

LIBERTY MEDIA CORP /DE/
Form PRER14A
March 16, 2006

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. 3)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Liberty Media Corporation

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:
Liberty Media Corporation Series A common stock, par value \$.01 per share
Liberty Media Corporation Series B common stock, par value \$.01 per share
-
- (2) Aggregate number of securities to which transaction applies:
2,735,102,483 shares of Liberty Media Corporation Series A common stock
151,028,080 shares of Liberty Media Corporation Series B common stock
-
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
The filing fee is based upon the aggregate transaction value of \$22,684,584,850.18, which

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is based upon the averages of the high and low prices reported for the Liberty Media Corporation Series A common stock and Liberty Media Corporation Series B common stock, respectively, on the New York Stock Exchange on the applicable determination dates.

-
- (4) Proposed maximum aggregate value of transaction:
\$22,684,584,850.18
-

- (5) Total fee paid:
\$2,427,250.58, estimated pursuant to Section 14(g) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, on the basis of \$107.00 per million of the estimated maximum aggregate value of the transaction. Fee in the amount of \$2,354,418.35 was previously paid on December 16, 2005, with Liberty Media Corporation's preliminary proxy statement/prospectus on Schedule 14A (Commission File No. 001-16615). Fee in the amount of \$72,832.23 is being paid on the date hereof in connection with the filing of the Registration Statement on Form S-4 of Liberty Media Holding Corporation, of which this proxy statement/prospectus forms a part.
-

ý Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
-

- (2) Form, Schedule or Registration Statement No.:
-

- (3) Filing Party:
-

- (4) Date Filed:
-

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

The information in this proxy statement/prospectus is not complete and may be changed. We may not sell the securities offered by this proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where an offer or solicitation is not permitted.

Subject to completion, dated March 15, 2006

LIBERTY MEDIA CORPORATION

12300 Liberty Boulevard
Englewood, Colorado 80112
(720) 875-5400

[], 2006

Dear Stockholder:

The 2006 annual meeting of stockholders of Liberty Media Corporation will be held at 9:00 a.m., local time, on [], 2006, at the Hyatt Regency Tech Center Denver, 7800 East Tufts Avenue, Denver, Colorado 80237, telephone number (303) 779-1234. At the annual meeting you will be asked to consider and vote on the following:

the "**merger proposal**," a proposal to adopt a merger agreement pursuant to which our company would become a wholly-owned subsidiary of a newly formed holding company, which would become our publicly-traded parent company;

the "**charter proposals**," related proposals to amend and restate the certificate of incorporation of the new parent holding company to create two new tracking stocks, Liberty Interactive common stock and Liberty Capital common stock, and provide the board of directors with discretion to take actions regarding the conversion or redemption of one or more of such tracking stocks and the disposition of all or substantially all of the assets of either group to which such stocks are attributable without a further stockholder vote;

the "**election of directors proposal**," a proposal to elect Donne F. Fisher, Gregory B. Maffei and M. LaVoy Robison to serve as Class II directors of our board of directors until the 2009 annual meeting of stockholders;

the "**auditors ratification proposal**," a proposal to ratify the selection of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2006; and

such other business as may properly come before the annual meeting.

We refer to the merger proposal and the charter proposals collectively as the restructuring proposals and to the election of directors proposal and the auditors ratification proposal as the annual business matter proposals. We refer to the proposed holding company as New Liberty, to New Liberty's certificate of incorporation, as amended and restated in the manner contemplated by the charter proposals, as New Liberty's amended charter and to the transactions contemplated by the restructuring proposals as the restructuring. If the restructuring proposals are approved and implemented, then as a result of the restructuring, all of the outstanding common stock of Liberty Media Corporation, which we refer to as Old Liberty, will be exchanged in the merger for Liberty Interactive common stock and Liberty Capital common stock.

Each tracking stock is intended to track and reflect the separate economic performance of one of two newly designated groups, the Interactive Group in the case of the Liberty Interactive common stock and the Capital Group in the case of the Liberty Capital common stock. All of the businesses, assets and liabilities of New Liberty would be attributed to one of these two groups. The Interactive Group would initially have attributed to it our interests in our subsidiaries QVC, Inc. and Provide Commerce, Inc., our interest in our equity affiliate Expedia, Inc., our interest in IAC/InterActiveCorp and approximately \$4.48 billion principal amount of existing parent company debt (as of December 31, 2005). The Capital Group would have attributed to it all of our businesses, assets and liabilities that are not part of the Interactive Group and the principal amount of our remaining parent company debt, totaling approximately \$4.58 billion (as of December 31, 2005). **An investment in Liberty Interactive common stock, however, would not represent an ownership interest in the Interactive Group, and an**

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investment in Liberty Capital common stock would not represent an ownership interest in the Capital Group. Rather, an investment in either of these tracking stocks would represent an ownership interest in one consolidated company, New Liberty.

The restructuring would be effected by means of a merger, in which:

each holder of Old Liberty Series A common stock would receive 0.25 of a share of Liberty Interactive Series A common stock and 0.05 of a share of Liberty Capital Series A common stock, for each share of Old Liberty Series A common stock held; and

each holder of Old Liberty Series B common stock would receive 0.25 of a share of Liberty Interactive Series B common stock and 0.05 of a share of Liberty Capital Series B common stock, for each share of Old Liberty Series B common stock held.

Also, in the merger, holders of Old Liberty Series A common stock and holders of Old Liberty Series B common stock would receive cash in lieu of any fractional shares of New Liberty common stock. As a result of the foregoing exchange ratios:

a holder must own 4 shares of Old Liberty common stock to receive one share of Liberty Interactive common stock in the merger; and

a holder must own 20 shares of Old Liberty common stock to receive one share of Liberty Capital common stock in the merger.

New Liberty's restated certificate of incorporation would also authorize the issuance of Liberty Interactive Series C common stock and Liberty Capital Series C common stock, none of which would be issued at the time the restructuring is completed.

As a result of the merger, Old Liberty would become a wholly-owned subsidiary of New Liberty, New Liberty would change its name to "Liberty Media Corporation" and would become our new publicly-traded parent company, and all persons who were stockholders of Old Liberty immediately prior to the merger would become stockholders of New Liberty (and not stockholders of only part of New Liberty). Immediately following the merger Old Liberty would convert to a limited liability company and change its name to "Liberty Media LLC." The management and board of directors of New Liberty following the merger would be identical to the management and board of directors of Old Liberty immediately prior to the merger.

We have applied to list Liberty Interactive Series A common stock and Liberty Interactive Series B common stock on the Nasdaq National Market under the symbols "LINTA" and "LINTB," respectively. We have applied to list Liberty Capital Series A common

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stock and Liberty Capital Series B common stock on the Nasdaq National Market under the symbols "LCAPA" and "LCAPB," respectively.

This document describes the annual meeting, the restructuring proposals, the annual business matter proposals and related matters. Our board has approved all of the restructuring proposals and the annual business matter proposals and recommends that you vote "**FOR**" each of them.

Your vote is important, regardless of the number of shares you own. Whether or not you plan to attend the annual meeting, please vote as soon as possible to make sure that your shares are represented.

Thank you for your cooperation and continued support and interest in Liberty Media Corporation.

Very truly yours,

John C. Malone
Chairman of the Board

Gregory B. Maffei
President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the restructuring proposals or the securities being offered in the restructuring or has passed upon the adequacy or accuracy of the disclosure in this booklet. Any representation to the contrary is a criminal offense.

Investing in our securities involves risks. See Risk Factors beginning on page 17.

The accompanying proxy statement/prospectus is dated _____, 2006 and is first being mailed on or about _____, 2006 to our stockholders of record as of 5:00 p.m., New York City time, on _____, 2006.

HOW YOU CAN FIND ADDITIONAL INFORMATION

We are subject to the information and reporting requirements of the Securities Exchange Act of 1934 and, in accordance with the Exchange Act, we file periodic reports and other information with the Securities and Exchange Commission. In addition, this proxy statement/prospectus incorporates important business and financial information about us from other documents that are not included in or delivered with this proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain copies of documents filed by us with the Securities and Exchange Commission, including the documents incorporated by reference in this proxy statement/prospectus, through the Securities and Exchange Commission website at <http://www.sec.gov> or by contacting us by writing or telephoning the office of Investor Relations:

Liberty Media Corporation
12300 Liberty Boulevard
Englewood, Colorado 80112
Telephone: (877) 772-1518

If you would like to request any documents from us please do so by [] 2006 in order to receive them before the annual meeting. If you request any documents, they will be mailed to you by first class mail, or another equally prompt means, within one business day after your request is received.

See "Additional Information Where You Can Find More Information" beginning on page 118.

LIBERTY MEDIA CORPORATION

12300 Liberty Boulevard
Englewood, Colorado 80112
(720) 875-5400

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

to be Held on [], 2006

NOTICE IS HEREBY GIVEN of the annual meeting of stockholders of Liberty Media Corporation to be held at 9:00 a.m., local time, on [], 2006, at the Hyatt Regency Tech Center Denver, 7800 East Tufts Avenue, Denver, Colorado 80237, telephone number (303) 779-1234, to consider and vote on the following:

a proposal (which we refer to as the "**merger proposal**") to adopt a merger agreement pursuant to which Liberty Media Corporation would become a wholly-owned subsidiary of a newly formed holding company, which we refer to as New Liberty, and New Liberty would become our publicly-traded parent company;

a proposal (which we refer to as the "**tracking stock proposal**") to amend and restate New Liberty's certificate of incorporation to provide for the creation of two new tracking stocks, the Liberty Interactive common stock and the Liberty Capital common stock, intended to track and reflect the separate economic performance of a new Interactive Group and a new Capital Group, respectively, each of which tracking stocks will be divided into three series with different voting rights;

a proposal (which we refer to as the "**optional conversion proposal**") to amend and restate New Liberty's certificate of incorporation, in connection with the creation of the new tracking stocks, to provide the board of directors with discretion to convert shares of Liberty Interactive common stock into shares of Liberty Capital common stock (except during the first year after the issuance of the Liberty Interactive common stock, subject to an earlier "tax event");

a proposal (which we refer to as the "**optional redemption proposal**") to amend and restate New Liberty's certificate of incorporation, in connection with the creation of the new tracking stocks, to provide the board of directors with discretion to redeem shares of Liberty Interactive common stock or Liberty Capital common stock for shares of a company whose assets consist entirely of assets which were previously attributed to the group to which the redeemed shares relate;

a proposal (which we refer to as the "**group disposition proposal**") to amend and restate New Liberty's certificate of incorporation, in connection with the creation of the new tracking stocks, to provide the board of directors with discretion to permit the sale of all or substantially all of the assets of a group without a vote of the holders of the stock of that group, if the net proceeds of such sale are distributed to holders of that stock by means of a dividend or

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redemption, that stock is converted into stock of the other group or a combination of the foregoing is effected;

a proposal (which we refer to as the "**election of directors proposal**") to elect Donne F. Fisher, Gregory B. Maffei and M. LaVoy Robison to serve as Class II directors of our board of directors until the 2009 annual meeting of stockholders;

a proposal (which we refer to as the "**auditors ratification proposal**") to ratify the selection of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2006; and

such other business as may properly come before the annual meeting.

We refer to the merger proposal, the tracking stock proposal, the optional conversion proposal, the optional redemption proposal and the group disposition proposal collectively as the "**restructuring proposals**," and to the election of directors proposal and the auditors ratification proposal as the "**annual business matter proposals**." *Each of the merger proposal, the tracking stock proposal, the optional conversion proposal, the optional redemption proposal and the group disposition proposal is dependent on the others, and none of them will be implemented unless they are all approved at the annual meeting.*

We encourage you to read the accompanying proxy statement/prospectus in its entirety before voting. The form of New Liberty's proposed amended certificate of incorporation is included as Annex C to this proxy statement/prospectus. The merger agreement is included as Annex D to this proxy statement/prospectus.

Holders of Liberty Media Corporation Series A common stock, par value \$.01 per share, and Liberty Media Corporation Series B common stock, par value \$.01 per share, outstanding as of 5:00 p.m., New York City time, on [], 2006, the record date for the annual meeting, may vote at the annual meeting or at any adjournment or postponement thereof. Holders of record of Series A common stock and Series B common stock on the record date will vote together as a single class.

Our board of directors has carefully considered and approved all of the restructuring proposals and the annual business matter proposals and recommends that you vote "**FOR**" each of them.

YOUR VOTE IS IMPORTANT. We urge you to vote as soon as possible by telephone, Internet or mail.

By order of the board of directors,

Charles Y. Tanabe
Senior Vice President, General Counsel and
Secretary

Englewood, Colorado
, 2006

Please execute and return the enclosed proxy promptly, whether or not you intend to be present at the annual meeting.

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EXPLANATORY NOTE

In this proxy statement/prospectus, we refer to Liberty Media Corporation as Old Liberty and to Liberty Media Holding Corporation as New Liberty. If the restructuring proposals are approved and the restructuring is completed, Old Liberty will become a wholly-owned subsidiary of New Liberty, and New Liberty will become our new parent holding company. Unless the context clearly indicates otherwise, all references to "we," "us," "our" and "our company" refer to Old Liberty before the restructuring is completed and New Liberty after the restructuring is completed.

QUESTIONS AND ANSWERS

The questions and answers below highlight only selected information about the annual meeting and how to vote your shares. You should read carefully the entire proxy statement/prospectus, including the appendices included herein, and the additional documents incorporated by reference in this proxy statement/prospectus to fully understand the restructuring proposals and the annual business matter proposals.

Q: **When and where is the annual meeting?**

A: The annual meeting will be held at 9:00 a.m., local time, on [], 2006 at the Hyatt Regency Tech Center Denver, 7800 East Tufts Avenue, Denver, Colorado 80237, telephone number (303) 779-1234.

Q: **What is the record date for the annual meeting?**

A: The record date for the annual meeting is 5:00 p.m., New York City time, on , 2006.

Q: **What is the purpose of the annual meeting?**

A: To consider and vote on the following:

the "**merger proposal**", which is a proposal to adopt a merger agreement pursuant to which Old Liberty would become a wholly-owned subsidiary of New Liberty, and New Liberty would become our publicly-traded parent company;

the "**charter proposals**", which are related proposals to amend and restate the certificate of incorporation of New Liberty to create two new tracking stocks and provide the board of directors with discretion to take actions regarding the conversion or redemption of one or more of such tracking stocks and the disposition of all or substantially all of the assets of either group to which such stocks are attributable without a further stockholder vote;

the "**election of directors proposal**", which is a proposal to elect Donne F. Fisher, Gregory B. Maffei and M. LaVoy Robison to serve as Class II directors of our board of directors until the 2009 annual meeting of stockholders;

the "**auditors ratification proposal**", which is a proposal to ratify the selection of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2006; and

such other business as may properly come before the annual meeting.

We refer to the merger proposal and the charter proposals together as the "**restructuring proposals**" and to the election of directors proposal and the auditors ratification proposal as the "**annual business matter proposals**." We refer to New Liberty's certificate of incorporation, as amended and restated in the manner contemplated by the charter proposals, as New Liberty's "**amended charter**" and to the transactions contemplated by the restructuring proposals collectively as the "**restructuring**."

Q:

What stockholder vote is required to approve each of the restructuring proposals?

A:

Each of the restructuring proposals requires the affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of our Series A common stock and our Series B common stock outstanding on the record date that are present at the annual meeting in person or by proxy, voting together as a class.

Q: What stockholder vote is required to approve the election of directors proposal?

A: A plurality of the affirmative votes of the shares of our Series A common stock and our Series B common stock outstanding on the record date, voting together as a single class, that are voted in person or by proxy at the annual meeting is required to elect Messrs. Fisher, Maffei and Robison as Class II members of our board of directors. This means that the three nominees will be elected if they receive more affirmative votes than any other person.

Q: What stockholder vote is required to approve the auditors ratification proposal?

A: Approval of the auditors ratification proposal requires the affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of our Series A common stock and our Series B common stock outstanding on the record date that are present, in person or by proxy, at the annual meeting, voting together as a single class.

Q: How many votes do stockholders have?

A: Each share of our Series A common stock is entitled to one vote, and each share of our Series B common stock is entitled to ten votes on each of the restructuring proposals and each of the annual business matter proposals.

As of January 31, 2006, our directors and executive officers beneficially owned approximately 33.4% of the total voting power of our outstanding common stock.

Q: What if some of the restructuring proposals are approved, but not all of them?

A: If the merger proposal or any of the charter proposals is not approved by our stockholders at the annual meeting, then none of the restructuring proposals will be implemented, New Liberty will not become our parent holding company and the tracking stocks will not be issued.

Q: What do stockholders need to do to vote on the restructuring proposals and the annual business matter proposals?

A: After carefully reading and considering the information contained in this proxy statement/prospectus, stockholders should complete, sign and date their proxy cards and mail them in the enclosed return envelope, or vote by the telephone or through the Internet, in each case as soon as possible so that their shares are represented and voted at the annual meeting. Stockholders who have shares registered in the name of a broker, bank or other nominee should follow the voting instruction card provided by their broker, bank or other nominee in instructing them how to vote their shares.

Q: If shares are held in "street name" by a broker, bank or other nominee, will the broker, bank or other nominee vote those shares for the beneficial owner on the restructuring proposals and the annual business matter proposals?

