the Transferred Subsidiaries, or to defend or contest Tax matters relevant to the Transferred Subsidiaries, including in each case, all Tax records related to Tax attributes of the Transferred Subsidiaries and any and all communications or agreements with, or rulings by, any Taxing Authority with respect to any Transferred Subsidiary.

Section 8.2 RETENTION OF RECORDS; ACCESS. The Parties shall (a) retain all Tax Returns, schedules and work papers and all other records, documents, accounting data, and other information (including computer data) necessary for the preparation and filing of all Tax Returns in respect of Taxes of the Transferred Subsidiaries for any Taxable period, or for any Tax Contests relating to such Tax Returns, and (b) give to the other Party reasonable access to such records, documents, accounting data, and other information (including computer data) and to its personnel (insuring their cooperation) and premises, for the purpose of the review or audit of such Tax Returns to the extent relevant to an obligation or liability of a Party under this Agreement or for purposes of the preparation or filing of any such Tax Return, the conduct of any Tax Contest or any other matter reasonably and in good faith related to the Tax affairs of the requesting Party.

Section 8.3 CONFIDENTIALITY; OWNERSHIP OF INFORMATION; PRIVILEGED INFORMATION. Each Party hereby agrees that it will hold, and shall use its reasonable best efforts to cause its officers, directors, employees, accountants, counsel, consultants, advisors and agents to hold, in confidence all records and information prepared and shared by and among the Parties in carrying out the intent of this Agreement, unless disclosure is compelled by a Governmental Authority. Information and documents of one Party (the "DISCLOSING PARTY") shall not be deemed to be confidential for purposes of this Section 8.3 to the extent such information or document (i) is previously known to or in the possession of the other party (the "RECEIVING PARTY") and is not otherwise subject to a requirement to keep confidential, (ii) becomes publicly available by means other than unauthorized disclosure under this Agreement or the Share Exchange Agreement by the Receiving Party or (iii) is received from a third party without, to the knowledge of the Receiving Party after reasonable diligence, a duty of confidentiality owed to the Disclosing Party.

Section 8.4 CONTINUATION OF RETENTION OF INFORMATION, ACCESS OBLIGATIONS. The obligations set forth above in Section 8.2 shall continue until the longer of (a) the time of a Final Determination of any controversy with respect to such Taxable period and until the final determination of any payments that may be required with respect to such Taxable period under this Agreement, or (b) expiration of all applicable statutes of limitations (including any extensions thereof) of the Taxable period to which the records and information relate. For purposes of the preceding sentence, each Party shall assume that no applicable statute of limitations has expired unless such Party has received notification or otherwise has actual knowledge that such statute of limitations has expired.

ARTICLE IX
MISCELLANEOUS PROVISIONS

Section 9.1 TERMINATION. This Agreement will automatically terminate upon termination of the Share Exchange Agreement pursuant to the terms thereto. In the event of the termination of this Agreement pursuant to this Section 9.1, this Agreement, except for the provisions of (i) Section 8.3 relating to the obligation of the parties to keep confidential certain information obtained by them and (ii) Article IX, which shall, in each case, remain in full force and effect, shall become void and have no effect, without any liability on the part of any party hereto or its directors, officers or stockholders. Notwithstanding the foregoing, nothing in this Section 9.1 shall relieve any party hereto of

liability for a willful breach of any of its obligations under this Agreement.

Section 9.2 COMPLETE AGREEMENT; CONSTRUCTION. This Agreement and the Share Exchange Agreement (including the Schedules and Exhibits attached hereto or thereto or delivered in connection herewith or therewith) shall constitute the entire agreement among the Parties with respect to the matters covered hereby and thereby and supersedes all previous written, oral or implied understandings, among them with respect to such matters. Notwithstanding anything to the contrary contained in this Agreement or the Share Exchange Agreement, in the event of any conflict or inconsistency between any provision of this Agreement and any provision of the Share Exchange Agreement, the applicable provision of this Agreement shall govern.

Section 9.3 COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original agreement, but all of which together shall constitute one and the same instrument.

Section 9.4 JOINT AND SEVERAL LIABILITY. Following the Exchange, Splitco and the Stockholders shall be jointly and severally liable for any liability or obligation of LMC under this Agreement.

Section 9.5 NOTICES. All notices or other communications required or permitted hereunder shall be in writing and shall be delivered personally, by facsimile (with confirming copy sent by one of the other delivery methods specified herein), by overnight courier or sent by certified, registered or express air mail, postage prepaid, and shall be deemed given when so delivered personally, or when so received by facsimile or courier, or, if mailed,

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three (3) calendar days after the date of mailing, as follows:

If to Parent: News Corporation
1211 Avenue of the Americas
New York, New York 10036
Facsimile: (212) 768-9896
Attention: General Counsel

with a copy to: Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
Facsimile: (917) 777-2000
Attention: Lou R. Kling
Howard L. Ellin
J. Phillip Adams

If to LMC: Liberty Media Corporation
12300 Liberty Boulevard
Englewood, Colorado 80112
Facsimile: (720) 875-5382
Attention: General Counsel

with a copy to: Baker Botts L.L.P.
30 Rockefeller Plaza, 44th Floor
New York, New York 10112-4498
Facsimile: (212) 408-2501
Attention: Frederick H. McGrath

or to such other address and with such other copies as any Party hereto shall notify the other Parties hereto (as provided above) from time to time.

Section 9.6 WAIVERS. The failure of any Party to require strict performance by the other Party of any provision in this Agreement will not waive or diminish that Party's right to demand strict performance thereafter of that or any other provision hereof.

Section 9.7 AMENDMENT AND MODIFICATION. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the Parties hereto.

Section 9.8 ASSIGNMENT; SUCCESSORS AND ASSIGNS; NO THIRD PARTY RIGHTS. This Agreement may not be assigned by any Party hereto without the prior written consent of the other Parties hereto, and any attempted assignment shall be null and void; PROVIDED, HOWEVER, that following the Closing LMC will be permitted to assign its rights hereunder, without

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obtaining the consent of Parent, to any Person to which ownership of one hundred

percent (100%) of the shares of capital stock of Splitco are or have been transferred in connection with any spin off, split off or other distribution of the securities of such transferee in which holders of LMC capital stock immediately prior thereto are entitled to, or have the opportunity to, participate in such distribution. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns. This Agreement shall be for the sole benefit of the Parties hereto, and their respective successors and permitted assigns, and is not intended, nor shall be construed, to give any Person, other than the Parties hereto and their respective successors and permitted assigns any legal or equitable right, benefit, remedy or claim hereunder.

Section 9.9 NO STRICT CONSTRUCTION. Parent and LMC each acknowledge that this Agreement has been prepared jointly by the Parties hereto and shall not be strictly construed against any Party hereto.

Section 9.10 TITLES AND HEADINGS. The headings and table of contents in this Agreement are for reference purposes only, and shall not in any way affect the meaning or interpretation of this Agreement.

Section 9.11 GOVERNING LAW; CONSENT TO JURISDICTION. This Agreement shall be governed by, and construed in accordance with, the internal Laws of the State of Delaware, without reference to the choice of law principles thereof. Each of the Parties hereto irrevocably submits to the exclusive jurisdiction of the courts of the State of Delaware and the United States District Court for any district within such state for the purpose of any Action or judgment relating to or arising out of this Agreement or any of the transactions contemplated hereby and to the laying of venue in such court. Service of process in connection with any such Action may be served on each Party hereto by the same methods as are specified for the giving of notices under this Agreement. Each Party hereto irrevocably and unconditionally waives and agrees not to plead or claim any objection to the laying of venue of any such Action brought in such courts and irrevocably and unconditionally waives any claim that any such Action brought in any such court has been brought in an inconvenient forum.

Section 9.12 SEVERABILITY. If any term, provisions, covenant, or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void, or unenforceable, the remainder of the terms, provisions, covenants, and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired, or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the fullest extent possible.

Section 9.13 WAIVER OF JURY TRIAL. EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND, THEREFORE, EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TO THE FULLEST EXTENT PERMITTED BY

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APPLICABLE LAW, ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY ACTION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY HERETO CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF SUCH ACTION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.13.

Section 9.14 EQUITABLE REMEDIES. Neither rescission, set-off nor reformation of this Agreement shall be available as a remedy to any of the parties hereto. The parties hereto agree that irreparable damage would occur in the event any of the provisions of this Agreement were not to be performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof in addition to any other remedies at Law or in equity.

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IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to

be duly executed as of the day and year first above written.

NEWS CORPORATION

By: /s/ John P. Nallen

Name: John P. Nallen
Title: Executive Vice President &
Deputy CFO

LIBERTY MEDIA CORPORATION

By: /s/ Gregory B. Maffei

Name: Gregory B. Maffei
Title: President & CEO

AS OF DECEMBER 31, 2006

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.

<Table>
<Caption>

Name	State/Country of Formation
- - - - -	- - - - -
<S>	<C>
1227844 Ontario Ltd.	CANADA (Ontario)
4G Media Ltd.	Turks & Caicos
4G Media Ltd.	BVI
ACTV Entertainment, Inc.	NY
ACTV Intellocity GmbH	GERMANY
ACTV International BV	NETHERLANDS
ACTV, Inc.	DE
Advision, LLC	DE
AEI Music Network, Inc.	WA
Affiliate Marks Investments, Inc.	DE
Affiliate Investment, Inc.	DE
Affiliate Relations Holdings, Inc.	DE
Affiliate Sales & Marketing, Inc.	DE
AltaDena Productions, LLC	DE
Anchor Bay Entertainment Australia PTY LTD	AUSTRALIA
Anchor Bay Entertainment Canada, Corp.	NOVA SCOTIA
Anchor Bay International Limited	CANADA
Aries Pictures LLC	CO
Ascent Entertainment Group, Inc.	DE
Associated Information Services Corporation	DE
Associated PCN Holding Corporation	DE
Barefoot Acquisition, LLC	DE
BDTV II Inc.	DE
BDTV III Inc.	DE
BDTV Inc.	DE
BDTV IV, Inc.	DE
BET Movies/STARZ!3, LLC	DE
Betmart Limited	UK
BettingCorp. UK Ltd.	UK
BOCOO Media, LLC	DE
BOCOO Online, LLC	DE
BuySeasons, Inc.	UK
CableSoft Corporation	DE
CDirect Mexico I, Inc.	DE
CDirect Mexico II, Inc.	DE
Chalk Line Productions, LLC	DE
Columbia Exchange Systems Ltd.	CANADA
Commerce Technologies, Inc.	NY
Communication Capital Corp.	DE
Connectid, LLC	DE
Corcom, Inc. [dba Don Best Sports]	DE
CVN Companies, Inc.	MN

</Table>

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Name	State/Country of Formation
- - - - -	- - - - -
<S>	<C>
CVN Direct Marketing Corp.	MN
CVN Distribution Co., Inc.	MN
CVN Management, Inc.	MN
CVN Michigan, Inc.	MN
Diamonique Canada Holdings, Inc.	DE
Diamonique Corporation	NJ
Digital ADCO, Inc.	DE
Digital Entertainment Limited	UK
Diversion Entertainment, LLC	DE
Dry Creek Productions LLC	CO
EI Holdings, Inc.	CO
Encore Asia Management Limited	HONG KONG
Encore International Newco, LLC	CO
Encore London Limited	DE
Equipment OCV, Inc.	DE

ER Development International, Inc.	PA
ER Marks, Inc.	DE
EZShop International, Inc.	DE
Fanball UK Limited	UK
Fantasy Sports Acquisition, LLC	DE
Film Roman California, LLC	DE
Film Roman, LLC	DE
FUN Technologies Corp.	DE
FUN Technologies Inc.	UK
FUN Technologies plc Columbia Exchange Systems Limited	UK
Game Show Enterprises, LLC	DE
Game Show Network Music, LLC	DE
Georgina Productions, LLC	DE
Gold Striped Shirt, LLC	DE
GSN Music, LLC	DE
GSN Texas, L.P.	DE
Health Ventures Partners G.P.	PA
Hotel Digital Network Inc.	CA
HypertV Networks, Inc.	DE
IC Marks, Inc.	DE
IDT Entertainment Canada, Corp. (unlimited liability company)	NOVA SCOTIA
IDT Entertainment Film Productions Puerto Rico Corp.	PUERTO RICO
IM Experience, Inc.	PA
Influence Marketing Corp (dba QVC @ theMall) [Unlimited Liability Corp.]	NOVA SCOTIA
Influence Marketing Services, Inc.	CANADA (Ontario)
Ingenius	CO
Innovative Retailing, Inc.	DE
Intellocity USA, Inc.	DE
iQVC GmbH	GERMANY
KSI, Inc.	DE
LBTW I, Inc.	CO
LBTW II, Inc.	CO
LBTW III, Inc.	CO
LDIG Aloy, Inc.	DE
LDIG Cars, Inc.	DE
LDIG Film, Inc.	DE
LDIG Financing LLC	DE
LDIG Food, Inc.	DE
LDIG Gamenet, Inc.	DE

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Name	State/Country of Formation
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<S>	<C>
LDIG House, Inc.	DE
LDIG ICTV Corp.	DE
LDIG Koz, Inc.	DE
LDIG NL, Inc.	DE
LDIG Online Retail, Inc.	DE
LDIG Order, Inc.	DE
LDIG OTV, Inc.	DE
LDIG Respond, Inc.	DE
LDIG UGON, Inc.	DE
LDIG, LLC	DE
Level 13 Entertainment, LLC	DE
Liberty Academic Systems Holdings, Inc.	CO
Liberty AEG, Inc.	DE
Liberty Aero, LLC	DE
Liberty AGI, LLC	DE
Liberty Animal Planet, LLC	CO
Liberty Associated Holdings LLC	DE
Liberty Associated, Inc.	DE
Liberty ATCL, Inc.	CO
Liberty Auction Holdings LLC	DE
Liberty Auction, Inc.	DE
Liberty BBandnow Holdings, LLC	DE
Liberty BBandnow, Inc.	DE
Liberty BC Capital, LLC	DE
Liberty BETI, Inc.	DE
Liberty Broadband Interactive Television, 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 CSG Cash, LLC	DE
Liberty CSG Warrants, LLC	DE
Liberty Denver Arena LLC	DE
Liberty Entertainment, Inc.	DE

Liberty Equator, Inc.	DE
Liberty ETC Holdings, LLC	DE
Liberty ETC, LLC	DE
Liberty EVNT, Inc.	DE
Liberty Finance LLC	DE
Liberty Freedom, Inc.	CANADA
Liberty Geonet, Inc.	DE
Liberty GI II, Inc.	DE
Liberty GI, Inc.	DE
Liberty GIC. Inc.	CO
Liberty HSN II, Inc.	DE
Liberty IATV Events, Inc.	DE
Liberty IATV Holdings, Inc.	DE
Liberty IATV, Inc.	DE
Liberty IB2, LLC	DE
Liberty ICGX, Inc.	DE
Liberty International B-L LLC	DE
Liberty Java, Inc.	CO