A: If you hold your shares in street name and do not provide voting instructions to your broker, bank or other nominee, your shares will not be voted on the restructuring proposals or the annual business matter proposals. Accordingly, your broker, bank or other nominee will vote your shares held in "street name" only if you provide instructions on how to vote. You should follow the directions your broker, bank or other nominee provides to you regarding how to vote your shares.

Q: May stockholders change their vote on the restructuring proposals and the annual business matter proposals after returning a proxy card or voting by telephone or over the Internet?

A:

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Yes. Before the start of the annual meeting, stockholders who want to change their vote on the restructuring proposals and/or the annual business matter proposals may do so by telephone or over the Internet (if they originally voted by telephone or over the Internet), by voting in person at the annual meeting or by delivering a signed proxy revocation or a new signed proxy with a later

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date to Liberty Media Corporation, c/o Computershare Trust Company, N.A., P.O. Box 8078, Edison, NJ 08818.

Any signed proxy revocation or new signed proxy must be received before the start of the annual meeting. Your attendance at the annual meeting will not, by itself, revoke your proxy. If your shares are held in an account by a broker, bank or other nominee who you previously contacted with voting instructions, you should contact your broker, bank or other nominee to change your vote.

Q:
Should stockholders send their shares of Old Liberty common stock with their proxy cards?

A:
No. If the restructuring proposals are all approved, you will receive written instructions from the stock transfer agent after the restructuring is completed on how to exchange your shares of Old Liberty common stock for shares of Liberty Interactive common stock and Liberty Capital common stock and cash in lieu of any fractional share interests. Please do NOT send your shares of Old Liberty common stock with your proxy card.

Q:
When will the restructuring proposals be implemented?

A:
We currently expect that if each of the restructuring proposals is approved, we will complete the restructuring as soon as practicable after the annual meeting and the receipt by us and New Liberty of an opinion from Baker Botts L.L.P. with respect to certain tax matters. However, the board of directors has the right to abandon the restructuring at any time, even after the restructuring proposals have been approved by our stockholders.

Q:
If the restructuring proposals are implemented, will the annual business matter proposals also be implemented?

A:
If both the restructuring proposals and the annual business matters proposals are approved, then the annual business matter proposals will be applied to New Liberty.

Q:
What do I do if I have additional questions?

A:
If you have any questions prior to the annual meeting or if you would like copies of any document we refer to or that we incorporate by reference in this document, please call Investor Relations at (877) 722-1518.

SUMMARY

The following summary includes information contained elsewhere in this proxy statement/prospectus. This summary does not contain all of the important information that you should consider before voting on the restructuring proposals and the annual business matter proposals. You should read the entire proxy statement/prospectus carefully.

General

At the annual meeting you will be asked to vote on the annual business matter proposals and on five related proposals which will allow us to restructure our company and capitalization. If all of the restructuring proposals are approved, then, as a result of the restructuring, all of our outstanding common stock will be exchanged for two new tracking stocks, Liberty Interactive common stock and Liberty Capital common stock issued by New Liberty, a newly formed holding company. Each tracking stock to be issued in the proposed 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. The Interactive Group will initially have attributed to it our interests in our subsidiaries QVC, Inc. and Provide Commerce, Inc., our interest in Expedia, Inc., which we currently account for as an equity affiliate, and our interest in IAC/InterActiveCorp. In addition, we will attribute \$4.48 billion principal amount (as of December 31, 2005) of our existing parent company debt to the Interactive Group. The Capital Group will have attributed to it all of our businesses, assets and liabilities that are not part of the Interactive Group and our remaining existing parent company debt totaling approximately \$4.58 billion (as of December 31, 2005).

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 will have separate collections of businesses, assets and liabilities attributed to them, neither group will be 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 a separate board 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 restructuring would be effected by means of a merger, in which:

each holder of Old Liberty Series A common stock would receive (i) 0.25 of a share of Liberty Interactive Series A common stock and (ii) 0.05 of a share of Liberty Capital Series A common stock, for each share of Old Liberty Series A common stock held; and

each holder of Old Liberty Series B common stock would receive (i) 0.25 of a share of Liberty Interactive Series B common stock and (ii) 0.05 of a share of Liberty Capital Series B common stock, for each share of Old Liberty Series B common stock held;

with, in each case, cash in an amount equal to the value of any fractional share interests, determined as described under "The Restructuring Proposals The Merger Agreement and the Related Restructuring Conversion of Outstanding Shares of Old Liberty Common Stock."

New Liberty's amended charter would also authorize the issuance of Liberty Interactive Series C common stock and Liberty Capital Series C common stock, none of which would be issued at the time the restructuring is completed.

As a result of the merger, Old Liberty would become a wholly-owned subsidiary of New Liberty, New Liberty would be our new publicly-traded parent company and would be renamed "Liberty Media Corporation," and all persons who were stockholders of Old Liberty immediately prior to the merger

would be stockholders of New Liberty immediately after the merger. Immediately following the merger, Old Liberty would convert to a limited liability company and change its name to "Liberty Media LLC." The management and board of directors of New Liberty following the merger would be identical to the management and board of directors of Old Liberty immediately prior to the merger. In the case of the board, those directors who are elected at the annual meeting would become members of the board of directors of New Liberty. If the auditors ratification proposal is approved, KPMG LLP would become the auditors of New Liberty for its 2006 fiscal year.

Liberty Media Corporation

We are a holding company which, through our ownership of interests in subsidiaries and other companies, is primarily engaged in the electronic retailing, media, communications and entertainment industries. Through our subsidiaries, we operate in the United States, Europe and Asia. Our principal assets include our subsidiaries QVC, Inc. and Starz Entertainment Group LLC, our 50% interests in Court Television Network and GSN, and our strategic equity interests in IAC/InterActiveCorp, News Corporation and Expedia.

Our principal executive offices are located at 12300 Liberty Boulevard, Englewood, Colorado 80112. Our main telephone number is (720) 875-5400, and our company website is located at www.libertymedia.com. The information contained on our website is not a part of this proxy statement/prospectus.

Interactive Group

The term "Interactive Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which we attribute to it. If the restructuring is completed, our assets and businesses will be attributed to either the Interactive Group or the Capital Group. The assets and businesses we attribute to the Interactive Group will be those engaged in video and on-line commerce, and will initially include our interests in QVC, Inc., Provide Commerce, Inc., Expedia, Inc. and IAC/InterActiveCorp, and thereafter will 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 will attribute \$4.48 billion principal amount (as of December 31, 2005) of our existing parent company debt to the Interactive Group.

Capital 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 will be attributed to the Interactive Group. If the restructuring is completed, the assets and businesses we attribute to the Capital Group will initially include our subsidiaries Starz Entertainment Group LLC, On Command Corporation, OpenTV Corp. and TruePosition, Inc., our equity affiliates Courtroom Television Network LLC, GSN, LLC and WildBlue Communications, Inc. and our interests in News Corporation, Time Warner, Inc., Sprint Nextel Corporation and Motorola, Inc., and thereafter will 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 will attribute \$4.58 billion principal amount (as of December 31, 2005) of our existing parent company debt to the Capital Group.

Recent Developments

On March 10, 2006, we acquired a 51% ownership interest (on a fully diluted basis) in FUN Technologies Inc. (FUN), which is the new parent company of FUN Technologies plc (Old FUN), for aggregate cash consideration of \$50 million and £83.7 million (\$145.4 million at the transaction date). In the transaction, the former stockholders of Old FUN received in the aggregate £83.7 million (which

was funded from our subscription proceeds) and a 49% ownership interest (on a fully diluted basis) in FUN. FUN is one of the market leaders in the provision of online gaming services. FUN's common stock is quoted on the London Stock Exchange's Alternative Investment Market and listed on the Toronto Stock Exchange under the symbol "FUN." Upon completion of the restructuring, we will attribute our interest in FUN to the Capital Group.

The Restructuring Proposals

The restructuring proposals are a group of related proposals that consist of the merger proposal, the tracking stock proposal, the optional conversion proposal, the optional redemption proposal and the group disposition proposal. If all five of these proposals are adopted and the restructuring is completed, you will become a stockholder of New Liberty pursuant to a merger transaction in which Old Liberty will become a wholly-owned subsidiary of New Liberty and New Liberty's certificate of incorporation will be amended and restated to provide for two tracking stocks, the Liberty Interactive common stock and the Liberty Capital common stock, the terms of which are described in detail under "The Restructuring Proposals Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock." If any of the five restructuring proposals is not approved at the annual meeting, then New Liberty will not become our parent company and the tracking stocks will not be issued.

Each of the restructuring proposals is described below. While each proposal is conditioned on approval of the other four proposals, we have "unbundled" them so that you may communicate your view to the board of directors as to each proposal being voted on.

The Merger Proposal

Under this proposal, you are being asked to adopt a merger agreement pursuant to which Liberty Media Corporation would become a wholly-owned subsidiary of New Liberty, which would become our new publicly-traded parent company.

The Tracking Stock Proposal

Under this proposal, you are being asked to approve an amendment and restatement to New Liberty's certificate of incorporation which would create two new tracking stocks, the Liberty Interactive common stock and the Liberty Capital common stock. In the merger, those tracking stocks would be exchanged for the shares of Old Liberty Series A common stock and Old Liberty Series B common stock which are currently outstanding. The tracking stocks are intended to track and reflect the separate economic performance of a new Interactive Group and a new Capital Group, respectively. Each tracking stock will be divided into three series with different voting rights.

The Optional Conversion Proposal

Under this proposal, you are being asked to approve, as part of the amendment and restatement to New Liberty's certificate of incorporation and in connection with the creation of the new tracking stocks, the creation of a right in favor of the board of directors to convert, in their sole discretion, shares of Liberty Interactive common stock into shares of Liberty Capital common stock (except during the first year after the issuance of the Liberty Interactive common stock, subject to an earlier "tax event"). See "The Restructuring Proposals Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock Conversion and Exchange."

The Optional Redemption Proposal

Under this proposal, you are being asked to approve, as part of the amendment and restatement to New Liberty's certificate of incorporation and in connection with the creation of the new tracking stocks, the creation of a right in favor of the board of directors to redeem (in whole or in part) in their sole discretion, shares of Liberty Interactive common stock or Liberty Capital common stock for stock of a company whose assets consist entirely of assets which were previously attributed to the group to which the redeemed shares relate. See "The Restructuring Proposals Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock Optional Redemption for Stock of a Subsidiary."

The Group Disposition Proposal

Under this proposal, you are being asked to approve, as part of the amendment and restatement to New Liberty's certificate of incorporation and in connection with the creation of the new tracking stocks, the creation of a right in favor of the board of directors to sell all or substantially all of the assets of a group without a vote of the holders of the stock of that group, if the net proceeds of the sale are distributed to holders of that stock by means of a dividend or redemption, that stock is converted into stock of the other group or a combination of the foregoing is effected. See "The Restructuring Proposals Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock Mandatory Dividend, Redemption or Conversion on Disposition of All or Substantially All of the Assets of a Group."

Matters Relating to the Restructuring Proposals

The Merger and the Charter Amendment

If the restructuring proposals are approved at the annual meeting and the restructuring is completed, Old Liberty will become a wholly-owned subsidiary of New Liberty, and New Liberty's amended and restated certificate of incorporation (which we refer to as New Liberty's "**amended charter**") will provide for two separate tracking stocks, the Liberty Interactive common stock and the Liberty Capital common stock. Each of the Liberty Interactive common stock and the Liberty Capital common stock will be further divided into three series: the Series A common stock, the Series B common stock and the Series C common stock. The Series B common stock of each group will entitle the holder to 10 votes per share, the Series A common stock of each group will entitle the holder to 1 vote per share and the Series C common stock of each group will not entitle the holder to any votes, except to the extent required under Delaware law. Other differences between the common stocks of the two groups, and among the series of each group's common stock, are described under "The Restructuring Proposals Comparison of Old Liberty Common Stock with Liberty Interactive Common Stock and Liberty Capital Common Stock" and " Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock."

Management and Allocation Policies

We have established policies designed to accomplish the fundamental objective of the restructuring, which is to separately present the businesses and operations of the Interactive Group and the Capital Group. These policies establish guidelines to help New Liberty attribute debt, corporate overhead, interest, taxes and other shared activities to either of the two groups.

Exchange of Old Liberty Common Stock

If the restructuring proposals are approved and the restructuring is completed, each share of outstanding Old Liberty Series A common stock will be exchanged for 0.25 shares of Liberty Interactive Series A common stock and 0.05 shares of Liberty Capital Series A common stock, and each share of outstanding Old Liberty Series B common stock will be exchanged for 0.25 shares of Liberty Interactive Series B common stock and 0.05 shares of Liberty Capital Series B common stock. No shares of Liberty Interactive Series C common stock or Liberty Capital Series C common stock will be issued at the time the restructuring is effected.

No fractional shares will be issued in the restructuring. Instead, holders will be entitled to receive cash in an amount equal to the value of any fractional share interests, determined as described under "The Restructuring Proposals The Merger Agreement and the Related Restructuring Conversion of Outstanding Shares of Old Liberty Common Stock."

Reasons for the Restructuring Proposals

We expect the implementation of the restructuring proposals to:

enable investors and analysts to focus more attention on the Interactive Group and the Capital Group, in an effort to encourage greater market recognition of the value of the businesses, assets and liabilities comprising the Interactive Group and the Capital Group and therefore New Liberty as a whole;

provide us with greater flexibility to raise capital and respond to strategic opportunities, including acquisitions, because it will allow New Liberty to issue a series and type of common stock that is appropriate under the circumstances; for example, there may be times when, because of industry-wide trends or other factors, one group's stock is valued more favorably than the other's, which would permit us to raise capital for that group on better terms than would be the case if there were no tracking stocks. We also believe that shares of a group for which an acquisition is being made is a preferable acquisition currency for sellers as they will have a greater opportunity to participate in any gains enjoyed by the acquired company after the acquisition; and

allow investors to invest in a series and type of New Liberty common stock that meets their particular investment objectives.

Not a Spin Off

Approval of the restructuring proposals will not result in a spin off of the assets attributed to either group. All of the businesses, assets and liabilities attributed to the Interactive Group and the Capital Group will remain part of New Liberty.

The board of directors believes that stockholder value may be enhanced by creating separate series of stock intended to track and reflect the economic performance of the businesses, assets and liabilities attributed to each of the Interactive Group and the Capital Group. The Interactive Group and the Capital Group, however, each currently benefit from the synergies of being part of the same company, such as an enhanced "consolidated" credit rating, possible tax benefits and shared treasury, finance and other functions. In the event the businesses of the Interactive Group and the Capital Group were divided into separate companies, through a spin off or similar transaction, these synergies and benefits would no longer be available. Under the restructuring proposals, the Interactive Group and the Capital Group will remain part of the same company and continue to benefit from the financial and other available synergies, while the creation of the two tracking stocks is expected to permit the public markets to focus on the separate performance of each group. It is possible, however, that the benefits of both groups being in the same company will not exceed the potential value that could be realized if the groups were separate companies.

Although we are not spinning off assets in the restructuring, New Liberty's amended charter will enable the board of directors, without seeking stockholder approval, but subject to certain other restrictions, to subsequently:

spin off some or all of the assets attributed to the Interactive Group by redeeming shares of Liberty Interactive common stock for stock of a subsidiary holding those assets; and/or

spin off some or all of the assets attributed to the Capital Group by redeeming shares of Liberty Capital common stock for stock of a subsidiary holding those assets.

Comparison of Old Liberty Common Stock with Liberty Interactive Common Stock and Liberty Capital Common Stock

If the restructuring proposals are approved and the restructuring is completed, holders of Liberty Interactive common stock and Liberty Capital common stock will have rights that differ significantly from those of holders of Old Liberty Series A common stock and Old Liberty Series B common stock. Please see "The Restructuring Proposals Comparison of Old Liberty Common Stock with Liberty Interactive Common Stock and Liberty Capital Common Stock" for a summary of these differences.

Effect on Management

No changes in management are currently planned as a result of the transactions contemplated by the restructuring proposals. If the restructuring proposals are approved, the directors elected at the annual meeting, together with the other members of Old Liberty's board, will comprise the board of directors of New Liberty.

Effect on Future Financial Statements

For purposes of preparing the financial information of the Interactive Group and the Capital Group included in this proxy statement/prospectus, we have attributed all of our consolidated assets, liabilities, revenue, expenses and cash flows to either the Interactive Group or the Capital Group. Following the restructuring, New Liberty will present consolidated financial statements and consolidating financial statement information that will show the attribution of New Liberty's assets, liabilities, revenue, expenses and cash flow to either the Interactive Group or the Capital Group. In addition, New Liberty will present earnings per share for each of the Liberty Interactive common stock and the Liberty Capital common stock. New Liberty will, however, retain all beneficial ownership and control of the assets and operations of both the Interactive Group and the Capital Group and you will be subject to the risks associated with an investment in New Liberty as a whole.