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Name	State/Country of Formation
- - - - -	-----
<S>	<C>
Liberty KI, Inc.	DE
Liberty KV Holdings, Inc.	DE
Liberty KV Partners I, LLC	DE
Liberty Lightspan Holdings, Inc.	CO
Liberty LQ VII, LLC	DE
Liberty LSAT II, Inc.	DE
Liberty LSAT, Inc.	DE
Liberty MCNS Holdings, Inc.	CO
Liberty Media LLC	DE
Liberty MicroUnity Holdings, Inc.	CO
Liberty MLP, Inc.	CO
Liberty NC II, Inc.	DE
Liberty NC III, Inc.	DE
Liberty NC IV, Inc.	DE
Liberty NC IX, Inc.	DE
Liberty NC V, Inc.	DE
Liberty NC VI, Inc.	DE
Liberty NC VII, Inc.	DE
Liberty NC VIII, Inc.	DE
Liberty NC XII, Inc.	DE
Liberty NC XIII, Inc.	DE
Liberty NC, Inc.	DE
Liberty NEA, Inc.	DE
Liberty Next, Inc.	DE
Liberty NP, Inc.	DE
Liberty Online Health KI Holdings, Inc.	CO
Liberty Online Health RN Holdings, Inc.	CO
Liberty PCLN, Inc.	DE
Liberty PL2, Inc.	DE
Liberty PL3, LLC	DE
Liberty Prime, Inc.	DE
Liberty Programming Company LLC	DE
Liberty Property Holdings, Inc.	DE
Liberty QS, Inc.	DE
Liberty QVC Holding, LLC	DE
Liberty Replay, Inc.	DE
Liberty Satellite & Technology, Inc.	DE
Liberty Satellite, LLC	DE
Liberty Sling, Inc.	DE
Liberty SMTRK of Texas, Inc.	CO
Liberty SMTRK, LLC	DE
Liberty Tower, Inc.	DE
Liberty TP Holdings, Inc.	DE
Liberty TP Investment, LLC	DE
Liberty TP LLC	DE
Liberty TP Management, Inc.	DE
Liberty TSAT, Inc.	DE
Liberty TWSTY II, Inc.	CO
Liberty TWSTY III, Inc.	CO
Liberty VF, Inc.	DE
Liberty Virtual I/O, Inc.	CO
Liberty Virtual Pets, LLC	DE
Liberty WDIG, Inc.	DE
Liberty WF Holdings LLC	DE

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Name	State/Country of Formation
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<S>	<C>
Liberty WF, 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 6, Inc.	DE
Liberty Wireless 7, Inc.	DE
Liberty Wireless 8, Inc.	DE
Liberty Wireless 9, Inc.	DE
Liberty XMSR, Inc.	DE
LMC Bay Area Sports, Inc.	CO
LMC BET Holdings LLC	DE
LMC BET, LLC	CO
LMC Capital LLC	DE
LMC Denver Arena, Inc.	DE
LMC IATV Events, LLC	DE
LMC IATV Events, LLC	DE
LMC Information Services, LLC	DE
LMC Request, Inc.	CO
LMC Silver King, Inc.	CO
LMC USA IX, Inc.	DE
LMC USA VIII, Inc.	DE
LMC USA XI, Inc.	DE
LMC USA XII, Inc.	DE
LMC USA XIII, Inc.	DE
LMC USA XIV, Inc.	DE
LMC USA XV, 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, Inc.	DE
LQ III, Inc.	DE
LQ IV, Inc.	DE
LQ V, Inc.	DE
LQ VI, LLC	DE
LSAT Astro LLC	DE
LTP Wireless 1, LLC	DE
LTWX I, Inc.	CO
LTWX II, Inc.	CO
LTWX III, Inc.	CO
LTWX IV, Inc.	CO
LTWX V, Inc.	CO
Manga Entertainment Limited	UK
Manga Entertainment, LLC	DE
Maxide Acquisition, Inc.	DE
Maxide Music, Inc.	DE

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Name	State/Country of Formation
- - - - -	-----
<S>	<C>
Media Online Services, Inc.	DE
Millcreek Holdings, LLC	DE
Montana Productions, LLC	DE
Namor Productions, LLC	DE
Octopi LLC	DE
On Command Argentina, SRL	Argentina
On Command Canada, Inc.	Canada
On Command Corporation	DE
On Command Development Corporation	DE
On Command Video Corporation	DE
ONCO-HTV, Inc.	DE
OpenGaming Ltd.	ISRAEL
OpenPlay (BVI) Ltd.	BVI
OpenTV (Cayman) Digital Solutions	CAYMAN ISLANDS

QVC-QRT, Inc.	DE
RS Marks, Inc.	DE
RS Myrtle Beach, Inc.	SC
Satellite MGT, Inc.	DE
Savor North Carolina, Inc.	NC
SEG Investments, Inc.	DE
Sheepish, LLC	DE
SkillJam EU Limited	UK
SkillJam Technologies Corporation	DE
Spectradyne International, Inc.	DE
SpotOn International Ltd.	BERMUDA
Spyglass Integration, Inc.	DE
Spyglass, Inc.	DE
Starz Animation Slate, LLC	DE
Starz Animation Special Projects, 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

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Name	State/Country of Formation
- ----	-----
<S>	<C>
Starz Canada Holdings II Co. (unlimited liability company)	NOVA SCOTIA
Starz Digital, LLC (fka IDT Entertainment Digital, Inc.)	DE
Starz Entertainment, LLC	CO
Starz Foreign Holdings B.V.	NETHERLANDS
Starz Foreign Holdings, LLC	DE
Starz Home Entertainment UK Limited	UK
Starz Home Entertainment, LLC	DE
Starz Latin, LLC	DE
Starz Media Holdings, LLC	DE
Starz Media Holdings, LLC	DE
Starz Media, LLC	DE
Starz Presents, LLC	DE
Starz Productions, LLC	DE
Starz R2 Video, L.P.	CA
Starz R2Communications, LLC	DE
Starz UK Holdings Limited	UK
Starz Worldwide Distribution, LLC	DE
Starz, LLC	DE
Static 2358 France S.A.S.	FRANCE
Static 2358 Holdings Limited	UK
Static 2358 Limited	UK
Static 2358, Inc.	CA
TATV, Inc.	DE
TBH Marks, Inc.	DE
Texas Game Ball, LLC	DE
Texas Winnie, LLC	DE
The Box Music Network S.L.	SPAIN
The Box Worldwide-Europe, B.V.	NETHERLANDS
The Hotel Networks, Inc.	DE
TOBH, Inc.	DE
TP Middle East, LLC	DE
TruePosition China, LLC	DE
TruePosition, Inc.	DE
TSAT Holding 1, Inc.	DE
TSAT Holding 2, Inc.	DE
Video Jukebox Network Europe, Ltd.	UK
Virgin Islands Video Entertainment Corporation (dba Hotel Video Services)	DE
Wink Communications, Inc.	DE
Wink Interactive, Inc.	DE
WorldWinner.com, Inc.	DE
X*PRESS Electronic Services, Ltd.	CO
X*PRESS Information Services, Ltd.	CO
Yankee Irving, LLC	DE

</Table>

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Liberty Media Corporation:

We consent to the incorporation by reference in the following registration statements of Liberty Media Corporation of our reports dated February 28, 2007 with respect to the consolidated balance sheets of Liberty Media Corporation and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, comprehensive earnings (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2006, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2006 and the effectiveness of internal control over financial reporting as of December 31, 2006, which reports appear in the December 31, 2006 annual report on Form 10-K of Liberty Media Corporation:

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FORM	REGISTRATION STATEMENT NO.	DESCRIPTION
<S>	<C>	<C>
S-8	333-134067	LMC 401(k) Plan
S-8	333-134115	LMC Incentive Plan
S-8	333-134114	Non-employee Director Plan
S-3	333-136856	BuySeasons Acquisition

</Table>

Our report on the consolidated financial statements of Liberty Media Corporation refers to the Company's adoption of Statement of Financial Accounting Standards No. 123(R), SHARE BASED PAYMENT on January 1, 2006.

KPMG LLP

Denver, Colorado
February 28, 2007

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, 2006 (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 as of December 31, 2006 and 2005 and for the three years ended December 31, 2006.

<Table>

<S>

Dated: March 1, 2007

<C>

/s/ GREGORY B. MAFFEI

Gregory B. Maffei
CHIEF EXECUTIVE OFFICER AND PRESIDENT

Dated: March 1, 2007

/s/ DAVID J.A. FLOWERS

David J.A. Flowers
SENIOR VICE PRESIDENT AND TREASURER
(PRINCIPAL FINANCIAL OFFICER)

Dated: March 1, 2007

/s/ CHRISTOPHER W. SHEAN

Christopher W. Shean
SENIOR VICE PRESIDENT AND CONTROLLER
(PRINCIPAL ACCOUNTING OFFICER)

</Table>

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.

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, including our subsidiaries, QVC, Inc., Provide Commerce, Inc. and BuySeasons, Inc. and our interests in IAC/InterActiveCorp and Expedia, Inc., the second ("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.

The following tables present our assets, liabilities, revenue, expenses and cash flows as of and for the years ended December 31, 2006, 2005 and 2004. The tables further present our assets, liabilities, revenue, expenses and cash flows that are attributed to the Interactive 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, 2006, 2005 and 2004 included in this Annual Report on Form 10-K. The attributed financial information presented in the tables has been prepared assuming the restructuring had been completed as of January 1, 2004.

Notwithstanding the following attribution of assets, liabilities, revenue, expenses and cash flows to the Interactive Group and the Capital Group, the restructuring 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 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 and Liberty Capital Stock does not affect the rights of our creditors.

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SUMMARY ATTRIBUTED FINANCIAL DATA

INTERACTIVE GROUP

<Table>
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	DECEMBER 31,		
	2006	2005	2004
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
SUMMARY BALANCE SHEET DATA:			
Current assets.....	\$ 2,984	2,729	2,423
Cost investments.....	\$ 2,572	2,084	3,844
Equity investments.....	\$ 1,358	1,229	78
Total assets.....	\$19,820	18,351	18,977
Long-term debt, including current portion.....	\$ 6,383	5,327	6,253
Deferred income tax liabilities, noncurrent.....	\$ 3,115	3,104	3,465
Attributed net assts.....	\$ 8,561	8,231	7,782

<Table>
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	YEARS ENDED DECEMBER 31,		
	2006	2005	2004
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
SUMMARY OPERATIONS DATA:			
Revenue.....	\$7,326	6,501	5,687
Cost of goods sold.....	(4,565)	(4,112)	(3,594)
Operating expenses.....	(596)	(570)	(497)
Selling, general and administrative expenses(1).....	(544)	(454)	(411)
Depreciation and amortization.....	(491)	(449)	(437)
Operating income.....	1,130	916	748
Interest expense.....	(417)	(374)	(385)
Other income, net.....	130	29	11
Income tax expense.....	(210)	(225)	(162)
Minority interests in earnings of subsidiaries.....	(35)	(48)	(25)
Earnings before cumulative effect of accounting change....	598	298	187
Cumulative effect of accounting change, net of taxes.....	(87)	--	--
Net earnings.....	\$ 511	298	187

</Table>

(1) Includes stock-based compensation of \$59 million, \$52 million and \$39 million for the years ended December 31, 2006, 2005 and 2004, respectively.

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SUMMARY ATTRIBUTED FINANCIAL DATA

CAPITAL GROUP

<Table>
<Caption>

	DECEMBER 31,		
	2006	2005	2004
	(AMOUNTS IN MILLIONS)		
<C>	<C>	<C>	<C>
SUMMARY BALANCE SHEET DATA:			
Current assets.....	\$ 3,776	2,984	2,152
Cost investments.....	\$19,050	16,405	17,990
Equity investments.....	\$ 484	679	706
Total assets.....	\$27,849	23,750	31,320
Long-term debt, including current portion.....	\$ 2,640	2,422	2,323
Deferred income tax liabilities, noncurrent.....	\$ 6,669	5,592	6,280
Attributed net assets.....	\$13,072	10,889	16,804

<Table>
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	YEARS ENDED DECEMBER 31,		
	2006	2005	2004
	(AMOUNTS IN MILLIONS)		
<C>	<C>	<C>	<C>
SUMMARY OPERATIONS DATA:			
Revenue.....	\$1,287	1,145	1,056
Operating expenses.....	(930)	(827)	(663)
Selling, general and administrative expenses(1).....	(262)	(194)	(285)
Litigation settlement.....	--	--	42
Depreciation and amortization.....	(91)	(96)	(110)
Impairment of long-lived assets.....	(113)	--	--
Operating income (loss).....	(109)	28	40
Interest expense.....	(263)	(252)	(234)
Realized and unrealized gains (losses) on derivative instruments, net.....	(299)	274	(1,267)
Gain (losses) on dispositions, net.....	607	(401)	1,404
Nontemporary declines in fair value of investments.....	(4)	(449)	(129)
Other income, net.....	213	111	98
Income tax benefit (expense).....	(42)	351	3
Minority interests in losses (earnings) of subsidiaries.....	8	(3)	3
Earnings (loss) from continuing operations.....	111	(341)	(82)
Earnings (loss) from discontinued operations, net of taxes.....	220	10	(59)
Cumulative effect of accounting change, net of taxes.....	(2)	--	--
Net earnings (loss).....	\$ 329	(331)	(141)

</Table>

(1) Includes stock-based compensation of \$8 million, zero and \$59 million for the years ended December 31, 2006, 2005 and 2004, respectively.

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BALANCE SHEET INFORMATION
DECEMBER 31, 2006
(UNAUDITED)

<Table>
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ATTRIBUTED (NOTE 1)		
INTERACTIVE	CAPITAL	CONSOLIDATED

	GROUP	GROUP	ELIMINATIONS	LIBERTY
	-----	-----	-----	-----
	(AMOUNTS IN MILLIONS)			
<S>	<C>	<C>	<C>	<C>
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 946	2,153	--	3,099
Trade and other receivables, net.....	977	299	--	1,276
Inventory, net.....	831	--	--	831
Derivative instruments (note 2).....	12	227	--	239
Current deferred tax assets.....	159	--	(31)	128
Other current assets.....	59	585	--	644
Assets of discontinued operations.....	--	512	--	512
	-----	-----	-----	-----
Total current assets.....	2,984	3,776	(31)	6,729
	-----	-----	-----	-----
Investments in available-for-sale securities and other cost investments.....	2,572	19,050	--	21,622
Long-term derivative instruments (note 2).....	2	1,338	--	1,340
Investments in affiliates, accounted for using the equity method.....	1,358	484	--	1,842
Property and equipment, net.....	912	234	--	1,146
Goodwill.....	5,755	1,833	--	7,588
Trademarks.....	2,450	21	--	2,471
Intangible assets subject to amortization, net.....	3,756	154	--	3,910
Other assets, at cost, net of accumulated amortization.....	31	959	--	990
	-----	-----	-----	-----
Total assets.....	\$19,820	27,849	(31)	47,638
	=====	=====	===	=====
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable.....	\$ 475	33	--	508
Accrued interest.....	136	78	--	214
Other accrued liabilities.....	663	372	--	1,035
Intergroup payable/receivable.....	81	(81)	--	--
Derivative instruments (note 2).....	--	1,484	--	1,484
Current portion of debt (note 3).....	11	103	--	114
Current deferred tax liabilities.....	--	31	(31)	--
Other current liabilities.....	91	22	--	113
Liabilities of discontinued operations.....	--	101	--	101
	-----	-----	-----	-----
Total current liabilities.....	1,457	2,143	(31)	3,569
	-----	-----	-----	-----
Long-term debt (note 3).....	6,372	2,537	--	8,909
Long-term derivative instruments (note 2).....	9	1,697	--	1,706
Deferred income tax liabilities (note 6).....	3,115	6,669	--	9,784
Other liabilities.....	210	1,537	--	1,747
	-----	-----	-----	-----
Total liabilities.....	11,163	14,583	(31)	25,715
Minority interests in equity of subsidiaries.....	96	194	--	290
Equity/Attributed net assets.....	8,561	13,072	--	21,633
	-----	-----	-----	-----
Total liabilities and equity.....	\$19,820	27,849	(31)	47,638
	=====	=====	===	=====