U.S. Federal Income Tax Considerations

It is a nonwaivable condition to the completion of the restructuring that we and New Liberty receive the opinion of Baker Botts L.L.P. to the effect that, under presently applicable U.S. federal income tax law:

the merger, together with the conversion of Old Liberty into a Delaware limited liability company, will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

the Liberty Interactive common stock and the Liberty Capital common stock issued in the restructuring will be treated as stock of New Liberty for U.S. federal income tax purposes;

except with respect to cash received instead of fractional shares, holders of Old Liberty common stock will not recognize income, gain or loss as a result of the exchange of their shares of Old Liberty common stock for shares of Liberty Interactive common stock and Liberty Capital common stock in the restructuring; and

the Liberty Interactive common stock and the Liberty Capital common stock issued in the restructuring will not constitute Section 306 stock within the meaning of Section 306(c) of the Internal Revenue Code.

However, there are no court decisions or other authorities bearing directly on transactions similar to the restructuring, and the IRS has announced that it will not issue rulings on the characterization of stock with terms similar to the Liberty Interactive common stock and the Liberty Capital common stock. Because an opinion of counsel is not equivalent to a ruling from the IRS, and there can be no assurance that the IRS would not challenge the conclusions expressed in such opinion, there exists some uncertainty about the tax treatment of the restructuring.

The tax consequences of the restructuring to you will depend on the facts of your own situation. We urge you to consult your tax advisors for a full description of the tax consequences of the restructuring to you.

No Appraisal Rights

Under Delaware General Corporation Law, you will not have appraisal rights in connection with the restructuring.

No Regulatory Approvals

No material state or federal regulatory approvals are required for the restructuring.

Recommendation of our Board of Directors

Our board of directors has approved all of the restructuring proposals and recommends that you vote "FOR" each of them.

Risk Factors

Please see "Risk Factors" starting on page 17 for a discussion of risks that should be considered in connection with the restructuring proposals and an investment in New Liberty stock.

No Material Refinancing or Further Restructuring Presently Contemplated

After the restructuring New Liberty may purchase common stock from time to time, subject to market conditions, up to a maximum aggregate purchase price of \$1 billion for shares of Liberty Capital common stock and a maximum aggregate purchase price of \$1 billion for shares of Liberty Interactive common stock. We have no plans at the present time to effect any other material repurchase of outstanding shares of Liberty Capital common stock or Liberty Interactive common stock or to effect any material refinancing of our outstanding parent company debt after the consummation of the restructuring. Consummation of the restructuring will not trigger any changes to, or accelerate any obligations under, our outstanding debt. None of our contracts with vendors, customers or others with whom we have a material business relationship will change as a result of the restructuring.

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In March 2006, we increased the maximum borrowings allowed under QVC's bank credit facility from \$2 billion to \$3.5 billion. It is anticipated that any funds drawn under the increased facility will be used to fund QVC's capital and operating requirements and, after the consummation of the restructuring, other requirements of the Interactive Group including possible acquisitions and the repayment of parent company debt attributed to the Interactive Group as that debt becomes due.

Recommendations Regarding the Annual Business Matter Proposals

Our board of directors has approved both of the annual business matter proposals and recommends that you vote "**FOR**" the election of Messrs. Fisher, Maffei and Robison as Class II directors pursuant to the election of directors proposal and "**FOR**" the auditors ratification proposal. Prior to our board of directors approving the auditors ratification proposal, KPMG LLP was selected by the audit committee of our board of directors to serve as our independent auditors for the year ending December 31, 2006. If the restructuring proposals are adopted and implemented, the directors elected as Class II directors at the annual meeting will become Class II directors of New Liberty and KPMG LLP, if ratified as Old Liberty's auditors at the annual meeting, will be selected by the audit committee of the board of directors of New Liberty as New Liberty's auditors for its 2006 fiscal year.

Summary Attributed Historical Financial Data

Liberty Media Corporation

The following table sets forth our historical financial data for each of the three years in the period ended December 31, 2005, and for each period presented pro forma earnings (loss) from continuing operations attributable to the Interactive Group and the Capital Group, and the earnings (loss) per common share attributable to the Liberty Interactive common stock and the Liberty Capital common stock. Such information is derived from, and should be read in conjunction with, our audited financial statements and the notes thereto for the years ended December 31, 2005, 2004 and 2003 included in Part I of Annex B to this proxy statement/prospectus.

December 31,		
2005	2004	2003

amounts in millions

Summary Balance Sheet Data:

Current assets	\$ 5,160	4,604	5,854
Cost investments	\$ 18,497	21,847	19,566
Equity investments	\$ 1,908	784	745
Total assets	\$ 41,952	50,209	54,225
Long-term debt, including current portion	\$ 7,750	8,576	9,432
Deferred income tax liabilities	\$ 8,728	9,701	9,729
Equity	\$ 19,120	24,586	28,842

Years ended December 31,		
2005	2004	2003(1)(2)
amounts in millions, except per share amounts		

Summary Operations Data:

Revenue	\$ 7,960	7,051	3,230
Operating income (loss)	\$ 897	725	(940)
Interest expense	\$ (623)	(615)	(508)
Earnings (loss) from continuing operations	\$ (64)	100	(1,229)
Earnings (loss) from continuing operations per common share	\$ (.02)	.04	(.44)
Pro forma earnings from continuing operations attributable to the Interactive Group	\$ 298	187	62
Pro forma earnings (loss) from continuing operations attributable to the Capital Group	\$ (362)	(87)	(1,291)
Pro forma earnings (loss) from continuing operations per common share(3):			
Attributable to the Liberty Interactive common stock	\$.43		
Attributable to the Liberty Capital common stock	\$ (2.58)		

- (1) We acquired a controlling interest in QVC in September 2003. We have consolidated QVC's results of operations and financial position since that date. Prior to such date, we accounted for QVC as an equity affiliate.
- (2) Operating loss and loss from continuing operations include an impairment charge of long-lived assets of \$1,362 million.
- (3) Pro forma earnings (loss) per common share attributable to the Interactive Group and the Capital Group for all periods presented has been calculated based on 700.7 million shares of Liberty Interactive common stock and 140.1 million shares of Liberty Capital common stock, which are the number of shares that would have been issued if the restructuring had been completed on December 31, 2005.

Interactive Group

The following table supplementally sets forth selected historical attributed financial data for the Interactive Group for each of the three years in the period ended December 31, 2005. The following information is qualified in its entirety by, and should be read in conjunction with the our financial statements and notes thereto for the years ended December 31, 2005, 2004 and 2003 included in Part I

of Annex B to this proxy statement/prospectus as well as the attributed financial information included in Parts 2 and 3 of Annex B to this proxy statement/prospectus.

	December 31,		
	2005	2004	2003
amounts in millions			
Summary Balance Sheet Data:			
Current assets	\$ 2,716	2,307	2,225
Cost investments	\$ 2,084	3,844	4,697
Equity investments	\$ 1,229	78	77
Total assets	\$ 18,338	18,861	19,726
Long-term debt, including current portion	\$ 5,327	6,253	7,173
Deferred income tax liabilities	\$ 3,104	3,349	3,847
Attributed net assts	\$ 8,231	7,782	7,394
Years ended December 31,			
	2005	2004	2003(1)
amounts in millions			

Summary Operations Data:			
Revenue	\$ 6,501	5,687	1,973
Operating income	\$ 916	748	291
Interest expense	\$ (371)	(381)	(289)
Earnings from continuing operations	\$ 298	187	62

Capital Group

The following table supplementally sets forth selected historical attributed financial data for the Capital Group for each of the three years in the period ended December 31, 2005. The following information is qualified in its entirety by, and should be read in conjunction with, our financial statements and notes thereto for the years ended December 31, 2005, 2004 and 2003 included in Part 1 of Annex B to this proxy statement/prospectus as well as the attributed financial information included in Parts 2 and 3 of Annex B to this proxy statement/prospectus.

	December 31,		
	2005	2004	2003
amounts in millions			
Summary Balance Sheet Data:			
Current assets	\$ 2,580	2,297	3,629
Cost investments	\$ 16,413	18,003	14,869
Equity investments	\$ 679	706	668
Total assets	\$ 23,750	31,348	34,499
Long-term debt, including current portion	\$ 2,423	2,323	2,259
Deferred income tax liabilities	\$ 5,624	6,352	5,882
Attributed net assets	\$ 10,889	16,804	21,448

Years ended December 31,

2005	2004	2003(2)
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amounts in millions

Summary Operations Data:

Revenue	\$	1,459	1,364	1,257
Operating loss	\$	(19)	(23)	(1,231)
Interest expense	\$	(252)	(234)	(219)
Loss from continuing operations	\$	(362)	(87)	(1,291)

For more detailed financial information regarding the Interactive Group and the Capital Group, see the attributed financial information included in Parts 2 and 3 of Annex B to this proxy statement/prospectus, which includes managements' discussion and analysis of financial condition and results of operations for Old Liberty and each group for the periods presented above.

RISK FACTORS

In addition to the other information contained in, incorporated by reference in or included as an annex to this proxy statement/prospectus, you should carefully consider the following risk factors in deciding whether to vote to approve the restructuring proposals.

The risk factors described in this section have been separated into three groups:

risks that relate to the restructuring proposals and the ownership of tracking stock;

risks that relate to New Liberty and the businesses to be attributed to the Interactive Group and the Capital Group; and

those unique risks that relate to our subsidiary QVC, Inc.

The risks described below and elsewhere in this proxy statement/prospectus are not the only ones that relate to the restructuring proposals, our businesses or the proposed capitalization of New Liberty. 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 company or the businesses attributed to either or both of the Interactive Group and the Capital Group in the future. 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, the businesses, prospects, financial condition, results of operations and/or cash flows of our company and either or both groups could be materially adversely affected. In any such case, the price of either or both the Liberty Interactive common stock and the Liberty Capital common stock could decline, perhaps significantly.

For the purposes of these risk factors, unless the context otherwise indicates, we have assumed that each of the restructuring proposals is approved and the existing Old Liberty common stock is exchanged for the Liberty Interactive common stock and the Liberty Capital common stock in the restructuring.

Factors Relating to the Restructuring Proposals and Ownership of "Tracking Stock"

If New Liberty's board of directors causes a separation of either group from New Liberty by redeeming stock of that group for stock of a "qualifying" subsidiary, New Liberty's stockholders may suffer a loss in value. New Liberty's board of directors may, without stockholder approval, redeem all or a portion of the shares of Liberty Interactive common stock or Liberty Capital common stock for shares of one or more of New Liberty's "qualifying" subsidiaries that own only assets and liabilities attributed to the Interactive Group or the Capital Group, as the case may be, provided that New Liberty's 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 New Liberty. If New Liberty's 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 could 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 New Liberty's 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 will be common stockholders of New Liberty and will, therefore, be subject to risks associated with an investment in New Liberty as a whole, even if a holder owns shares of only the common stock of one of New Liberty's groups. Even though we have attributed, for financial reporting purposes, all of our consolidated assets, liabilities, revenue, expenses and cash flows to each of the Interactive Group and the Capital Group in order to prepare the separate financial statement schedules included in this proxy statement/prospectus for each of those groups, New Liberty will retain legal title to all of its assets and its capitalization will not limit its legal responsibility, or that of its subsidiaries, for the liabilities included in either set of financial statement schedules. Holders of Liberty Interactive common stock and Liberty Capital common stock will 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 will be entitled to receive a pro rata share of New Liberty's available net assets based on the number of liquidation units that are attributed to each group. See "The Restructuring Proposals Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock Liquidation and Dissolution."

New Liberty 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 attributed to the other group, even if those liabilities arise from lawsuits, contracts or indebtedness that are attributed to such other group. No provision of New Liberty's amended charter prevents New Liberty from satisfying liabilities of one group with assets of the other group, and New Liberty's creditors will not in any way be limited by New Liberty's tracking stock capitalization from proceeding against any assets they could have proceeded against prior to the approval of the restructuring proposals.

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 will, 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 will be common stockholders of New Liberty as a whole and, as such, will be subject to all risks associated with an investment in New Liberty and all of its businesses, assets and liabilities. As a result, the market price of each series of stock of a group may simply reflect the performance of New Liberty 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 common stock. The market reaction to the establishment of the Liberty Interactive common stock and the Liberty Capital common stock is unpredictable. 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 New Liberty as a whole, the market prices of these stocks may be more volatile than the market price of existing common stock has historically been. 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 New Liberty or the companies in which New Liberty invests;

issuances of debt or equity securities to raise capital by New Liberty or the companies in which New Liberty invests 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.

We cannot assure you that the combined market value of the Liberty Interactive common stock and the Liberty Capital common stock after the completion of the restructuring will equal or exceed the current combined market value of Old Liberty Series A common stock and Old Liberty Series B common stock. In addition, until an orderly trading market develops for the Liberty Interactive common stock and the Liberty Capital common stock following completion of the restructuring, the trading prices of the Liberty Capital common stock and Liberty Interactive common stock may fluctuate significantly.

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 New Liberty's 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 New Liberty's groups. Because New Liberty will be 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 New Liberty's 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 New Liberty as a whole. In addition, the incurrence of significant indebtedness by New Liberty or any of its subsidiaries on behalf of one group, including indebtedness incurred or assumed in connection with acquisitions of or investments in businesses, would continue to affect New Liberty's credit rating, and that of its subsidiaries, and therefore could increase the borrowing costs of businesses attributable to the other group or the borrowing costs of New Liberty as a whole.

New Liberty may not pay dividends equally or at all on Liberty Interactive common stock or Liberty Capital common stock. New Liberty does 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, New Liberty has the right to pay dividends on the shares of each group of its common stock in equal or unequal amounts. In addition, any dividends or distributions on, or repurchases of, shares relating to either group will reduce New Liberty's assets legally available to be paid as dividends on the shares relating to the other group.

The adoption of a tracking stock capital structure could create conflicts of interest, and New Liberty's board of directors may make decisions that could adversely affect only some holders of New Liberty's common stock. The adoption of a 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. New Liberty's officers and directors owe fiduciary duties to all of its stockholders. The fiduciary duties owed by such officers and directors are to New Liberty as a whole, and decisions deemed to be in the best interest of

New Liberty 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 New Liberty;

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 and financial 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 business 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 the management and allocation policies described in this proxy statement/prospectus, 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. See "The Restructuring Proposals Management and Allocation Policies." Rather than develop additional specific procedures in advance, New Liberty's 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 its 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 its stockholders.

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

Holders of shares of stock relating to a particular group may not have any remedies if any action by New Liberty's 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 New Liberty's amended charter may protect decisions of New Liberty's board of directors that have a disparate impact upon holders of shares of stock relating to a particular group, or upon holders of any series of stock relating to a particular group. Under Delaware law, the board of directors has a duty to act with due care and in the best interests of all of New Liberty's 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 New Liberty may be deemed to have satisfied his or her fiduciary duties to New Liberty if that person acts in a manner he or she believes in good faith to be in the best interests of New Liberty as a whole, and not of any single group of New Liberty's stockholders. As a result, in some circumstances, New Liberty's 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 New Liberty's board of directors is disinterested, adequately informed with respect to its decisions and acts in good faith, on behalf of all its stockholders.

New Liberty's 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 acquired after the restructuring to either group, financing alternatives, corporate opportunities and similar items. See "The Restructuring Proposals Management and Allocation Policies." New Liberty's 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 New Liberty as opposed to significant corporate actions, such as a merger involving New Liberty or a sale of substantially all of its 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 New Liberty among holders of Liberty Interactive common stock and Liberty Capital common stock. New Liberty's amended charter does not contain any provisions governing how consideration received in connection with a merger or consolidation involving New Liberty 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, New Liberty's board of directors will seek to divide the type and amount of consideration received in a merger or consolidation involving New Liberty 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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New Liberty 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 New Liberty taken as a whole, and New Liberty's 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 New Liberty's assets, New Liberty may approve sales and other dispositions of any amount of the assets of that group without any stockholder approval. Based on the initial 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 New Liberty requiring stockholder approval.

If New Liberty disposes 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 New Liberty's board of directors), New Liberty would be required, if the disposition is not an exempt disposition under the terms of New Liberty's 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 New Liberty's amended charter and described in this document under "Description of Liberty Interactive Common Stock and Liberty Capital Common Stock Mandatory Dividend, Redemption or Conversion on Disposition of All or Substantially All of the Assets of a Group;" 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.

New Liberty's 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 New Liberty's 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 the 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.

If New Liberty sells all or substantially all of the assets attributed to the Interactive Group or the Capital Group, New Liberty's board of directors may take actions with respect to the shares of common stock of that group which could result in a loss of value for stockholders. New Liberty has the right to dispose of the assets of the Interactive Group or the Capital Group, in whole or in part. If New Liberty disposes of all or substantially all of the assets of either group, then New Liberty's board of directors can decide to: (i) dividend an amount equal to the net proceeds to holders of that group's common

stock, on a *pro rata* basis; (ii) convert the shares of that group's common stock into shares of the other group's common stock at a 110% premium to market; (iii) redeem shares of that group's common stock for cash, securities or other assets with a fair value equal to such net proceeds; or (iv) do a combination of the foregoing. There is no requirement that the action taken by the board of directors be tax-free to the holders of the shares of common stock of that group. In any of the foregoing cases, stockholders could suffer a loss in the value of their investment in New Liberty.