</Table>

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<Page>

BALANCE SHEET INFORMATION
DECEMBER 31, 2005
(UNAUDITED)

<Table>

<Caption>

	ATTRIBUTED (NOTE 1)			
	INTERACTIVE	CAPITAL	ELIMINATIONS	CONSOLIDATED
	GROUP	GROUP	ELIMINATIONS	LIBERTY
	-----	-----	-----	-----
	(AMOUNTS IN MILLIONS)			
<S>	<C>	<C>	<C>	<C>
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 945	951	--	1,896
Trade and other receivables, net.....	837	222	--	1,059
Inventory, net.....	719	--	--	719
Derivative instruments (note 2).....	17	644	--	661
Current deferred tax assets.....	182	--	(136)	46
Other current assets.....	29	651	--	680
Assets of discontinued operations.....	--	516	--	516
	-----	-----	-----	-----
Total current assets.....	2,729	2,984	(136)	5,577
	-----	-----	-----	-----

Investments in available-for-sale securities and other cost investments.....	2,084	16,405	--	18,489
Long-term derivative instruments (note 2).....	17	1,106	--	1,123
Investments in affiliates, accounted for using the equity method.....	1,229	679	--	1,908
Property and equipment, net.....	746	200	--	946
Goodwill.....	5,273	1,536	--	6,809
Trademarks.....	2,385	--	--	2,385
Intangible assets subject to amortization, net.....	3,867	108	--	3,975
Other assets, at cost, net of accumulated amortization.....	21	732	--	753
	-----	-----	-----	-----
Total assets.....	\$18,351	23,750	(136)	41,965
	=====	=====	=====	=====
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable.....	\$ 466	26	--	492
Accrued liabilities.....	681	126	--	807
Intergroup payable/receivable.....	95	(95)	--	--
Accrued stock-based compensation.....	--	133	--	133
Derivative instruments (note 2).....	12	1,927	--	1,939
Current portion of debt (note 3).....	1,377	2	--	1,379
Current deferred tax liabilities.....	--	296	(136)	160
Other current liabilities.....	36	284	--	320
Liabilities of discontinued operations.....	--	114	--	114
	-----	-----	-----	-----
Total current liabilities.....	2,667	2,813	(136)	5,344
	-----	-----	-----	-----
Long-term debt (note 3).....	3,950	2,420	--	6,370
Long-term derivative instruments (note 2).....	--	1,087	--	1,087
Deferred income tax liabilities (note 6).....	3,104	5,592	--	8,696
Other liabilities.....	239	819	--	1,058
	-----	-----	-----	-----
Total liabilities.....	9,960	12,731	(136)	22,555
Minority interests in equity of subsidiaries.....	160	130	--	290
Equity/Attributed net assets.....	8,231	10,889	--	19,120
	-----	-----	-----	-----
Total liabilities and equity.....	\$18,351	23,750	(136)	41,965
	=====	=====	=====	=====

</Table>

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<Page>

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS INFORMATION
YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)

<Table>

<Caption>

	ATTRIBUTED (NOTE 1)		
	INTERACTIVE	CAPITAL	CONSOLIDATED
	GROUP	GROUP	LIBERTY
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Revenue:			
Net retail sales.....	\$7,326	--	7,326
Communications and programming services.....	--	1,287	1,287
	-----	-----	-----
	7,326	1,287	8,613
	-----	-----	-----
Operating costs and expenses:			
Cost of sales.....	4,565	--	4,565
Operating.....	596	930	1,526
Selling, general and administrative (including stock-based compensation of \$59 million and \$8 million for Interactive Group and Capital Group, respectively) (notes 4 and 5).....	544	262	806
Depreciation and amortization.....	491	91	582
Impairment of long-lived assets.....	--	113	113
	-----	-----	-----
	6,196	1,396	7,592
	-----	-----	-----
Operating income (loss).....	1,130	(109)	1,021
Other income (expense):			
Interest expense.....	(417)	(263)	(680)
Dividend and interest income.....	40	174	214
Share of earnings of affiliates, net.....	47	44	91
Realized and unrealized gains (losses) on financial instruments, net.....	20	(299)	(279)
Gains on dispositions of assets, net.....	--	607	607
Nontemporary declines in fair value of investments.....	--	(4)	(4)

Other, net.....	23	(5)	18
	-----	-----	-----
	(287)	254	(33)
	-----	-----	-----
Earnings from continuing operations before income taxes and minority interests.....	843	145	988
Income tax expense (note 6).....	(210)	(42)	(252)
Minority interests in losses (earnings) of subsidiaries.....	(35)	8	(27)
	-----	-----	-----
Earnings from continuing operations.....	598	111	709
Earnings from discontinued operations, net of taxes.....	--	220	220
Cumulative effect of accounting change, net of taxes.....	(87)	(2)	(89)
	-----	-----	-----
Net earnings.....	\$ 511	329	840
	-----	-----	-----
Other comprehensive earnings (loss), net of taxes:			
Foreign currency translation adjustments.....	109	2	111
Unrealized holding gains arising during the period.....	351	2,254	2,605
Recognition of previously unrealized gains on available-for-sale securities, net.....	--	(185)	(185)
	-----	-----	-----
Other comprehensive earnings.....	460	2,071	2,531
	-----	-----	-----
Comprehensive earnings.....	\$ 971	2,400	3,371
	=====	=====	=====

</Table>

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<Page>

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS INFORMATION
YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)

<Table>
<Caption>

	ATTRIBUTED (NOTE 1)		
	INTERACTIVE GROUP	CAPITAL GROUP	CONSOLIDATED LIBERTY
	(AMOUNTS IN MILLIONS)		
	<C>	<C>	<C>
Revenue:			
Net retail sales.....	\$6,501	--	6,501
Communications and programming services.....	--	1,145	1,145
	-----	-----	-----
	6,501	1,145	7,646
	-----	-----	-----
Operating costs and expenses:			
Cost of sales.....	4,112	--	4,112
Operating.....	570	827	1,397
Selling, general and administrative (including stock-based compensation of \$52 million and \$0 for Interactive Group and Capital Group, respectively) (notes 4 and 5).....	454	194	648
Depreciation and amortization.....	449	96	545
	-----	-----	-----
	5,585	1,117	6,702
	-----	-----	-----
Operating income.....	916	28	944
Other income (expense):			
Interest expense.....	(374)	(252)	(626)
Dividend and interest income.....	35	108	143
Share of earnings of affiliates, net.....	9	4	13
Realized and unrealized gains (losses) on financial instruments, net.....	(17)	274	257
Gains (losses) on dispositions of assets, net.....	40	(401)	(361)
Nontemporary declines in fair value of investments.....	--	(449)	(449)
Other, net.....	(38)	(1)	(39)
	-----	-----	-----
	(345)	(717)	(1,062)
	-----	-----	-----
Earnings (loss) from continuing operations before income taxes and minority interests.....	571	(689)	(118)
Income tax benefit (expense) (note 6).....	(225)	351	126
Minority interests in earnings of subsidiaries.....	(48)	(3)	(51)
	-----	-----	-----
Earnings (loss) from continuing operations.....	298	(341)	(43)
Earnings from discontinued operations, net of taxes.....	--	10	10
	-----	-----	-----
Net earnings (loss).....	\$ 298	(331)	(33)
	-----	-----	-----
Other comprehensive earnings (loss), net of taxes:			
Foreign currency translation adjustments.....	(5)	--	(5)
Recognition of previously unrealized foreign currency			

translation losses.....	--	312	312
Unrealized holding losses arising during the period.....	(160)	(961)	(1,121)
Recognition of previously unrealized losses (gains) on available-for-sale securities, net.....	(13)	230	217
Reclass unrealized gain on available-for-sale security to equity method investment.....	(197)	--	(197)
Other comprehensive loss from discontinued operations.....	--	(7)	(7)
	-----	-----	-----
Other comprehensive loss.....	(375)	(426)	(801)
	-----	-----	-----
Comprehensive loss.....	\$ (77)	(757)	(834)
	=====	=====	=====

</Table>

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<Page>

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS INFORMATION
YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)

<Table>

<Caption>

	ATTRIBUTED (NOTE 1)		
	INTERACTIVE GROUP	CAPITAL GROUP	CONSOLIDATED LIBERTY
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Revenue:			
Net retail sales.....	\$5,687	--	5,687
Communications and programming services.....	--	1,056	1,056
	-----	-----	-----
	5,687	1,056	6,743
	-----	-----	-----
Operating costs and expenses:			
Cost of sales.....	3,594	--	3,594
Operating.....	497	663	1,160
Selling, general and administrative (including stock-based compensation of \$39 million and \$59 million for Interactive Group and Capital Group, respectively) (notes 4 and 5).....	411	285	696
Litigation settlement.....	--	(42)	(42)
Depreciation and amortization.....	437	110	547
	-----	-----	-----
	4,939	1,016	5,955
	-----	-----	-----
Operating income.....	748	40	788
Other income (expense):			
Interest expense.....	(385)	(234)	(619)
Dividend and interest income.....	20	110	130
Share of earnings (losses) of affiliates, net.....	(3)	18	15
Realized and unrealized losses on derivative instruments, net.....	(17)	(1,267)	(1,284)
Gains on dispositions, net.....	7	1,404	1,411
Nontemporary declines in fair value of investments.....	--	(129)	(129)
Other, net.....	4	(30)	(26)
	-----	-----	-----
	(374)	(128)	(502)
	-----	-----	-----
Earnings (loss) from continuing operations before income taxes and minority interest.....	374	(88)	286
Income tax benefit (expense) (note 6).....	(162)	3	(159)
Minority interests in losses (earnings) of subsidiaries.....	(25)	3	(22)
	-----	-----	-----
Earnings (loss) from continuing operations.....	187	(82)	105
Loss from discontinued operations, net of taxes.....	--	(59)	(59)
	-----	-----	-----
Net earnings (loss).....	\$ 187	(141)	46
	-----	-----	-----
Other comprehensive earnings (loss), net of taxes:			
Foreign currency translation adjustments.....	20	--	20
Unrealized holding gains (losses) arising during the period.....	(517)	2,007	1,490
Recognition of previously unrealized gains on available-for-sale securities, net.....	--	(486)	(486)
Other comprehensive loss from discontinued operations.....	--	(54)	(54)
	-----	-----	-----
Other comprehensive earnings (loss).....	(497)	1,467	970
	-----	-----	-----
Comprehensive earnings (loss).....	\$ (310)	1,326	1,016
	=====	=====	=====

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STATEMENT OF CASH FLOWS INFORMATION
YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)

<Table>

<Caption>

	ATTRIBUTED (NOTE 1)		
	INTERACTIVE GROUP	CAPITAL GROUP	CONSOLIDATED LIBERTY
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net earnings.....	\$ 511	329	840
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Earnings from discontinued operations.....	--	(220)	(220)
Cumulative effect of accounting change.....	87	2	89
Depreciation and amortization.....	491	91	582
Impairment of long-lived assets.....	--	113	113
Stock-based compensation.....	59	8	67
Payments of stock-based compensation.....	(111)	(4)	(115)
Noncash interest expense.....	4	104	108
Share of earnings of affiliates, net.....	(47)	(44)	(91)
Realized and unrealized losses (gains) on financial instruments, net.....	(20)	299	279
Gains on disposition of assets, net.....	--	(607)	(607)
Nontemporary declines in fair value of investments.....	--	4	4
Minority interests in earnings (losses) of subsidiaries.....	35	(8)	27
Deferred income tax benefit.....	(262)	(203)	(465)
Other noncash charges (credits), net.....	(13)	57	44
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Current assets.....	(219)	(91)	(310)
Payables and other current liabilities.....	38	622	660
	-----	-----	-----
Net cash provided by operating activities.....	553	452	1,005
	-----	-----	-----
Cash flows from investing activities:			
Cash proceeds from dispositions.....	--	1,322	1,322
Premium proceeds (payments) from origination of derivatives.....	(5)	64	59
Net proceeds from settlement of derivatives.....	--	101	101
Cash paid for acquisitions, net of cash acquired.....	(436)	(440)	(876)
Capital expenditures.....	(259)	(19)	(278)
Net sales of short term investments.....	23	264	287
Repurchases of subsidiary common stock.....	(331)	--	(331)
Other investing activities, net.....	(8)	(161)	(169)
	-----	-----	-----
Net cash provided (used) by investing activities....	(1,016)	1,131	115
	-----	-----	-----
Cash flows from financing activities:			
Borrowings of debt.....	3,227	2	3,229
Repayments of debt.....	(2,188)	(3)	(2,191)
Intergroup cash transfers, net.....	293	(293)	--
Repurchases of Liberty common stock.....	(954)	--	(954)
Other financing activities, net.....	68	(88)	(20)
	-----	-----	-----
Net cash provided (used) by financing activities....	446	(382)	64
	-----	-----	-----
Effect of foreign currency rates on cash.....	18	--	18
	-----	-----	-----
Net cash provided to discontinued operations:			
Cash provided by operating activities.....	--	62	62
Cash used by investing activities.....	--	(67)	(67)
Cash provided by financing activities.....	--	6	6
Change in available cash held by discontinued operations.....	--	--	--
	-----	-----	-----
Net cash provided by discontinued operations.....	--	1	1
	-----	-----	-----
Net increase in cash and cash equivalents.....	1	1,202	1,203
Cash and cash equivalents at beginning of year.....	945	951	1,896
	-----	-----	-----
Cash and cash equivalents at end of year.....	\$ 946	2,153	3,099
	=====	=====	=====

</Table>

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YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)