Following the first anniversary of the restructuring (absent an earlier triggering event), New Liberty's 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 New Liberty, which could result in a loss in value to you. New Liberty's amended charter will permit New Liberty's board of directors, in its sole discretion, to convert all of the outstanding shares of Liberty Interactive common stock into shares of Liberty Capital common stock on the terms described under "The Restructuring Proposals Description of Liberty Interactive Common Stock and Liberty Capital Common Stock Conversion and Exchange." A conversion would preclude the holders of stock in both groups from retaining their investment in a security that is intended to reflect separately the performance of the relevant group. We cannot predict the impact on the market value of New Liberty's stock of (1) New Liberty's board of directors' ability to effect any such conversion or (2) the exercise of this conversion right by New Liberty. In addition, New Liberty's 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 will vote together and will have limited separate voting rights. Holders of Liberty Interactive common stock and Liberty Capital common stock will vote together as a single class, except in certain limited circumstances prescribed by New Liberty's amended charter and under Delaware law. Each share of Series B common stock of each group will have ten votes per share, and each share of Series A common stock of each group will have one vote per share. Holders of Series C common stock of either group will 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 will be in a position to control the outcome of the vote even if the matter involves a conflict of interest among New Liberty's stockholders or has a greater impact on one group than the other.

New Liberty's 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 New Liberty's 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 New Liberty. 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 New Liberty's.

If either the Liberty Interactive common stock or the Liberty Capital common stock or both, were not treated as stock of New Liberty for tax purposes, several adverse tax consequences would result to you and to us. While we believe that no income, gain or loss will be recognized by you or us for U.S. federal income tax purposes as a result of the restructuring, except for any cash received by you instead of fractional shares of Liberty Interactive common stock or Liberty Capital common stock, there are no court decisions or other authorities bearing directly on the effect of issuing stock with features similar to the Liberty Interactive common stock and the Liberty Capital common stock. In addition, the IRS has announced that it will not issue rulings on the classification of an instrument with terms similar to the Liberty Interactive common stock or the Liberty Capital common stock. Therefore, the tax treatment of the restructuring is subject to some uncertainty. It is possible, therefore, that the IRS could successfully assert that the issuance of Liberty Interactive common stock or Liberty Capital common stock or both in the restructuring in exchange for Old Liberty common stock is taxable to you and/or to us.

If Liberty Interactive common stock or Liberty Capital common stock or both represent property other than stock of New Liberty (which we refer to as Other Property), the receipt of Liberty Interactive common stock or Liberty Capital common stock by you might be treated as a fully taxable dividend in an amount equal to the fair market value of such stock constituting Other Property (subject in the case of stockholders that are corporations, to any applicable dividends received deduction) or might be treated as a distribution in complete liquidation of our company, in which case you would recognize gain or loss with respect to your shares of outstanding Old Liberty common stock held immediately prior to the restructuring. Furthermore, we or our subsidiaries would recognize a significant taxable gain as a result of the restructuring in an amount equal to the excess of the fair market value of such stock constituting Other Property over its federal income tax basis to us or our subsidiaries allocable to such Other Property. Pursuant to the management and allocation policies (described elsewhere in this proxy statement/prospectus), the cash for the payment of these taxes would be drawn from funds attributed to the Capital Group. In addition, we may no longer be able to file a consolidated U.S. federal income tax return which includes eligible entities attributed to both the Interactive Group and the Capital Group. These tax liabilities, if they arise, would be likely to have a material adverse effect on us and each group.

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 New Liberty would not issue additional shares of Liberty Interactive common stock and/or Liberty Capital common stock even if New Liberty 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, New Liberty 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 New Liberty, even if doing so may be beneficial to New Liberty's stockholders. Certain provisions of New Liberty's amended charter and bylaws may discourage, delay or prevent a change in control of New Liberty that a stockholder may consider favorable. These provisions include:

authorizing a capital structure with multiple series of common stock, a Series B common stock of each group that entitles the holders to ten votes per share, a Series A common stock of each group that entitles the holder to one vote per share, and a Series C common stock of each group that except as otherwise required by applicable law, entitles the holder to no voting rights;

authorizing the issuance of "blank check" preferred stock that could be issued by New Liberty's board of directors to increase the number of outstanding shares and thwart a takeover attempt;

classifying New Liberty's board of directors with staggered three-year terms, which may lengthen the time required to gain control of New Liberty's 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.

New Liberty's chairman, John C. Malone, will have the power to direct the vote of approximately 30% of New Liberty's outstanding voting power and approximately 89% of New Liberty's outstanding Series B shares.

Immediately following the restructuring, each holder of existing Old Liberty common stock will receive New Liberty common stock representing the same aggregate percentage voting power as that holder held in Old Liberty immediately prior to the restructuring. However, as a result of the conversion ratios applied in the restructuring, immediately after the issuance of the tracking stocks, holders of Liberty Interactive common stock, in the aggregate, will hold approximately 83% of the total voting power of New Liberty's common stock.

Factors Relating to New Liberty, the Interactive Group and the Capital Group

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

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

New Liberty will not have the right to manage its business affiliates, which means it is not able to cause those affiliates to operate in a manner that is favorable to New Liberty. New Liberty will not have the right to manage the businesses or affairs of any of its business affiliates (generally those companies in which it has less than a majority stake) attributed to either the Interactive Group or the Capital Group. Rather, New Liberty's 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 New Liberty's veto rights vary from agreement to agreement. Although New Liberty's board representation and veto rights may enable it to exercise influence over the management or policies of a business affiliate, enable it to prevent the sale of material assets by a business affiliate in which it owns less than a majority voting interest or prevent it from paying dividends or making distributions to its stockholders or partners, they will not enable New Liberty to cause these actions to be taken.

If New Liberty fails to meet required capital calls to a business affiliate, it could be forced to sell its interest in that company, its interest in that company could be diluted or it could forfeit important rights. New Liberty is a party to stockholder and partnership agreements relating to its equity interest in business affiliates that provide for possible capital calls on stockholders and partners. New Liberty's failure to meet a capital call, or other commitment to provide capital or loans to a particular business affiliate, may have adverse consequences to New Liberty and the group to which that business affiliate is attributed. These consequences may include, among others, the dilution of New Liberty's equity interest in that company, the forfeiture of its right to vote or exercise other rights, the right of the other stockholders or partners to force New Liberty to sell its interest at less than fair value, the forced dissolution of the company to which New Liberty has made the commitment or, in some instances, a breach of contract action for damages against New Liberty. New Liberty's ability to meet capital calls or other capital or loan commitments is subject to its ability to access cash. See " A substantial portion of the consolidated debt attributed to each group is held at the parent company level, and New Liberty could be unable in the future to obtain cash in amounts sufficient to service that debt and its other financial obligations." below.

The liquidity and value of New Liberty's interests in its business affiliates may be affected by market conditions beyond its control that could cause New Liberty to take significant impairment charges due to other than temporary declines in the market value of its available for sale securities. Included among the assets attributable to each group are equity interests in one or more publicly-traded companies which are or will be accounted for as available for sale securities. The value of these interests may be affected by economic and market conditions that are beyond New Liberty's control. New Liberty is required by accounting principles generally accepted in the United States to determine, from time to time, whether a decline in the market value of any of those investments below the cost for that investment is other than temporary. If New Liberty determines that the decline is other than temporary, New Liberty is 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 New Liberty 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 New Liberty may eventually realize for an investment could differ materially from our or their assessment of the value of that investment made in an earlier period. In addition, New Liberty's 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 at the parent company level, and New Liberty could be unable in the future to obtain cash in amounts sufficient to service that debt and its other financial obligations. As of December 31, 2005, we had \$9.06 billion of debt outstanding at the parent company level. While portions of this debt will be attributed to each group, the issuer of this debt (Old Liberty) will not change. New Liberty's ability to meet its financial obligations will depend upon its ability to access cash. New Liberty's sources of cash include its available cash balances, net cash from operating activities, dividends and interest from its investments, availability under credit facilities, monetization of its public investment portfolio and proceeds from asset sales. There are no assurances that New Liberty will maintain the amounts of cash, cash equivalents or marketable securities that we maintained over the past few years.

The ability of New Liberty's operating subsidiaries to pay dividends or to make other payments or advances to New Liberty depends on their individual operating results and any statutory, regulatory or contractual restrictions to which they may be or may become subject. Some of New Liberty's

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.

New Liberty generally will not receive cash, in the form of dividends, loans, advances or otherwise, from its business affiliates. In this regard, New Liberty will not have sufficient voting control over most of its business affiliates to cause those companies to pay dividends or make other payments or advances to their partners or stockholders, including New Liberty.

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 assurances that they will be able to compete with advancing technology, and any failure to do so may adversely affect the group to which they are attributed.

Certain of our subsidiaries and business affiliates depend on their relationships with third party distribution channels, suppliers and advertisers and any adverse changes in these relationships could adversely affect New Liberty's 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 New Liberty's 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 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.

Certain of the subsidiaries and business affiliates attributed to both groups have significant operations outside of the United States that are subject to numerous operational and financial risks. Certain of the subsidiaries and business affiliates attributed to both groups have significant 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.

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.

Factors Relating to QVC

The risks described below are unique to QVC, which will initially constitute 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. In April 2005, we announced that two senior officers of QVC, including its long-time CEO, had decided to retire at different points in time over the next eighteen months. We also recently announced the hiring of a new president for QVC who will assume the role of chief executive officer after a brief transition period. Although we are implementing transition plans at QVC, there is no assurance that the new management team will be able to execute QVC's business model in a manner that will allow QVC to sustain growth and continued success. In addition, we also can not assure you that if QVC experiences additional 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.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements which, by definition, involve risks and uncertainties. In some cases, you can identify these statements by our use of forward-looking words such as "may," "will," "should," "anticipate," "estimate," "expect," "plan," "believe," "predict," "potential," "intend" and other terms of similar substance used in this document. In particular, statements under "Summary," "Risk Factors," "The Restructuring Proposals Background and Reasons for the Restructuring Proposals," "The Interactive Group and the Capital Group," "Material U.S. Federal Income Tax Consequences," "Annex A: Description of Business" and "Annex B: Financial Information" 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 statement of 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:

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;

uncertainties inherent in the development and integration of new business lines and business strategies;

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;

uncertainties associated with product and service development and market acceptance, including the development and provision of programming for new television and telecommunications technologies;

future financial performance, including availability, terms and deployment of capital;

fluctuations in foreign currency exchange rates and political unrest in international markets;

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;

competitor responses to our products and services, and the products and services of the entities in which we have interests;
and

threatened terrorist attacks and ongoing military action in the Middle East and other parts of the world.

These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this document, 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 its expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. When considering such forward-looking statements, you should keep in mind the factors described in "Risk Factors" and other cautionary statements contained or incorporated in this document. Such risk factors and statements describe circumstances which could cause actual results to differ materially from those contained in any forward-looking statement.

THE ANNUAL MEETING

Time, Place and Date

The 2006 annual meeting of our stockholders is to be held at 9:00 a.m., local time, on [], 2006, at the Hyatt Regency Tech Center Denver, 7800 East Tufts Avenue, Denver, Colorado, 80237, telephone number (303) 779-1234.

Purpose

At the annual meeting, you will be asked to consider and vote on each of the restructuring proposals, which are described in greater detail under "The Restructuring Proposals General," and each of the annual business matter proposals, which are described in greater detail under "Annual Business Matter Proposals." **Each of the restructuring proposals is dependent on the others, and none of them will be implemented unless they are all approved at the annual meeting.**

Quorum

In order to carry on the business of the annual meeting, a quorum of stockholders must be present. This means that at least a majority of the aggregate voting power represented by the outstanding shares of our common stock must be represented at the annual meeting, either in person or by proxy. For purposes of determining a quorum, your shares will be included as represented at the meeting even if you indicate on your proxy that you abstain from voting. In addition, if a broker, who is a record holder of shares, indicates on a form of proxy that the broker does not have discretionary authority to vote those shares on the restructuring proposals or the annual business matter proposals, or if those shares are voted in circumstances in which proxy authority is defective or has been withheld with respect to the restructuring proposals or the annual business matter proposals, these shares (which we refer to as "broker non-votes") will be treated as present for purposes of determining the presence of a quorum. See " Voting Procedures for Shares Held in Street Name Effect of Broker Non-Votes" below.

Who May Vote

Holders of our Series A common stock and Series B common stock, as recorded in our stock register as of 5:00 p.m., New York City time, on [], 2006 (which is the record date for the annual meeting), may vote at the annual meeting or at any adjournment or postponement thereof.

Votes You Have

At the annual meeting, holders of our Series A common stock will have one vote and holders of Series B common stock will have 10 votes, in each case, for each share that our records show they owned as of 5:00 p.m., New York City time, on [], 2006, which is the record date for the annual meeting. Holders of our Series A common stock and our Series B common stock will vote together as a single class.

Recommendation of Our Board of Directors

Our board of directors has approved all of the restructuring proposals and both of the annual business matter proposals and recommends that you vote "**FOR**" each of them.

Votes Required

Approval of each of the restructuring proposals and of the auditors ratification proposal requires the affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of our Series A common stock and our Series B common stock outstanding on the record date for the

annual meeting that are present, in person or by proxy, at the annual meeting, voting together as a single class.

Approval of the election of directors proposal requires a plurality of the affirmative votes of the shares of our Series A common stock and Series B common stock outstanding on the record date, voting together as a single class, that are voted in person or by proxy at the annual meeting. This means that the three nominees will be elected if they receive more affirmative votes than any other person.

Shares Outstanding

As of January 31, 2006, an aggregate of 2,682,351,118 shares of our Series A common stock and 121,062,825 shares of our Series B common stock were outstanding and would have been entitled to vote at the annual meeting if January 31, 2006 had been the record date for the annual meeting.

Number of Holders

We expect there to be, as of the record date for the annual meeting, approximately 4,320 record holders of our Series A common stock and approximately 180 record holders of our Series B common stock (which amounts do not include the number of stockholders whose shares are held of record by banks, brokers or other nominees, but include each such institution as one holder).

Voting Procedures for Record Holders

Holders of record of our common stock as of the record date for the annual meeting may vote in person thereat. Alternatively, they may give a proxy by completing, signing, dating and returning the proxy card that is being included with the mailing of this proxy statement/prospectus, or by voting by telephone or over the Internet. Unless subsequently revoked, shares of our common stock represented by a proxy submitted as described below and received at or before the annual meeting will be voted in accordance with the instructions on the proxy.

YOUR VOTE IS IMPORTANT. It is recommended that you vote by proxy even if you plan to attend the annual meeting. You may change your vote at the annual meeting. To submit a written proxy by mail, you should complete, sign, date and mail the proxy in accordance with its instructions.

If any other matters are properly presented before the annual meeting, the persons you choose as proxies will have discretion to vote or to act on these matters according to their best judgment, unless you indicate otherwise on your proxy.

If a proxy is signed and returned by a record holder without indicating any voting instructions, the shares of our common stock represented by the proxy will be voted "**FOR**" the approval of each of the restructuring proposals and each of the annual business matter proposals.

If you submit a proxy card on which you indicate that you abstain from voting, it will have no effect on the election of directors proposal and will have the same effect as a vote "**AGAINST**" the restructuring proposals and the auditors ratification proposal.

Voting Procedures for Shares Held in Street Name

General. If you hold your shares in the name of a broker, bank or other nominee, you should follow the instructions provided by your broker, bank or other nominee when voting your shares of our common stock or when granting or revoking a proxy.

Effect of Broker Non-Votes. Shares represented by "broker non-votes" will be deemed shares not entitled to vote and will not be included for purposes of determining the aggregate voting power and number of shares represented and entitled to vote on the restructuring proposals and the annual

business matter proposals. Broker non-votes will have no effect on any of the restructuring proposals or annual meeting proposals.

Revoking a Proxy

Before your proxy is voted, you may change your vote by telephone or over the Internet (if you originally voted by telephone or over the Internet), by voting in person at the annual meeting or by delivering a signed proxy revocation or a new signed proxy with a later date to Liberty Media Corporation, c/o Computershare Trust Company, N.A., P.O. Box 8078, Edison New Jersey 08818. Any signed proxy revocation or new signed proxy must be received before the start of the annual meeting.

Your attendance at the annual meeting will not, by itself, revoke your proxy.

If your shares are held in an account by a broker, bank or other nominee, you should contact your nominee to change your vote.

Solicitation of Proxies

The accompanying proxy for the annual meeting is being solicited on behalf of our board of directors. In addition to this mailing, our employees may solicit proxies personally or by telephone. We pay the cost of soliciting these proxies. We also reimburse brokers and other nominees for their expenses in sending these materials to you and getting your voting instructions.

Exchange of Shares

If the restructuring proposals are approved and the restructuring is completed, you will receive written instructions from the stock transfer agent on how to exchange your Old Liberty common stock for shares of Liberty Interactive common stock and Liberty Capital common stock. You are urged **NOT** to send your shares of Old Liberty common stock with your proxy card.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**Security Ownership of Certain Beneficial Owners**

The following table sets forth information, to the extent known by us or ascertainable from public filings, concerning shares of our common stock beneficially owned by each person or entity (excluding any of our directors and executive officers) known by us to own more than five percent of the outstanding shares of our common stock.

The percentage ownership information is based upon 2,682,351,118 shares of our Series A common stock and 121,062,825 shares of our Series B common stock outstanding as of January 31, 2006.