<Table>
<Caption>

	ATTRIBUTED (NOTE 1)		
	INTERACTIVE GROUP	CAPITAL GROUP	CONSOLIDATED LIBERTY
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net earnings (loss).....	\$ 298	(331)	(33)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Earnings from discontinued operations.....	--	(10)	(10)
Depreciation and amortization.....	449	96	545
Stock-based compensation.....	52	--	52
Payments of stock-based compensation.....	--	(103)	(103)
Noncash interest expense.....	3	98	101
Share of earnings of affiliates, net.....	(9)	(4)	(13)
Realized and unrealized losses (gains) on financial instruments, net.....	17	(274)	(257)
Losses (gains) on disposition of assets, net.....	(40)	401	361
Nontemporary declines in fair value of investments.....	--	449	449
Minority interests in earnings of subsidiaries.....	48	3	51
Deferred income tax benefit.....	(188)	(201)	(389)
Other noncash charges, net.....	38	3	41
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Current assets.....	(162)	(13)	(175)
Payables and other current liabilities.....	248	198	446
Net cash provided by operating activities.....	754	312	1,066
Cash flows from investing activities:			
Cash proceeds from dispositions.....	1	48	49
Premium proceeds from origination of derivatives.....	--	473	473
Net proceeds from settlement of derivatives.....	--	461	461
Capital expenditures.....	(153)	(15)	(168)
Net purchases of short term investments.....	--	(85)	(85)
Cash paid for acquisitions, net of cash acquired.....	--	(1)	(1)
Repurchases of subsidiary common stock.....	(85)	(10)	(95)
Other investing activities, net.....	(19)	(12)	(31)
Net cash provided (used) by investing activities....	(256)	859	603
Cash flows from financing activities:			
Borrowings of debt.....	800	61	861
Repayments of debt.....	(1,734)	(67)	(1,801)
Intergroup cash transfers, net.....	548	(548)	--
Other financing activities, net.....	23	66	89
Net cash used by financing activities.....	(363)	(488)	(851)
Effect of foreign currency rates on cash.....	(45)	--	(45)
Net cash provided to discontinued operations:			
Cash provided by operating activities.....	--	75	75
Cash used by investing activities.....	--	(110)	(110)
Cash provided by financing activities.....	--	11	11
Change in available cash held by discontinued operations.....	--	(177)	(177)
Net cash provided to discontinued operations.....	--	(201)	(201)
Net increase in cash and cash equivalents.....	90	482	572
Cash and cash equivalents at beginning of year....	855	469	1,324
Cash and cash equivalents at end of year.....	\$ 945	951	1,896

</Table>

<Page>

STATEMENT OF CASH FLOWS INFORMATION
YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)

<Table>
<Caption>

	ATTRIBUTED (NOTE 1)		
	INTERACTIVE	CAPITAL	CONSOLIDATED

	GROUP	GROUP	LIBERTY
	-----	-----	-----
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net earnings (loss).....	\$187	(141)	46
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Loss from discontinued operations.....	--	59	59
Depreciation and amortization.....	437	110	547
Stock compensation.....	39	59	98
Payments of stock compensation.....	--	(10)	(10)
Noncash interest expense.....	3	93	96
Share of losses (earnings) of affiliates, net.....	3	(18)	(15)
Nontemporary decline in fair value of investments.....	--	129	129
Realized and unrealized losses on derivative instruments, net.....	17	1,267	1,284
Gains on disposition of assets, net.....	(7)	(1,404)	(1,411)
Minority interests in earnings (losses) of subsidiaries.....	25	(3)	22
Deferred income tax benefit.....	(187)	(7)	(194)
Other noncash charges (credits), net.....	(4)	24	20
Changes in operating assets and liabilities, net of the effect of acquisitions and dispositions:			
Current assets.....	(181)	(351)	(532)
Payables and other current liabilities.....	114	533	647
	----	-----	-----
Net cash provided by operating activities.....	446	340	786
	----	-----	-----
Cash flows from investing activities:			
Cash proceeds from dispositions.....	7	472	479
Premium proceeds from origination of derivatives.....	--	193	193
Net proceeds from settlement of derivatives.....	--	322	322
Investments in and loans to cost and equity investees.....	(8)	(952)	(960)
Cash paid for acquisitions, net of cash acquired.....	(92)	1	(91)
Capital expenditures.....	(121)	(7)	(128)
Net sales of short term investments.....	--	263	263
Repurchases of subsidiary common stock.....	(168)	(3)	(171)
Other investing activities, net.....	(20)	123	103
	----	-----	-----
Net cash provided (used) by investing activities....	(402)	412	10
	----	-----	-----
Cash flows from financing activities:			
Repayments of debt.....	(961)	(45)	(1,006)
Intergroup cash transfers, net.....	718	(718)	--
Purchases of Liberty Series A common stock.....	--	(547)	(547)
Other financing activities, net.....	87	(59)	28
	----	-----	-----
Net cash used by financing activities.....	(156)	(1,369)	(1,525)
	----	-----	-----
Effect of foreign currency rates on cash.....	3	--	3
	----	-----	-----
Net cash provided to discontinued operations:			
Cash provided by operating activities.....	--	260	260
Cash used by investing activities.....	--	(289)	(289)
Cash provided by financing activities.....	--	1,005	1,005
Change in available cash held by discontinued operations.....	--	(1,839)	(1,839)
	----	-----	-----
Net cash provided to discontinued operations.....	--	(863)	(863)
	----	-----	-----
Net decrease in cash and cash equivalents.....	(109)	(1,480)	(1,589)
Cash and cash equivalents at beginning of year....	964	1,949	2,913
	----	-----	-----
Cash and cash equivalents at end of year.....	\$855	469	1,324
	=====	=====	=====

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NOTES TO ATTRIBUTED FINANCIAL INFORMATION

(UNAUDITED)

(1) The assets attributed to our Interactive Group as of December 31, 2006 include our 100% interests in QVC, Inc., Provide Commerce, Inc. and BuySeasons, Inc., our ownership interest in IAC/ InterActiveCorp, which we account for as an available-for-sale security, and our interests in Expedia and GSI Commerce, Inc., which we account for as equity affiliates. Accordingly, the accompanying attributed financial information for the Interactive Group includes our investments in IAC/InterActiveCorp, Expedia and GSI, as well as the assets, liabilities, revenue, expenses and cash flows of QVC, Provide 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 and the Capital Group are described in note 3 below. In addition, we have allocated certain corporate general and administrative expenses between the Interactive Group and the Capital Group as described in note 4 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 Capital Group consists of all of our businesses not included in the Interactive Group, including our consolidated subsidiaries Starz Entertainment, LLC, Starz Media, LLC, FUN Technologies, Inc., and TruePosition, Inc., and our cost and equity investments in GSN, LLC, WildBlue Communications, Inc. and others. 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. See note 3 below for the debt obligations attributed to the Capital Group.

Any businesses that we may acquire in the future that are not attributed to the Interactive 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.

- (2) Derivative instruments attributed to the Interactive Group are comprised of total return bond swaps and interest rate swaps that are related to the corporate debt attributed to the Interactive Group.

<Page>

NOTES TO ATTRIBUTED FINANCIAL INFORMATION (CONTINUED)

(UNAUDITED)

- (3) Debt attributed to the Interactive Group and the Capital Group is comprised of the following:

<Table>
<Caption>

	DECEMBER 31, 2006	
	OUTSTANDING PRINCIPAL	CARRYING VALUE
	(AMOUNTS IN MILLIONS)	
<S>	<C>	<C>
Interactive Group		
7.875% Senior Notes due 2009.....	\$ 670	667
7.75% Senior Notes due 2009.....	234	234
5.7% Senior Notes due 2013.....	802	800
8.5% Senior Debentures due 2029.....	500	495
8.25% Senior Debentures due 2030.....	902	895
QVC bank credit facilities.....	3,225	3,225
Other subsidiary debt.....	67	67
	-----	-----
Total Interactive Group debt.....	6,400	6,383
	-----	-----
Capital Group		
4% Senior Exchangeable Debentures due 2029.....	869	254
3.75% Senior Exchangeable Debentures due 2030.....	810	234
3.5% Senior Exchangeable Debentures due 2031.....	600	238
3.25% Senior Exchangeable Debentures due 2031.....	551	119
0.75% Senior Exchangeable Debentures due 2023.....	1,750	1,637
Subsidiary debt.....	158	158
	-----	-----
Total Capital Group debt.....	4,738	2,640
	-----	-----
Total debt.....	\$11,138	9,023
	=====	=====

</Table>

- (4) Cash compensation expense for our corporate employees has been allocated between the Interactive 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 between the Interactive 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 for the years ended December 31, 2006, 2005 and 2004 were \$13 million, \$5 million and \$11 million, respectively. 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.