Name and Address of Beneficial Owner	Series of Stock	Number of Shares	Percent of Class	Voting Power
(in thousands)				
Capital Research and Management Company 333 South Hope Street Los Angeles, CA 90071	Series A	143,483(1)	5.1%	3.7%
Southeastern Asset Management, Inc. 6410 Poplar Ave., Suite 900 Memphis, TN 38119	Series A	149,615(2)	5.3%	3.8%

(1)

The number of shares of common stock is based upon the Schedule 13G dated December 30, 2005, filed by Capital Research and Management Company with respect to our Series A common stock. Capital Research, an investment adviser, is deemed to be the beneficial owner of 143,482,900 shares of our Series A common stock, as a result of acting as investment adviser to various investment companies, but disclaims beneficial ownership pursuant to Rule 13d-4. The Schedule 13G reflects that Capital Research has sole voting power over 44,827,900 shares of our Series A common stock.

(2)

The number of shares of common stock is based upon the Schedule 13G dated February 6, 2006, filed by Southeastern Asset Management, Inc., an investment adviser, and O. Mason Hawkins, Chairman of the Board and CEO of Southeastern, with respect to our Series A common stock. All of the 149,614,548 shares of our Series A common stock covered by the Schedule 13G are owned by Southeastern's investment advisory clients and none are owned directly or indirectly by Southeastern. Mr. Hawkins could be deemed to be a controlling person of Southeastern but disclaims the existence of such control. Mr. Hawkins does not own directly or indirectly any securities covered by the Schedule 13G. Southeastern and Mr. Hawkins disclaim beneficial ownership of the shares covered by the Schedule 13G pursuant to Rule 13d-4. The Schedule 13G reflects that Southeastern has sole voting power over 81,534,100 shares of our Series A common stock and shared voting power over 53,369,448 shares of our Series A common stock.

Security Ownership of Management

The following table sets forth information with respect to the ownership by each of our directors and each of our named executive officers and by all of our directors and executive officers as a group of shares of our Series A and our Series B common stock. None of our directors or named executive officers own any equity securities of OpenTV Corp., which is a publicly-traded subsidiary of ours.

The security ownership information is given as of January 31, 2006 and, in the case of percentage ownership information, is based on 2,682,351,118 shares of our Series A common stock and 121,062,825 shares of our Series B common stock.

Shares of common stock issuable upon exercise or conversion of options, warrants and convertible securities that were exercisable or convertible on or within 60 days after January 31, 2006, are deemed

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to be outstanding and to be beneficially owned by the person holding the options, warrants or convertible securities for the purpose of computing the percentage ownership of the person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. For purposes of the following presentation, beneficial ownership of shares of our Series B common stock, though convertible on a one-for-one basis into shares of our Series A common stock, is reported as beneficial ownership of our Series B common stock only, and not as beneficial ownership of our Series A common stock. So far as is known to us, the persons indicated below have sole voting power with respect to the shares indicated as owned by them, except as otherwise stated in the notes to the table.

The number of shares indicated as owned by the following persons includes interests in shares held by our defined contribution 401(k) plan (the Liberty 401(k) Savings Plan), in each case as of January 31, 2005. The shares held by the trustee of the 401(k) plan for the benefit of these persons are voted as directed by such persons.

Name of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class	Voting Power
		(in thousands)		
John C. Malone	Liberty Series A	15,814(1)(2)(3)(4)	*	30.0%
	Liberty Series B	118,680(1)(4)(5)	89.5%	
Robert R. Bennett	Liberty Series A	5,808(6)(7)(8)	*	4.3%
	Liberty Series B	16,680(7)(8)	12.1%	
Donne F. Fisher	Liberty Series A	311(9)	*	*
	Liberty Series B	597	*	
Paul A. Gould	Liberty Series A	1,513(10)	*	*
	Liberty Series B	600	*	
Gregory B. Maffei	Liberty Series A	344(11)	*	*
	Liberty Series B	0		
David E. Rapley	Liberty Series A	30(9)	*	*
	Liberty Series B	0		
M. LaVoy Robison	Liberty Series A	28(9)	*	*
	Liberty Series B	0		
Larry E. Romrell	Liberty Series A	265(12)	*	*
	Liberty Series B	3	*	
David J.A. Flowers	Liberty Series A	2,067(13)(14)(15)	*	*
	Liberty Series B	0		
Albert E. Rosenthaler	Liberty Series A	579(16)(17)	*	*
	Liberty Series B	0		
Christopher W. Shean	Liberty Series A	587(18)(19)(20)	*	*
	Liberty Series B	0		
Charles Y. Tanabe	Liberty Series A	2,496(19)(21)(22)(23)	*	*
	Liberty Series B	0		
All directors and executive officers as a group (12 persons)	Liberty Series A	29,842(3)(8)(15)(24)(25)(26)(27)	1.1%	33.4%
	Liberty Series B	136,561(5)(8)(25)(27)	91.5%	

*
Less than one percent

(1) Includes 1,505,043 shares of our Series A common stock and 3,409,436 shares of our Series B common stock held by Mr. Malone's wife, Mrs. Leslie Malone, as to which shares Mr. Malone has disclaimed beneficial ownership.

(2)

Includes 766,068 shares of our Series A common stock held by the Liberty 401(k) Savings Plan.

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- (3) Includes 3,300 shares of our Series A common stock held by a trust with respect to which Mr. Malone is the sole trustee and, with his wife, retains a unitrust interest in the trust.
- (4) Includes beneficial ownership of 1,375 shares of our Series A common stock and 11,485,402 shares of our Series B common stock which may be acquired within 60 days after January 31, 2006, pursuant to stock options. Mr. Malone has the right to convert the options to purchase shares of our Series B common stock into options to purchase shares of our Series A common stock.
- (5) In February 1998, in connection with the settlement of certain legal proceedings relative to the Estate of Bob Magness, the late founder and former Chairman of the Board of our former parent company, TCI, TCI entered into a call agreement with Mr. Malone and Mr. Malone's wife and a call agreement with the Magness Group. In connection with AT&T's acquisition of TCI, TCI assigned to us its rights under these call agreements. As a result, we have the right, under certain circumstances, to acquire shares of our Series B common stock owned by the Malones. The call agreement also prohibits the Malones from disposing of their shares of our Series B common stock, except for certain exempt transfers (such as transfers to related parties or to the other group or public sales of up to an aggregate of 5% of their shares of our Series B common stock after conversion to shares of our Series A common stock) and except for a transfer made in compliance with our call rights.
- (6) Includes 30,829 shares of our Series A common stock held by the Liberty 401(k) Savings Plan.
- (7) Includes beneficial ownership of 2,025,640 shares of our Series A common stock and 16,679,853 shares of our Series B common stock which may be acquired within 60 days after January 31, 2006, pursuant to stock options. Mr. Bennett has the right to convert the options to purchase shares of our Series B common stock into options to purchase shares of our Series A common stock.
- (8) Includes 1,246,596 shares of our Series A common stock and 400 shares of our Series B common stock owned by Hilltop Investments, Inc. which is jointly owned by Mr. Bennett and his wife, Mrs. Deborah Bennett.
- (9) Includes beneficial ownership of 22,000 shares of our Series A common stock which may be acquired within 60 days after January 31, 2006, pursuant to stock options and stock appreciation rights.
- (10) Includes beneficial ownership of 30,750 shares of our Series A common stock which may be acquired within 60 days after January 31, 2006, pursuant to stock options and stock appreciation rights.
- (11) Includes beneficial ownership of 343,750 shares of our Series A common stock which may be acquired within 60 days of January 31, 2006, pursuant to stock options and stock appreciation rights.
- (12) Includes beneficial ownership of 40,263 shares of our Series A common stock which may be acquired within 60 days after January 31, 2006, pursuant to stock options and stock appreciation rights.
- (13) Includes 13,968 shares of our Series A common stock held by the Liberty 401(k) Savings Plan.
- (14) Includes beneficial ownership of 1,644,364 shares of our Series A common stock which may be acquired within 60 days after January 31, 2006, pursuant to stock options and stock appreciation rights.
- (15) Includes 27,000 shares of our Series A common stock owned by AIKD Investment, Inc. which is solely owned by Mr. Flowers.
- (16) Includes 6,801 shares of our Series A common stock held by the Liberty 401(k) Savings Plan.
- (17) Includes beneficial ownership of 572,100 shares of our Series A common stock which may be acquired within 60 days after January 31, 2006, pursuant to stock options and stock appreciation rights.
- (18) Includes 14,325 shares of our Series A common stock held by the Liberty 401(k) Savings Plan.
- (19) Includes 47,500 restricted shares of our Series A common stock, none of which was vested as of January 31, 2006.
- (20)

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Includes beneficial ownership of 520,948 shares of our Series A common stock which may be acquired within 60 days after January 31, 2006, pursuant to stock options and stock appreciation rights.

- (21) Includes 7,895 shares of our Series A common stock held by the Liberty 401(k) Savings Plan.
- (22) Includes 3,068 shares of our Series A common stock held by Mr. Tanabe's wife, Arlene Bobrow, as to which shares Mr. Tanabe has disclaimed beneficial ownership.
- (23) Includes beneficial ownership of 2,149,152 shares of our Series A common stock which may be acquired within 60 days of January 31, 2006, pursuant to stock options.
- (24) Includes 839,886 shares of our Series A common stock held by the Liberty 401(k) Savings Plan.

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- (25) Includes 1,508,111 shares of our Series A common stock and 3,409,436 shares of our Series B common stock held by relatives of certain directors and executive officers, as to which shares beneficial ownership by such directors and executive officers has been disclaimed.
- (26) Includes 95,000 restricted shares of our Series A common stock, none of which was vested as of January 31, 2006.
- (27) Includes beneficial ownership of 7,394,342 shares of our Series A common stock and 28,165,255 shares of our Series B common stock which may be acquired within 60 days after January 31, 2006, pursuant to stock options. The options to purchase shares of our Series B common stock may be converted into options to purchase shares of our Series A common stock.

TruePosition, Inc. As of January 31, 2006, Mr. Gould beneficially owned 78,910 shares of common stock of TruePosition Inc. representing less than a 1% ownership interest in TruePosition. These shares include 74,421 shares of common stock owned by Allen & Company LLC, of which Mr. Gould is a Managing Director and Executive Vice President.

Change of Control

We know of no arrangements, including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in control of our company.

THE RESTRUCTURING PROPOSALS

The description of the material terms of the restructuring proposals set forth below is not complete. In addition, we qualify the applicable portions of this description by reference to the form of New Liberty's amended charter and the merger agreement included as Annexes C and D, respectively. We urge all stockholders to read New Liberty's amended charter and the merger agreement in their entirety.

General

At the annual meeting you will be asked to vote on a group of five related proposals: the merger proposal, the tracking stock proposal, the optional conversion proposal, the optional redemption proposal and the group disposition proposal. We refer to all five proposals together as the "restructuring proposals." If all five proposals are approved at the annual meeting, New Liberty will become our publicly-traded parent company and New Liberty's certificate of incorporation will be amended and restated to provide for two new tracking stocks, the terms of which are described in detail under " Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock." Each of the proposals is described below. While each proposal is related and therefore conditioned on approval of the other four proposals, we have "unbundled" them so that you may communicate your view to the board of directors as to each proposal being voted on.

The merger proposal. Under this proposal, you are being asked to adopt a merger agreement pursuant to which Liberty Media Corporation would become a wholly-owned subsidiary of New Liberty, which would become our publicly-traded parent company, on the terms set forth in this proxy statement/prospectus. The merger agreement is described below under " The Merger Agreement and the Related Restructuring."

The tracking stock proposal. Under this proposal, you are being asked to approve an amendment and restatement to New Liberty's certificate of incorporation which would create two new tracking stocks, the Liberty Interactive common stock and the Liberty Capital common stock. In the merger, those tracking stocks would be exchanged for the shares of Old Liberty Series A common stock and Old Liberty Series B common stock which are currently outstanding. The tracking stocks are intended to track and reflect the separate economic performance of a new Interactive Group and a new Capital Group, respectively. Each tracking stock will be divided into three series with different voting rights. See " Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock General."

The Interactive Group will initially consist of our interests in QVC, Inc., Provide Commerce, Inc., Expedia, Inc. and IAC/InterActiveCorp. In addition, we will attribute \$4.48 billion principal amount (as of December 31, 2005) of our existing parent company debt to the Interactive Group. The Capital Group will consist of all of our business that is not part of the Interactive Group. In addition, we will attribute the portion of our existing parent company debt that is not attributed to the Interactive Group (which is \$4.58 billion principal amount (as of December 31, 2005)) to the Capital Group.

An investment in Liberty Interactive common stock will not represent an ownership interest in the Interactive Group, and an investment in Liberty Capital common stock will not represent an ownership interest in the Capital Group. Rather, an investment in either of these tracking stocks will represent an ownership interest in New Liberty.

The optional conversion proposal. Under this proposal, you are being asked to approve, as part of the amendment and restatement to New Liberty's certificate of incorporation and in connection with the creation of the new tracking stocks, the creation of a right in favor of New Liberty's board of directors to convert, in their sole discretion, shares of Liberty Interactive common stock into shares of Liberty Capital common stock (except during the first year after the issuance of the Liberty Interactive common stock, subject to an earlier "tax event"). See " Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock Conversion and Exchange."

The optional redemption proposal. Under this proposal, you are being asked to approve, as part of the amendment and restatement to New Liberty's certificate of incorporation and in connection with the creation of the new tracking stocks, the creation of a right in favor of New Liberty's board of directors to redeem (in whole or in part), in their sole discretion, shares of Liberty Interactive common stock or Liberty Capital common stock for stock of a company whose assets consist entirely of assets which were previously attributed to the group to which the redeemed shares relate. See " Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock Optional Redemption for Stock of a Subsidiary."

The group disposition proposal. Under this proposal, you are being asked to approve, as part of the amendment and restatement to New Liberty's certificate of incorporation and in connection with the creation of the new tracking stocks, the creation of a right in favor of New Liberty's board of directors to sell all or substantially all of the assets of a group without a vote of the holders of the stock of that group, if the net proceeds of the sale are distributed to holders of that stock by means of a dividend or redemption, that stock is converted into stock of the other group or a combination of the foregoing is effected. See " Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock Mandatory Dividend, Redemption or Conversion on Disposition of All or Substantially All of the Assets of a Group."

The Merger Agreement and the Related Restructuring

The following is a summary of the material terms of the merger agreement. This summary may not contain all of the information that is important to you. It is qualified in its entirety by reference to the merger agreement, a copy of which is included as Annex D and is incorporated herein by reference. You should read the merger agreement because it, and not this document, is the legal document that governs the terms of the merger and will give you a more complete understanding of the restructuring, including the merger.

Structure of the Merger

To effect the merger and the related restructuring, Old Liberty has formed two new, wholly-owned subsidiaries. One subsidiary is Liberty Media Holding Corporation or New Liberty, and the other is a wholly-owned transitory merger subsidiary of New Liberty. In the restructuring, the transitory merger subsidiary will merge with and into Old Liberty with Old Liberty as the surviving corporation.

As a result of the merger described above and the conversion and exchange of securities described below, Old Liberty will become a wholly-owned subsidiary of New Liberty, New Liberty will become our new publicly-traded parent company, and all persons who were stockholders of Old Liberty immediately prior to the merger will be stockholders of New Liberty (and not stockholders of only part of New Liberty) immediately after the merger. In the merger New Liberty will change its name to "Liberty Media Corporation," and immediately thereafter Old Liberty will convert to a limited liability company and change its name to "Liberty Media LLC." The management and board of directors of New Liberty following the merger will be identical to the management and board of directors of Old Liberty immediately prior to the merger.

Effective Time of the Merger

If the restructuring proposals are approved, we intend to effect the restructuring by filing a certificate of merger with the Delaware Secretary of State as soon as practicable after the annual meeting. The merger will become effective at the time and on the date on which the certificate of merger is filed, or later if a later date and time is specified in the certificate of merger. Our board of directors, however, may abandon the restructuring in whole, but not in part, at any time (before or after the annual meeting) before the filing of the certificate of merger and without further action by our stockholders.

Conditions to the Merger

The completion of the merger is subject to the fulfillment of the following conditions:

the restructuring proposals must be approved at the annual meeting by a majority of the aggregate voting power of the shares of our Series A common stock and our Series B common stock outstanding on the record date that are present at the annual meeting, in person or by proxy, voting together as a class;

the registration statement of which this proxy statement/prospectus forms a part must have been declared effective and be effective at the time of the merger, with no stop order suspending effectiveness having been issued, and no action, suit, proceeding or investigation seeking a stop order or to suspend the effectiveness of the registration statement pending before or threatened by the SEC;

New Liberty must have received all state securities laws or blue sky permits and authorizations necessary, if any, with respect to the issuance of New Liberty common stock in the merger;

the shares of New Liberty common stock to be issued in the merger must be approved for listing on The Nasdaq National Market, subject only to official notice of issuance; and

Old Liberty and New Liberty must have received the opinion of Baker Botts L.L.P. described under "The Restructuring Proposals Material U.S. Federal Income Tax Consequences Tax Implications of the Restructuring" below.

The conditions described in the first, fourth and fifth bullet points above are non-waivable.

Conversion of Outstanding Shares of Old Liberty Common Stock

In the merger:

each holder of Old Liberty Series A common stock will receive (i) 0.25 of a share of Liberty Interactive Series A common stock and (ii) 0.05 of a share of Liberty Capital Series A common stock for each share of our outstanding Series A common stock held; and

each holder of Old Liberty Series B common stock will receive (i) 0.25 of a share of Liberty Interactive Series B common stock and (ii) 0.05 of a share of Liberty Capital Series B common stock for each share of our outstanding Series B common stock held.

Therefore, to receive one share of Liberty Interactive common stock in the restructuring, a stockholder must own 4 shares of the same series of Old Liberty common stock immediately prior to the merger, and to receive one share of Liberty Capital common stock in the restructuring, a stockholder must own 20 shares of the same series of Old Liberty common stock immediately prior to the merger.

If you otherwise would receive a fraction of a share of Liberty Interactive common stock or Liberty Capital common stock, you will receive cash in an amount equal to the value of any fractional share interest. The cash amount deliverable in lieu of a fractional share interest will equal the product of the applicable fraction multiplied by the closing price of a share of Liberty Interactive Series A common stock, Liberty Capital Series A common stock, Liberty Interactive Series B common stock or Liberty Capital Series B common stock, as applicable, as reported on the first trading day on which shares of Liberty Interactive common stock and Liberty Capital common stock trade in the regular way market.

Treatment of Stock Options and Other Awards

Options to purchase shares of Old Liberty common stock, stock appreciation rights with respect to shares of Old Liberty common stock and shares of Old Liberty restricted stock have been granted to various directors, officers, employees and consultants of our company and certain of our subsidiaries pursuant to the Liberty Media Corporation 2000 Incentive Plan (As Amended and Restated Effective

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April 19, 2004) and various other stock incentive plans administered by the incentive plan committee of our board of directors. The merger agreement provides for the treatment of options, SARs and restricted stock as set forth below.

Option Awards. Under the merger agreement, at the effective time of the merger each outstanding option to purchase shares of Old Liberty common stock (which we refer to as an outstanding Old Liberty option) will be divided into two options as follows:

an option (which we refer to as an Interactive Group option) to purchase shares of the same series of Liberty Interactive common stock as the series of Old Liberty common stock for which the outstanding Old Liberty option is exercisable, exercisable for the number of shares of such series of Liberty Interactive common stock that would have been issued in the restructuring in respect of the shares of Old Liberty common stock subject to the applicable outstanding Old Liberty option, if such outstanding Old Liberty option had been exercised in full immediately prior to the restructuring; and

an option (which we refer to as a Capital Group option) to purchase shares of the same series of Liberty Capital common stock as the series of Old Liberty common stock for which the outstanding Old Liberty option is exercisable, exercisable for the number of shares of such series of Liberty Capital common stock that would have been issued in the restructuring in respect of the shares of Old Liberty common stock subject to the applicable outstanding Old Liberty option, as if such outstanding Old Liberty option had been exercised in full immediately prior to the restructuring.

The aggregate exercise price of each outstanding Old Liberty option will be allocated between the Interactive Group option and the Capital Group option, *pro rata*, based upon the ratio of the volume weighted average price of the tracking stock for which the option is exercisable over the first 20 trading days of regular way trading after the completion of the restructuring to the volume weighted average prices of the tracking stocks of both groups over the same 20 trading day period. This ratio is intended to result in an allocation which will reflect the relative fair market values of each group's stock immediately following the restructuring.

By way of example, an Old Liberty option to acquire 1,000 shares of Old Liberty Series A common stock at an exercise price of \$10 would be divided, as a result of the restructuring, into:

an Interactive Group option to acquire 250 shares of Liberty Interactive Series A common stock at an exercise price of \$28.57; and

a Capital Group option to acquire 50 shares of Liberty Capital Series A common stock at an exercise price of \$57.14.

The foregoing exercise price allocation assumes that the volume weighted average price of the Liberty Interactive common stock over the first 20 trading days of regular way trading was \$25, and the volume weighted average price of the Liberty Capital common stock over such 20-trading day period was \$50.

Except as described above, all other terms of the Interactive Group option and the Capital Group option (including, for example, the vesting terms thereof) will, in all material respects, be the same as those of the corresponding outstanding Old Liberty option.

SAR Awards. Under the merger agreement, at the effective time of the merger each outstanding stock appreciation right related to Old Liberty common stock (which we refer to as an outstanding Old Liberty SAR) will be divided into two stock appreciation rights related to New Liberty common stock as follows:

a stock appreciation right (which we refer to as an Interactive Group SAR) related to shares of the same series of Liberty Interactive common stock as the series of Old Liberty common stock to which the outstanding Old Liberty SAR relates, relating to the number of shares of such

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series of Liberty Interactive common stock that would have been issued in connection with the restructuring in respect of the shares of Old Liberty common stock to which the outstanding Old Liberty SAR relates, as if such number of shares to which the outstanding Old Liberty SAR relates had been outstanding and converted into shares of Liberty Interactive common stock in the restructuring; and

a stock appreciation right (which we refer to as a Capital Group SAR) related to shares of the same series of Liberty Capital common stock as the series of Old Liberty common stock to which the outstanding Old Liberty SAR relates, relating to the number of shares of such series of Liberty Capital common stock that would have been issued in the restructuring in respect of the shares of Old Liberty common stock to which the outstanding Old Liberty SAR relates, as if such number of shares to which the outstanding Old Liberty SAR relates had been outstanding and converted into shares of Liberty Capital common stock in the restructuring.

The base price of each outstanding Old Liberty SAR will be allocated between the Interactive Group SAR and the Capital Group SAR, pro rata, based upon the ratio of the volume weighted average price of the tracking stock to which the SAR relates over the first 20 trading days of regular way trading after the consummation of the restructuring to the volume weighted average prices of the tracking stocks of both groups over the same 20 trading day period. This ratio is intended to result in an allocation which will reflect the relative fair market values of each group's stock immediately following the restructuring.

By way of example, an outstanding Old Liberty SAR relating to 1,000 shares of Old Liberty Series A common stock with a base price of \$10 would be divided, as a result of the restructuring, into:

an Interactive Group SAR relating to 250 shares of Liberty Interactive Series A common stock with a base price of \$28.57; and

a Capital Group SAR relating to 50 shares of Liberty Capital Series A common stock with a base price of \$57.14.

The foregoing base price allocation assumes that the volume weighted average price of the Liberty Interactive common stock over the first 20 trading days of regular way trading was \$25, and the volume weighted average price of the Liberty Capital common stock over such 20-trading day period was \$50.

Except as described above, all other terms of the Interactive Group SAR and the Capital Group SAR (including, for example, the vesting terms thereof) will, in all material respects, be the same as those of the corresponding outstanding Old Liberty SAR.

Restricted Stock Awards. Under the merger agreement, at the effective time of the merger each holder of an outstanding Old Liberty restricted stock award will be entitled to receive, for each share of restricted Old Liberty common stock held, (i) an award of 0.25 of a share of the same series of Liberty Interactive common stock as the shares of Old Liberty common stock to which such Old Liberty restricted stock award relates and (ii) an award of 0.05 of a share of the same series of Liberty Capital common stock as the shares of Old Liberty common stock to which such Old Liberty restricted stock award relates (with cash in lieu of any fractional share interests). Except as described above, all of the Interactive Group restricted stock awards and the Capital Group restricted stock awards (including, for example, the vesting terms thereof) will, in all material respects, be the same as those of the corresponding Old Liberty restricted stock award.

The Interactive Group and the Capital Group

New Liberty's amended charter, which would be filed immediately prior to the consummation of the merger referred to above, will authorize and designate two tracking stocks: the Liberty Interactive common stock, intended to reflect the separate economic performance of the Interactive Group, and Liberty Capital common stock, intended to reflect the separate economic performance of the Capital

Group. A description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock is provided below under the heading " Description of Liberty Interactive Common Stock and Liberty Capital Common Stock."

One of our principal reasons for creating the Interactive Group and the Capital Group is to assist the capital markets in better understanding and valuing our businesses. Although we have always sought to conduct our businesses in a manner which increases stockholder value, over the years our capital structure has become increasingly complex. We believe this complexity has caused confusion among investors, which we believe is a major reason why our stock has traded for some time at a discount to our estimate of our net asset value. Through the creation of the Interactive Group and the Capital Group, we are seeking to reduce that confusion.

The Interactive Group will focus on video and on-line commerce businesses and will be largely free of the financial complexity (such as derivative security positions) associated with many of our cost investments in companies which are no longer central to our business strategies and as to which we do not expect to increase our interest. (Those assets, which we refer to as non-strategic assets, will be attributed to the Capital Group.) The Interactive Group will be anchored by our consolidated subsidiary QVC, in which we have a 98% interest. By highlighting QVC, we anticipate that the market will value the Interactive Group based largely on QVC's performance, at least initially, and in line with other specialty and on-line retailers. Our strategy with the Interactive Group will be 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. For example, we recently acquired Provide Commerce, Inc., which is an on-line retailer of perishable products such as cut flowers and meats. This on-line commerce retailer will be attributed to the Interactive Group.

The Interactive Group will also initially include our approximate 20% interest in Expedia, Inc. and our approximate 22% interest in IAC/InteractiveCorp. Expedia and IAC complement the business of QVC in that they offer products and services to customers through branded websites and, in the case of IAC, video and telephone sales, as well as through membership programs.

We will attribute to the Interactive Group the following debt obligations:

Obligation	Outstanding Principal at December 31, 2005
3.5% Senior Notes due 2006	\$ 121,501,000
Floating Rate Senior Notes due 2006	\$ 1,247,164,000
7.875% Senior Notes due 2009	\$ 669,695,000
7.75% Senior Notes due 2009	\$ 233,626,344
5.7% Senior Notes due 2013	\$ 802,500,000
8.5% Senior Debentures due 2029	\$ 500,000,000
8.25% Senior Debentures due 2030	\$ 901,620,000

We attributed the foregoing debt obligations to the Interactive Group after consultation with our financial and legal advisors. The debt was attributed to 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 we have attributed to the Interactive Group constitute all of our senior notes and non-exchangeable debentures. As indicated below, all of our exchangeable debentures will be attributed to the Capital Group because the stock into which such debt is exchangeable has been attributed to the Capital Group.

A more complete description of the Interactive Group is provided under "Description of Business The Interactive Group," in Annex A to this proxy statement/prospectus.

The Capital Group will consist of all of our businesses not included in the Interactive Group. Initially, the more significant businesses, business affiliates and holdings attributed to the Capital Group will be the following:

Entity	Ownership Interest as of December 31, 2005
Starz Entertainment Group LLC	100%
On Command Corporation	100%
OpenTV Corp. (NASDAQ: OPTV)	31%(1)
Courtroom Television Network LLC	50%
GSN, LLC	50%
TruePosition, Inc.	89% (common equity) 100% (preferred stock)
WildBlue Communications, Inc.	32%
News Corporation (NYSE: NWS)	16%
Time Warner Inc. (NYSE: TWX)	4%
Sprint Nextel Corporation (NYSE: S)	3%
Motorola, Inc. (NYSE: MOT)	3%

(1) We have a 78% voting interest in OpenTV.

We have owned many of the businesses and assets being attributed to the Capital Group for many years, and in a number of cases they were acquired at a time when we were the programming arm of the cable operator Tele-Communications, Inc. The businesses attributed to the Capital Group are primarily engaged in the video programming, media and interactive technology services businesses.

Following TCI's acquisition by AT&T in 1999, several of our assets were no longer viewed as central to our business strategy. These assets, including our minority interests in Motorola, Inc., Sprint Nextel and Time Warner, Inc., were effectively monetized with derivatives and/or exchangeable debentures to raise liquidity for us and to pursue acquisitions. While these financial instruments have proven beneficial to us over the years, they have complicated our capital structure and created a good deal of investor confusion. All of our non-strategic assets and related derivatives, will be attributed to the Capital Group. Over time, we expect to convert many of our non-strategic assets into operating assets or into cash that we would use to pursue opportunities that are complementary to the assets of the Capital Group and that further its business strategy.

The Capital Group will focus primarily on video programming and communications technology and services involving cable, satellite, the Internet and other distribution media as they evolve. 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. We also may explore other financial transactions and investments with attractive risk and return characteristics.

As an example of our investment strategy for this group, we recently acquired a majority interest in FUN Technologies, Inc., the new parent company of FUN Technologies plc, which would be attributed to the Capital Group. FUN's business includes the development and hosting of online games

and online fantasy sports platforms, which complements the content on GSN, Inc.'s game show network and website.

The following debt obligations will be attributed to the Capital Group:

Obligation	Outstanding Principal at December 31, 2005
0.75% Senior Exchangeable Debentures due 2023	\$ 1,750,000,000
4% Senior Exchangeable Debentures due 2029	\$ 868,782,000
3.75% Senior Exchangeable Debentures due 2030	\$ 809,999,000
3.5% Senior Exchangeable Debentures due 2031	\$ 600,000,000
3.25% Senior Exchangeable Debentures due 2031	\$ 551,333,000

The foregoing debt obligations constitute all of our exchangeable debentures. We believe that the attribution of these debentures to the Capital Group is appropriate based on the ability of the Capital Group to pay the debt service on those obligations and because the shares of other publicly-traded companies for which those debentures are exchangeable have been attributed to the Capital Group.

A more complete description of the Capital Group is provided under "Description of Business - The Capital Group" in Annex A to this proxy statement/prospectus.

Each group will include in the future other businesses, assets and liabilities that are complementary or related to the businesses attributed to that group as New Liberty's board of directors may determine. There are no present plans or proposals to attribute to either group any businesses, assets or liabilities which are indicated herein as initially being attributed to the other group. In addition, we may acquire and attribute to either group other businesses, assets and liabilities which are consistent with the focus or strategy of that group. In cases where a business may fit into either group, New Liberty's board will have discretion to determine to which group that business should be attributed. We expect that in making such a decision, the board will consider not only whether the business is principally related to those in a particular group but also which group has the financing capability and managerial expertise to best capitalize on the opportunities presented by the acquisition. New Liberty's board may change the strategy of either group, in its sole discretion, at any time. We expect that the board will do so if it is determined that such a change would be in the best interests of New Liberty and all of New Liberty's stockholders.

Recommendation of our Board of Directors

Our board of directors has carefully considered and approved all of the restructuring proposals and recommends that you vote **"FOR"** each of the restructuring proposals.

Background and Reasons for the Restructuring Proposals

We continually review each of our businesses and our company as a whole as we seek to execute our business strategies and increase stockholder value. As a result of this review process, we concluded that the implementation of a "tracking stock" structure would provide us with greater operational and financial flexibility in executing our business strategies and would permit the markets to make a more informed valuation of our various businesses. In reaching this conclusion, the board determined that the creation of the Interactive Group and Capital Group would permit us to bring greater clarity to our assets and our business strategies for those assets, as well as allow us to create two acquisition currencies which we believe will be preferable to sellers of companies because they will have a greater opportunity to participate in any gains enjoyed by the acquired company after the acquisition. We also anticipate that the stock of each group will trade more in line with the fundamentals of the businesses attributed to that group.

Our board of directors also considered a spin off of certain of the businesses to be attributed to the Interactive Group, but determined that a tracking stock structure, unlike a spin off, is expected to preserve certain favorable financial, tax and other benefits that we will continue to realize as a single consolidated entity.

Upon management's recommendation and after extensive consultation with our financial and legal advisors, our board of directors determined that the restructuring would be in the best interests of our company and our stockholders.

Determination of Terms of the Tracking Stocks

In determining the terms of the tracking stocks, our management and counsel reviewed precedent tracking stock charters of other issuers, including the tracking stock charters of predecessors of Old Liberty, in preparing the terms of New Liberty's amended charter. Our board of directors approved the terms of New Liberty's amended charter based on its determination that such terms best achieve the purpose of the proposed tracking stock charter: that the Liberty Interactive common stock and the Liberty Capital common stock track the performance of the businesses and assets attributed to each group, and that the New Liberty board retain operational and financial flexibility in executing New Liberty's business strategies. The board also determined that it is in the best interests of our stockholders that the tracking stocks include terms that require specific actions be taken by the board in the event of certain extraordinary transactions involving the assets of either group.

New Liberty's amended charter includes terms which, among others, provide for discretionary authority in favor of New Liberty's board to convert all of the outstanding shares of Liberty Interactive common stock into Liberty Capital common stock, redeem outstanding shares of Liberty Interactive common stock or Liberty Capital common stock for shares of a subsidiary whose assets consist solely of assets previously attributed to the Interactive Group or the Capital Group, respectively, or sell all or substantially all of the assets of a group and distribute the net proceeds of the sale to holders of stock of that group by means of a dividend or redemption, convert that stock into stock of the other group, or effect a combination of the foregoing. Each of those discretionary actions is covered by one of the related restructuring proposals that stockholders are being asked to consider and vote upon at the annual meeting.