- (5) Prior to January 1, 2006, we accounted for compensation expense related to stock options and stock appreciation rights pursuant to the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, "ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES" ("APB Opinion No. 25"). Compensation was recognized based upon the percentage of the options that were vested and the difference between the market price of the underlying common stock and the exercise price of the options at the balance sheet date. The following tables illustrate the effect on earnings (loss) from continuing operations if we had applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, "ACCOUNTING FOR STOCK-BASED COMPENSATION," ("Statement 123") to our options. Compensation expense for SARs and options with tandem SARs

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NOTES TO ATTRIBUTED FINANCIAL INFORMATION (CONTINUED)

(UNAUDITED)

is the same under APB Opinion No. 25 and Statement 123. Accordingly, no pro forma adjustment for such awards is included in the following table.

INTERACTIVE GROUP

<Table>
<Caption>

	YEARS ENDED DECEMBER 31,	
	2005	2004
	(AMOUNTS IN MILLIONS)	
<S>	<C>	<C>
Earnings from continuing operations.....	\$298	187
Add stock-based compensation as determined under the intrinsic value method, net of taxes.....	1	1
Deduct stock-based compensation as determined under the fair value method, net of taxes.....	(24)	(21)
Pro forma earnings from continuing operations.....	\$275	167
	====	===

</Table>

CAPITAL GROUP

<Table>
<Caption>

	YEARS ENDED DECEMBER 31,	
	2005	2004
	(AMOUNTS IN MILLIONS)	
<S>	<C>	<C>
Loss from continuing operations.....	\$ (341)	(82)
Add stock-based compensation as determined under the intrinsic value method, net of taxes.....	1	1
Deduct stock-based compensation as determined under the fair value method, net of taxes.....	(18)	(20)
Pro forma loss from continuing operations.....	\$ (358)	(101)
	=====	=====

</Table>

- (6) We have accounted for income taxes for the Interactive 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.

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NOTES TO ATTRIBUTED FINANCIAL INFORMATION (CONTINUED)

(UNAUDITED)

The Interactive Group's income tax benefit (expense) consists of:

<Table>
<Caption>

	YEARS ENDED DECEMBER 31,		
	2006	2005	2004
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Current:			
Federal.....	\$ (305)	(259)	(240)
State and local.....	(57)	(69)	(62)
Foreign.....	(110)	(85)	(47)
	-----	-----	-----
	(472)	(413)	(349)
	-----	-----	-----
Deferred:			
Federal.....	197	150	137
State and local.....	62	40	42
Foreign.....	3	(2)	8
	-----	-----	-----
	262	188	187
	-----	-----	-----
Income tax expense.....	\$ (210)	(225)	(162)
	=====	=====	=====

</Table>

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:

<Table>
<Caption>

	YEARS ENDED DECEMBER 31,		
	2006	2005	2004
	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Computed expected tax expense.....	\$ (283)	(183)	(122)
Change in estimated foreign and state tax rates.....	132	28	--
State and local income taxes, net of federal income taxes...	(23)	(25)	(24)
Foreign taxes, net of foreign tax credits.....	(20)	(29)	(6)
Change in valuation allowance affecting tax expense.....	(14)	2	1
Minority interest.....	(12)	(12)	(6)
Disqualifying disposition of incentive stock options not deductible for book purposes.....	14	--	--
Other, net.....	(4)	(6)	(5)
	-----	-----	-----
Income tax expense.....	\$ (210)	(225)	(162)
	=====	=====	=====

</Table>

<Page>

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:

<Table>
<Caption>

	DECEMBER 31,	
	2006	2005
	(AMOUNTS IN MILLIONS)	
<S>	<C>	<C>
Deferred tax assets:		
Net operating and capital loss carryforwards.....	\$ 35	6
Accrued stock compensation.....	23	33
Other future deductible amounts.....	213	160
	-----	-----

Deferred tax assets.....	271	199
Valuation allowance.....	(19)	(6)
	-----	-----
Net deferred tax assets.....	252	193
	-----	-----
Deferred tax liabilities:		
Investments.....	884	618
Intangible assets.....	2,238	2,418
Other.....	86	79
	-----	-----
Deferred tax liabilities.....	3,208	3,115
	-----	-----
Net deferred tax liabilities.....	\$2,956	2,922
	=====	=====

</Table>

The Capital Group's income tax benefit (expense) consists of:

<Table>
<Caption>

	YEARS ENDED DECEMBER 31,		
	2006	2005	2004

	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Current:			
Federal.....	\$ (208)	159	62
State and local.....	(35)	(6)	1
Foreign.....	(2)	(3)	(67)
	-----	---	---
	(245)	150	(4)
	-----	---	---
Deferred:			
Federal.....	165	69	(14)
State and local.....	37	132	21
Foreign.....	1	--	--
	-----	---	---
	203	201	7
	-----	---	---
Income tax benefit (expense).....	\$ (42)	351	3
	=====	===	===

</Table>

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NOTES TO ATTRIBUTED FINANCIAL INFORMATION (CONTINUED)

(UNAUDITED)

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:

<Table>
<Caption>

	YEARS ENDED DECEMBER 31,		
	2006	2005	2004

	(AMOUNTS IN MILLIONS)		
<S>	<C>	<C>	<C>
Computed expected tax benefit (expense).....	\$ (53)	242	30
State and local income taxes, net of federal income taxes...	(11)	32	20
Foreign taxes.....	--	(2)	(41)
Change in valuation allowance affecting tax expense.....	90	(42)	(4)
Change in estimated foreign and state tax rates.....	(2)	119	2
Impairment of goodwill not deductible for tax purposes.....	(39)	--	--
Disposition of nondeductible goodwill in sales transaction.....	(43)	--	--
Dividends received deduction.....	12	12	--
Other, net.....	4	(10)	(4)
	-----	---	---
Income tax benefit (expense).....	\$ (42)	351	3
	=====	===	===

</Table>

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:

<Table>
<Caption>

DECEMBER 31,

	2006	2005
	-----	-----
	(AMOUNTS IN MILLIONS)	
<S>	<C>	<C>
Deferred tax assets:		
Net operating and capital loss carryforwards.....	\$ 435	507
Accrued stock compensation.....	56	57
Other future deductible amounts.....	272	239
	-----	-----
Deferred tax assets.....	763	803
Valuation allowance.....	(74)	(149)
	-----	-----
Net deferred tax assets.....	689	654
	-----	-----
Deferred tax liabilities:		
Investments.....	6,001	5,430
Intangible assets.....	124	105
Discount on exchangeable debentures.....	981	1,006
Other.....	283	10
	-----	-----
Deferred tax liabilities.....	7,389	6,551
	-----	-----
Net deferred tax liabilities.....	\$6,700	5,897
	=====	=====

</Table>

(7) The Liberty Interactive 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

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NOTES TO ATTRIBUTED FINANCIAL INFORMATION (CONTINUED)

(UNAUDITED)

only Series A and Series B Liberty Interactive 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, Liberty Interactive Stock may be converted into Liberty Capital Stock at any time following the first anniversary of the restructuring. In addition, following certain group dispositions and subject to certain limitations, Liberty Capital Stock may be converted into Liberty Interactive Stock, and Liberty Interactive Stock may be converted into Liberty Capital Stock.

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