In the case of the right of the New Liberty board of directors to convert all of the outstanding shares of Liberty Interactive common stock into Liberty Capital common stock, which is the topic of the optional conversion proposal, our board determined that New Liberty's board needed the conversion right to maintain sufficient flexibility to unwind the tracking stock structure if it determines that such an action is in the best interest of all stockholders in the future. New Liberty's board is prohibited from taking this action during the first year after the restructuring, unless certain adverse tax consequences occur. In the case of the right to redeem outstanding shares of Liberty Interactive common stock or Liberty Capital common stock for shares of a subsidiary whose assets consist solely of assets previously attributed to the Interactive Group or the Capital Group, respectively, which is the topic of the optional redemption proposal, our board determined that since investors will likely invest in the stock of a particular group due to the assets attributed to that group, those stockholders should have the ability to receive any assets attributed to that group if the New Liberty board of directors determines to split off or spin off those assets. New Liberty's amended charter limits any such redemption to that portion of the outstanding shares of a group which is equal to the portion of the assets of the group represented by the assets being split off or spun off. New Liberty's amended charter provides the New Liberty board with broad discretion in the event of a sale of all or substantially all of the assets of a group, which is the topic of the group disposition proposal, in order for the New Liberty board of directors to have maximum flexibility in determining what is in the best interests of all of its stockholders while also recognizing the interests of holders of the stock of the group whose assets have been sold. The board of directors determined that in those instances where the net proceeds of such a

sale are not reinvested in a business that is similar or complementary to the businesses of the group whose assets are sold and the sale is not otherwise considered an "exempt disposition", then holders of stock of that group should have the ability to either receive the net proceeds of that sale through a dividend or redemption of their shares, become a stockholder of the other group at a premium to the market value of the shares of the other group, or receive a combination of the foregoing. In addition, any determination of the New Liberty board of directors will be subject to the requirements of Delaware law, including the requirement that prior stockholder approval (with both groups voting as a single class) be obtained for the sale of all or substantially all of the assets of a group which also constitutes all or substantially all of the total assets of New Liberty.

Positive Aspects of the Restructuring Proposals

In arriving at its determination and recommendation, our board of directors, with the assistance of its financial and legal advisors, considered, among other things, the following:

Increased stockholder choice. The adoption of a tracking stock capitalization will allow our stockholders and future investors to own either or both of the Liberty Interactive common stock and the Liberty Capital common stock, depending on their particular investment objectives.

Greater financial flexibility. The creation of the Liberty Interactive common stock and the Liberty Capital common stock will provide greater flexibility to raise capital and respond to strategic opportunities (including acquisitions) because it will allow us to issue either Liberty Interactive common stock or Liberty Capital common stock as appropriate under the circumstances. For example, it would allow stockholders of an entity that is acquired for the Interactive Group the opportunity to participate more directly in the success of the business in which that entity engages rather than participating in our much larger and more diversified businesses as is the case with our current capitalization.

Advantages of doing business under common ownership. In contrast to a spin off, the restructuring proposals will allow us to retain the advantages of doing business as a single company and allow the businesses attributed to each group to capitalize on relationships with the businesses attributed to the other group. As part of a single company, the businesses within each group will continue to take advantage of the strategic, financial and other benefits of shared managerial expertise, synergies relating to technology and purchasing arrangements, consolidated tax benefits, lower borrowing costs in some instances and cost savings in corporate overhead and other expenses.

Management incentives. The creation of the Liberty Interactive common stock and the Liberty Capital common stock will permit the creation of more effective management incentive and retention programs. In particular, it will allow us to issue stock-based compensation and other incentive awards to employees of the businesses within each group that are tied more directly to the performance of their group and indirectly to the performance of the company.

Preserves capital structure flexibility. The terms of New Liberty's amended charter preserve the ability of New Liberty's board of directors to unwind the tracking stock capitalization, subject to certain restrictions on timing. The restructuring proposals also retain future restructuring flexibility by preserving our ability to undertake future asset segmentation and capital restructurings, such as spin offs and split offs.

Implementation of the restructuring will not be taxable. We expect that the implementation of the restructuring will not be taxable for U.S. federal income tax purposes to us or to our stockholders (except with respect to cash received in lieu of fractional shares).

Anticipated greater market recognition and more accurate valuation. The creation of the Liberty Interactive common stock and the Liberty Capital common stock is intended to permit the market to review separate information about the businesses, assets and liabilities attributed to

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the Interactive Group and the Capital Group, and hence separately value the Liberty Interactive common stock and the Liberty Capital common stock. This should encourage investors and analysts to focus on the businesses, assets and liabilities attributed to each of the Interactive Group and the Capital Group which, to date, have been relatively hidden within our current corporate structure. In addition, having separate common stocks relating to the Interactive Group and the Capital Group should allow equity investors to apply different and more specific criteria in selecting in which of our securities to invest.

Potential Negative Aspects of the Restructuring Proposals

Our board of directors also evaluated the potential negative aspects of the restructuring proposals, including the following:

Uncertainty of market valuation. There can be no assurance as to the degree to which the market price of the Liberty Interactive common stock and the Liberty Capital common stock will reflect the separate performances of those groups. In addition, we cannot predict the impact of the restructuring proposals on the market price of our existing common stock prior to the annual meeting or whether the issuance of the Liberty Interactive common stock and the Liberty Capital common stock will increase our aggregate market capitalization.

Expansion of the board of directors' responsibilities. New Liberty's amended charter may expand New Liberty's board of directors' responsibilities due to the need for the New Liberty board to review any matter involving the allocation of a business or corporate opportunity to the Interactive Group or the Capital Group, a potential conflict of interest between the holders of the Liberty Interactive common stock and the Liberty Capital common stock, or the movement of assets and creation of inter-group interests between the groups.

Creation of potential diverging or conflicting interests. New Liberty's amended charter may create potential diverging or conflicting interests between the holders of Liberty Interactive common stock and the holders of Liberty Capital common stock, and complex issues may arise in resolving such

conflicts that effectively require New Liberty's board of directors to benefit one group more than the other group.

Uncertainty of market reaction to tracking stock decisions. The market values of Liberty Interactive common stock and Liberty Capital common stock could be affected by the market reaction to decisions by New Liberty's board of directors and management that investors perceive as affecting differently one series of common stock compared to the other. These decisions could include decisions regarding business transactions between the groups or the allocation of assets, expenses, debt or other financial liabilities between the groups.

Complex capital structure. The recapitalization which would be effected if the restructuring proposals are approved will result in a complex capital structure due to the intricate terms of New Liberty's amended charter. For instance, New Liberty's amended charter provides that:

New Liberty may redeem, in one or more transactions, stock relating to a particular group in exchange for stock of one or more subsidiaries holding assets attributed to that group, provided that New Liberty's board of directors has determined that such redemption is expected to qualify for nonrecognition of gain or loss (in whole or in part) for U.S. federal income tax purposes to holders of the stock of that group; and

following the sale of all or substantially all of the assets attributed to a group, New Liberty must take certain specified actions, including declaring a dividend on or redeeming the stock relating to that group or converting the stock relating to that group into stock relating to the other group, in each case, unless the sale qualifies for one of the exemptions listed in New Liberty's amended charter.

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Our existing charter does not include any optional or mandatory redemption provisions nor does it include any mandatory dividend or conversion provisions. For a discussion of additional differences between these charters, please see " Comparison of Old Liberty Common Stock with Liberty Interactive Common Stock and Liberty Capital Common Stock" below. The provisions of New Liberty's amended charter, as well as the manner in which New Liberty will present in its reports the assets, liabilities and cash flows of New Liberty and each of the groups, could cause confusion among some investors.

Potential adverse tax consequences. The tax treatment of the restructuring is subject to some uncertainty, and the board considered the possibility that the IRS could successfully assert that the receipt of the Liberty Interactive common stock or the Liberty Capital common stock or both in the restructuring is taxable to you and/or to us. The board considered the fact that if the IRS were successful in such a claim, material adverse tax consequences could result to you and us.

Dual Public Filings. The implementation of the restructuring proposal would result in both New Liberty and Old Liberty being reporting companies under the Exchange Act. Old Liberty would be required to continue to make periodic filings under the Exchange Act due to its having outstanding a significant amount of notes and debentures. Preparing filings for two reporting companies will result in additional administrative, legal and accounting costs and diversion of management time.

Our board of directors determined that the positive aspects of the restructuring proposals outweighed the negative aspects and concluded that the restructuring proposals are in the best interests of Liberty Media Corporation and its stockholders. In light of the number and variety of factors that our board of directors considered, our board of directors believes it is not practicable to assign relative weights to the factors discussed above, and accordingly, our board of directors did not do so.

Management and Allocation Policies

One of the fundamental objectives of the restructuring proposals is to attribute all of our businesses and operations to either of the Interactive Group or the Capital Group and present separate consolidating financial information for each group. In order to accomplish this objective in a fair and equitable manner in the future, we have established management and allocation policies to help us allocate certain items (such as debt, corporate overhead, taxes, corporate opportunities and other charges and obligations) between the Interactive Group and the Capital Group in a reasonable manner after taking into account all material factors.

As a general principle, we expect that all material matters in which holders of Liberty Interactive common stock and Liberty Capital common stock may have divergent interests will be generally resolved in a manner that is in New Liberty's best interests and the best interests of all of New Liberty's stockholders after giving fair consideration to the interests of the holders of each tracking stock, as well as such other or different factors considered relevant by the board (or any committee of the board authorized for this purpose, which will include the executive committee of the board).

Policies Subject to Change Without Stockholder Approval

We have set forth below the management and allocation policies as we expect them to be effective upon completion of the restructuring. We are not requesting stockholder approval of these policies.

Our board of directors may, without stockholder approval, modify, change, rescind or create exceptions to these policies, or adopt additional policies. Such actions could have different effects upon holders of Liberty Interactive common stock and Liberty Capital common stock. Our board of directors would make any such decision in accordance with its good faith business judgment that such decision is in New Liberty's best interests and the best interests of all of New Liberty's stockholders as a whole.

Any such modifications, changes, exceptions or additional policies will be binding and conclusive unless otherwise determined by the board.

Attribution of Assets

In establishing the Interactive Group, our board has attributed to it our interests in QVC, Provide, Expedia and IAC, and related assets and liabilities. The Interactive Group will be primarily focused on video and on-line commerce. All other businesses, assets and liabilities have been attributed to the Capital Group, which will be primarily focused on video programming, and communications technology and services involving cable, satellite, the Internet and evolving distribution media. The board currently contemplates that businesses, assets and liabilities acquired after the restructuring would be attributed to one of the two groups principally based upon how strongly they complement or relate to the focus or strategy of that group.

Fiduciary and Management Responsibilities

Because the Interactive Group and the Capital Group will continue to be a part of a single company, New Liberty's directors and officers will have the same fiduciary duties to holders of Liberty Interactive common stock and Liberty Capital common stock that our board of directors currently has to the holders of our existing common stock. Under Delaware law, absent an abuse of discretion, a director or officer will be deemed to have satisfied his or her fiduciary duties to us and our stockholders if that person is disinterested and acts in accordance with his or her good faith business judgment in our interests and the interests of all of our stockholders as a whole. New Liberty's board of directors and chief executive officer, in establishing and applying policies with regard to intra-company matters such as business transactions between the Interactive Group and the Capital Group and allocation of assets, liabilities, debt, corporate overhead, taxes, interest, corporate opportunities and other matters, will consider various factors and information which could benefit or cause relative detriment to the stockholders of the respective groups and will seek to make determinations which are in New Liberty's best interests and the best interests of New Liberty's stockholders as a whole. If and when there are conflicting interests between the Interactive Group and the Capital Group, New Liberty's directors will use good faith business judgment to resolve such conflicts.

Dividend Policy

We have not paid cash dividends on our existing common stock and do not anticipate that New Liberty will pay cash dividends on the Liberty Interactive common stock or the Liberty Capital common stock in the foreseeable future. For a description of the provisions of the charter amendment relating to the payment of dividends in respect of the Liberty Interactive common stock and the Liberty Capital common stock, see below under the heading " Description of Liberty Interactive Common Stock and Liberty Capital Common Stock Dividends."

Financing Activities

General. New Liberty will manage most of its financial activities on a centralized basis. These activities include the investment of surplus cash, the issuance and repayment of short-term and long-term debt and the issuance and repurchase of any preferred stock.

If New Liberty transfers cash or other property attributed to one group to the other group, New Liberty will account for such transfer as a short term loan unless the board of directors determines that a given transfer (or type of transfer) should be accounted for as a long-term loan, an inter-group interest or as a reduction of an inter-group interest. See " Inter-Group Loans" and " Inter-Group Interests" below.

New Liberty's board of directors will make these determinations, either in specific instances or by setting applicable policies generally, in the exercise of its informed business judgment. Factors New Liberty's board of directors may consider in making this determination include:

the financing needs and objectives of the receiving group;

the investment objectives of the transferring group;

the current and projected capital structure of each group;

the relative levels of internally generated funds of each group; and

the availability, cost and time associated with alternative financing sources, prevailing interest rates and general economic conditions.

New Liberty's board of directors will make all transfers of material assets from one group to the other on a fair value basis for the foregoing purposes, as determined by the board. For accounting purposes, all such assets will be deemed transferred at their carryover basis. To the extent that this amount is different than the fair value of the inter-group loan or inter-group interest created in the transaction, this difference will be recorded as an adjustment to the group equity. No gain or loss will be recognized in the statement of operations information for the groups due to the related party nature of such transactions.

Inter-Group Loans. If one group makes a loan to another group, New Liberty's board of directors will determine the terms of the loan, including the rate at which it will bear interest. New Liberty's board of directors will determine the terms of any inter-group loans, either in specific instances or by setting applicable policies generally, in the exercise of its informed business judgment. Factors New Liberty's board of directors may consider in making this determination include:

New Liberty's needs;

the use of proceeds and creditworthiness of the recipient group,

the capital expenditure plans of and the investment opportunities available to each group; and

the availability, cost and time associated with alternative financing sources.

If an inter-group loan is made, New Liberty intends to account for the loan based on its stated terms, and the resulting activity, such as interest amounts, will be recorded in the separate group financial results to be included in New Liberty's consolidated financial statements but will be eliminated in preparing New Liberty's consolidated financial statement balances.

Inter-Group Interests. An inter-group interest is a quasi-equity interest that one group is deemed to hold in the other group. Inter-group interests are not represented by outstanding shares of common stock, rather they have an attributed value which is generally stated in terms of a number of shares of Liberty Interactive common stock issuable with respect to an inter-group interest in the Interactive Group and a number of shares of Liberty Capital common stock issuable with respect to an inter-group interest in the Capital Group.

An inter-group interest in a group will be created when cash or property is transferred from one group to the other group and the board of directors determines that the transfer will not be treated as an inter-group loan. Inter-group interests may also be created in the discretion of the board of directors for certain other transactions, such as when funds of one group are used to effect an acquisition made on behalf of the other group. Additionally, inter-group interests once created are subject to adjustment for subsequent events. For instance, if the Interactive Group holds an inter-group interest in the Capital Group at the time of a transfer by the Capital Group to the Interactive Group, the board of directors may choose to reduce the Interactive Group's inter-group interest in the Capital Group rather than create an inter-group interest in the Interactive Group in favor of the Capital Group. Certain extraordinary actions that may be taken under New Liberty's amended charter may also

cause an increase or decrease in one group's inter-group interest in the other group. For more information regarding inter-group interests, see " Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock."

If an inter-group interest is created, we intend to account for this interest in a manner similar to the equity method of accounting whereby the group holding the inter-group interest would record its proportionate share of the other group's net income or loss. Appropriate eliminating entries would be made in preparing our consolidated financial statement balances.

Equity Issuance and Repurchases and Dividends. New Liberty will reflect all financial effects of issuances and repurchases of shares relating to either group in its own consolidated financial statements. New Liberty will reflect financial effects of dividends or other distributions on, and purchases of, shares relating to either group in its own consolidated financial statements.

Inter-Group Contracts

The terms of all current and future material transactions, relationships and other matters between the groups, including those as to which the groups may have potentially divergent interests, will be determined in a manner considered by New Liberty's board of directors to be in New Liberty's best interests and the best interests of New Liberty's stockholders as a whole.

Review of Corporate Opportunities

In cases where a material corporate opportunity may appropriately be viewed as one that could be pursued by either group, New Liberty's board of directors may, independently or at the request of management, review the allocation of that corporate opportunity to either the Interactive Group or the Capital Group or in part to the Interactive Group and in part to the Capital Group. In accordance with Delaware law, New Liberty's board of directors will make its determination with regard to the allocation of any such opportunity and the benefit of such opportunity in accordance with their good faith business judgment of New Liberty's best interests and the best interests of New Liberty's stockholders as a whole. Among the factors that New Liberty's board of directors may consider in making this allocation is:

whether a particular corporate opportunity is principally related or complementary to the business focus or strategy of the Interactive Group or the Capital Group;

whether one group, because of operational expertise, will be better positioned to undertake the corporate opportunity; and

existing contractual agreements and restrictions.

Financial Statements; Allocation Matters

New Liberty will present consolidated financial statements in accordance with generally accepted accounting principles in the U.S., consistently applied. New Liberty's consolidated financial statements will include consolidating financial statement information that will show the attribution of its assets, liabilities, revenue, expenses and cash flows to each of the Interactive Group and the Capital Group.

Consolidating financial statement information will also include attributed portions of its debt, interest, corporate overhead and costs of administrative shared services and taxes. New Liberty will make these allocations for the purpose of preparing such information; however, holders of Liberty Interactive common stock and Liberty Capital common stock will continue to be subject to all of the risks associated with an investment in New Liberty and all of its businesses, assets and liabilities.

In addition to allocating debt and interest as described above, New Liberty has adopted certain expense allocation policies, each of which is reflected in the attributed financial information of the Interactive Group and the Capital Group. In general, corporate overhead will be allocated to each

group based upon the use of services by that group where practicable. Corporate overhead includes costs of personnel and employee benefits, legal, accounting and auditing, insurance, investor relations and stockholder services and services related to New Liberty's board of directors. New Liberty will allocate in a similar manner a portion of costs of administrative shared services, such as information technology services. Where determinations based on use alone are not practical, New Liberty will use other methods and criteria that New Liberty believes are equitable and that provide a reasonable estimate of the cost attributable to each group.

Taxes

From and after the closing date of the merger, taxes and tax benefits will be shared between the Capital Group and the Interactive Group in accordance with the following tax sharing policies regardless of whether or not the applicable taxes or tax benefits relate to a taxable period (or portion thereof) ending prior to the closing date of the merger (a "**Pre-Issue Date Period**"). These tax sharing policies may differ from the manner in which taxes and tax benefits of each group are reflected in the financial statements. For financial statement purposes, taxes and tax benefits allocable to each group generally have been, and will be, accounted for in a manner similar to a stand-alone company basis in accordance with generally accepted accounting principles. Any differences between the tax sharing policies described below and the taxes and tax benefits of each group reported in the financial statements will be reflected in the attributed net assets of the groups for financial statement purposes.

To the extent that federal, state, local or foreign income taxes are determined on a basis that includes the operations, assets, liabilities or other tax items of both the Capital Group and the Interactive Group, income taxes and income tax benefits will be shared between the groups based principally on the taxable income (or loss), tax credits and other tax items directly related to the activities of such group for taxable periods (or portions thereof) beginning on or after the closing date of the merger (a "**Post-Issue Date Period**"). Such allocations will reflect each group's contribution, whether positive or negative, to our consolidated taxable income (or loss), income tax liabilities and tax credit position. Income tax benefits that cannot be used by a group generating such benefits, but can be used to reduce the taxable income of the other group, will be credited to the group that generated such benefits. As a result, under this tax sharing policy, the amount of income taxes allocated to a group or the amount credited to a group for income tax benefits may not necessarily be the same as that which would have been payable or received by the group had that group filed separate income tax returns.

To the extent that federal, state, local or foreign income taxes are determined on a basis that includes the operations, assets, liabilities or other tax items of both the Capital Group and the Interactive Group in any Pre-Issue Date Period, income taxes and income tax benefits that are attributable to QVC, Inc., Provide Commerce, Inc. and their respective subsidiaries will be the responsibility of, or for the benefit of, the Interactive Group, and except as described below, all other income taxes and all other income tax benefits (including benefits received by carrying forward a tax item to a Post-Issue Date Period) arising from the tax items of each group that are attributable to any Pre-Issue Date Period will be the responsibility of, or for the benefit of, the Capital Group. However, any income tax benefit arising from tax credits or losses generated by the Interactive Group that are carried back from any Post-Issue Date Period to any Pre-Issue Date Period will be for the benefit of the Interactive Group, and any tax obligations or tax benefits of any entity acquired for the Interactive Group, which relate to any Pre-Issue Date Period, will be allocated to the Interactive Group.

If any non-income taxes are determined on a basis that includes the operations, assets, liabilities or other tax items of both the Capital Group and the Interactive Group in any taxable period, then each group will be responsible for non-income taxes, and will be entitled to any non-income tax benefits, based upon their contribution to the consolidated non-income tax liability (or benefit). Any income or non-income taxes or tax benefits that are determined on a basis that includes only the operations, assets, liabilities or other tax items of one group will be for the account of that group.

In general, for purposes of these tax sharing policies, any tax item (including any tax item arising from a disposition) attributable to an asset, liability or other interest tracked by the Liberty Interactive common stock will be allocated to the Interactive Group, and any tax item (including any tax item arising from a disposition) attributable to an asset, liability or other interest tracked by the Liberty Capital common stock will be allocated to the Capital Group. Tax items arising from employee or director compensation or employee benefits will be allocated to the group responsible for the underlying obligation (either through the allocation of the related expenses or through the issuance of stock of that group).

As described further in this proxy statement/prospectus under the heading "Risk Factors" If either the Liberty Interactive common stock or the Liberty Capital common stock or both, were not treated as stock of New Liberty for tax purposes, several adverse tax consequences would result to you and to us," no ruling has been obtained from the IRS with respect to the restructuring, and it is possible that the IRS could assert that the Liberty Interactive common stock, the Liberty Capital common stock, or both are not stock of New Liberty for tax purposes. Although we think it is unlikely that the IRS would prevail on that view, if the IRS were successful in such a challenge, we and our subsidiaries would recognize a significant taxable gain as a result of the restructuring, and members of the Interactive Group and the Capital Group may not be able to file, where otherwise permitted, consolidated, combined or unitary tax returns as members of the same affiliated group. The Capital Group will be responsible for any taxes or tax items resulting from the treatment of the Liberty Interactive common stock, the Liberty Capital common stock, or both as other than stock of New Liberty, or the actual or deemed disposition of either group or any entity included in either group caused by the issuance of the Liberty Interactive common stock or the Liberty Capital common stock.

Notwithstanding these tax sharing policies, under U.S. treasury regulations, each member of a consolidated group is severally liable for the U.S. federal income tax liability of each other member of the consolidated group. **Accordingly, each member of the New Liberty affiliated group for U.S. federal income tax purposes (whether or not such member is part of the Capital Group or the Interactive Group) could be liable to the U.S. government for any U.S. federal income tax liability incurred, but not discharged, by any other member of the New Liberty affiliated group.**

Share Repurchase Program

In connection with the restructuring, our board of directors (which will be New Liberty's board of directors) has authorized a share repurchase program pursuant to which New Liberty, if the restructuring proposals are approved and implemented, may repurchase outstanding shares of Liberty Interactive common stock and Liberty Capital common stock in the open market or in privately negotiated transactions, from time to time, subject to market conditions. Under the program, New Liberty may purchase shares of Liberty Capital common stock for an aggregate purchase price of up to \$1 billion and shares of Liberty Interactive common stock for an aggregate purchase price of up to \$1 billion. New Liberty may alter or terminate its stock repurchase program at any time.

Comparison of Old Liberty Common Stock with Liberty Interactive Common Stock and Liberty Capital Common Stock

The following summary comparison should be read together with the description of New Liberty's amended charter included under the heading " Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock" below.

Old Liberty Common Stock	Liberty Capital Common Stock	Liberty Interactive Common Stock
<p>Our existing common stock reflects the performance of all of our businesses.</p>	<p style="text-align: center;">Basic Investment</p> <p>We intend the Liberty Capital common stock to reflect the separate economic performance of the assets to be included in the Capital Group. The Capital Group will initially include all of our businesses, assets and liabilities that are not attributed to the Interactive Group, including our subsidiaries Starz Entertainment Group LLC, On Command Corporation, OpenTV Corp. and TruePosition, Inc. and our equity affiliates Courtroom Television Network LLC, GSN, LLC, and WildBlue Communications, Inc. and our interests in News Corporation, Time Warner, Inc., Sprint Nextel Corporation and Motorola, Inc. and thereafter will include such other of our assets and businesses that New Liberty's board of directors may in the future determine to attribute to the Capital Group or may be acquired in the future for the Capital Group. In addition, we will attribute the portion of our existing parent company debt that is not attributed to the Interactive Group (which is \$4.58 billion principal amount, as of December 31, 2005) to the Capital Group.</p> <p>We cannot assure you that the market value of the Liberty Capital common stock will reflect the performance of the Capital Group as we intend. Holders of Liberty Capital common stock will be holders of New Liberty common stock and, as such will be subject to all</p>	<p>We intend the Liberty Interactive common stock to reflect the separate economic performance of the assets to be included in the Interactive Group. The Interactive Group will initially include our interests in (i) our subsidiaries QVC, Inc. and Provide Commerce, Inc., (ii) Expedia, Inc. and (iii) IAC/InterActiveCorp, and thereafter will include such other of our businesses, assets and liabilities that New Liberty's board of directors may in the future determine to attribute to the Interactive Group or may be acquired in the future for the Interactive Group. In addition, we will attribute \$4.48 billion principal amount (as of December 31, 2005) of our existing parent company debt to the Interactive Group.</p> <p>We cannot assure you that the market value of the Liberty Interactive common stock will in fact reflect the performance of the Interactive Group as we intend. Holders of Liberty Interactive common stock will be holders of New Liberty common stock and, as such, will be subject to all risks associated with an investment in New Liberty and all of its businesses, assets and liabilities. In addition, New Liberty could determine to pursue future business opportunities through one group instead of the other group, or jointly through both groups.</p>

risks associated with an investment in New Liberty and all of its businesses, assets and liabilities. In addition, New Liberty could determine to pursue future business opportunities through one group instead of the other group, or jointly through both groups.

Authorized Capital Stock

We are currently authorized to issue up to 4,450,000,000 shares of capital stock, consisting of 4,400,000,000 shares of common stock, of which 4,000,000,000 shares are designated as Series A common stock and 400,000,000 billion shares of our common stock are designated as Series B common stock, and 50,000,000 shares of preferred stock. Our preferred stock may be issued in one or more series as stated in a resolution adopted by our board of directors.

Under New Liberty's amended charter, New Liberty will be authorized to issue up to 4,400,000,000 shares of capital stock, of which 400,000,000 will be designated Liberty Capital Series A common stock, 25,000,000 will be designated Liberty Capital Series B common stock, and 300,000,000 will be designated Liberty Capital Series C common stock.

Under New Liberty's amended charter, New Liberty will be authorized to issue up to 4,400,000,000 shares of capital stock, of which 2,000,000,000 will be designated Liberty Interactive Series A common stock, 125,000,000 will be designated Liberty Interactive Series B common stock, and 1,500,000,000 will be designated Liberty Interactive Series C common stock.

Under New Liberty's amended charter, New Liberty will be authorized to issue 50,000,000 shares of preferred stock.

Dividend and Securities Distributions

We have never paid cash dividends on our common stock and if the restructuring is not completed we do not expect to pay any dividends on common stock in the foreseeable future.

We do not expect New Liberty to pay cash dividends on any series of Liberty Capital common stock in the foreseeable future because we expect New Liberty to retain future earnings for use in the operation and expansion of its business.

We do not expect New Liberty to pay cash dividends on any series of Liberty Interactive common stock in the foreseeable future because we expect New Liberty to retain future earnings for use in the operation and expansion of its business.

We are permitted to pay dividends when and as declared by our board. Dividends will only be paid out of assets legally available to us for the payment of dividends. Whenever a dividend is paid to holders of our Series A common stock, the holders of our Series B common stock are entitled to receive an equal dividend per share and whenever a dividend is paid to the holders of our Series B common stock the holders of

New Liberty will be permitted to pay dividends on Liberty Capital common stock, out of the lesser of its assets legally available for the payment of dividends under Delaware law and the Capital Group Available Dividend Amount (as defined under " Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock Dividends Available Amounts"). If dividends are

New Liberty will be permitted to pay dividends on Liberty Interactive common stock, out of the lesser of its assets legally available for the payment of dividends under Delaware law and the Interactive Group Available Dividend Amount (as defined under " Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock Dividends Available Amounts"). If

our Series A common stock are entitled to receive an equal dividend per share.

We are permitted to make share distributions of Series A common stock to holders of Series A common stock and Series B common stock on an equal per share basis; to make distributions of Series B common stock to holders of Series A common stock and Series B common stock on an equal per share basis; or to make distributions of Series A common stock to holders of Series A common stock and, on an equal per share basis, distributions of Series B common stock to holders of Series B common stock. We may also make a distribution of shares of any other class or series of our securities or the securities of any other person on an equal per share basis, to holders of Series A common stock and Series B common stock, subject to certain limitations.

paid on any series of Liberty Capital common stock, an equal per share dividend will be concurrently paid on the other series of Liberty Capital common stock.

If the Interactive Group has an inter-group interest in the Capital Group at the time a dividend is to be paid on Liberty Capital common stock, the Interactive Group will participate in the dividend. See " Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock Dividends Inter-Group Dividend Amounts" below.

New Liberty will also be permitted to make share distributions of Liberty Capital Series A, Series B or Series C common stock, respectively, to holders of all series of Liberty Capital common stock, on an equal per share basis (except that Liberty Capital Series B common stock may not be distributed to holders of Liberty Capital Series A common stock or Liberty Capital Series C common stock); share distributions of Liberty Capital Series A common stock to holders of Liberty Capital Series A common stock and, on an equal per share basis, shares of Liberty Capital Series B common stock to holders of Liberty Capital Series B common stock and, on an equal per share basis, shares of Liberty Capital Series C common stock to holders of Liberty Capital Series C common stock; share distributions of Liberty Interactive Series A, Series B or

dividends are paid on any series of Liberty Interactive common stock, an equal per share dividend will be concurrently paid on the other series of Liberty Interactive common stock.

If the Capital Group has an inter-group interest in the Interactive Group at the time a dividend is to be paid on Liberty Interactive common stock, the Capital Group will participate in the dividend. See " Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock Dividends Inter-Group Dividend Amounts" below.

New Liberty will also be permitted to make share distributions of Liberty Interactive Series A, Series B or Series C common stock, respectively, to holders of all series of Liberty Interactive common stock, on an equal per share basis (except that Liberty Interactive Series B common stock may not be distributed to holders of Liberty Interactive Series A common stock or Liberty Interactive Series C common stock); share distributions of Liberty Interactive Series A common stock to holders of Liberty Interactive Series A common stock and, on an equal per share basis, shares of Liberty Interactive Series B common stock to holders of Liberty Interactive Series B common stock and, on an equal per share basis, shares of Liberty Interactive Series C common stock to holders of Liberty Interactive Series C common

Series C common stock, respectively to holders of all series of Liberty Capital common stock, on an equal per share basis, subject to certain limitations (and except that Liberty Interactive Series B common stock may not be distributed to holders of Liberty Capital Series A common stock or Liberty Capital Series C common stock); share distributions of Liberty Interactive Series A common stock to holders of Liberty Capital Series A common stock and, on an equal per share basis, shares of Liberty Interactive Series B common stock to holders of Liberty Capital Series B common stock and, on an equal per share basis, shares of Liberty Interactive Series C common stock to holders of Liberty Capital Series C common stock, subject to certain limitations; and share distributions of any other class or series of its securities or the securities of any other person to holders of all series of Liberty Capital common stock, on an equal per share basis, subject to certain limitations.

stock; share distributions of Liberty Capital Series A, Series B or Series C common stock, respectively, to holders of all series of Liberty Interactive common stock, on an equal per share basis, subject to certain limitations (and except that Liberty Capital Series B common stock may not be distributed to holders of Liberty Interactive Series A common stock or Liberty Interactive Series C common stock); share distributions of Liberty Capital Series A common stock to holders of Liberty Interactive Series A common stock and, on an equal per share basis, shares of Liberty Capital Series B common stock to holders of Liberty Interactive Series B common stock and, on an equal per share basis, shares of Liberty Capital Series C common stock to holders of Liberty Interactive Series C common stock, subject to certain limitations; and share distributions of any other class or series of its securities or the securities of any other person to holders of all series of Liberty Interactive common stock, on an equal per share basis, subject to certain limitations.

Conversion at Option of Holder

Each share of our Series B common stock is convertible, at the option of the holder, into one share of Series A common stock. Shares of Series A common stock are not convertible into shares of Series B common stock.

Each share of Liberty Capital Series B common stock will be convertible, at the option of the holder, into one share of Liberty Capital Series A common stock. Shares of Liberty Capital Series A common stock and shares of Liberty Capital Series C common stock are not convertible.

Each share of Liberty Interactive Series B common stock will be convertible, at the option of the holder, into one share of Liberty Interactive Series A common stock. Shares of Liberty Interactive Series A common stock and shares of Liberty Interactive Series C common stock are not convertible.

Conversion at Option of Issuer

None.

None.

Following the first anniversary of the effective date of the restructuring (absent an earlier "tax event"), New Liberty will be able 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 subject to certain limitations) over a specified 60-trading day period. For a description of the "tax event" referred to above, see " Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock Conversion and Exchange Conversion of Liberty Interactive Common Stock at Liberty's Option."

Optional Redemption for Stock of a Subsidiary

None.

If at any time a "Qualifying Subsidiary" holds assets and liabilities attributed to the Capital Group and no other assets or liabilities, New Liberty may redeem outstanding shares of Liberty Capital common stock for shares of common stock of such Qualifying Subsidiary owned by New Liberty provided that New Liberty's board of directors has determined that such redemption is expected to qualify for nonrecognition of gain or loss (in whole or in part) under Section 355 of the Internal Revenue Code to holders of Liberty Capital common stock. For the definition of "Qualifying Subsidiary" and additional information regarding such redemptions, see " Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock Optional Redemption for Stock of a Subsidiary Redemption of Liberty Capital Common Stock."

If at any time a Qualifying Subsidiary holds assets and liabilities attributed to the Interactive Group and no other assets or liabilities, New Liberty may redeem outstanding shares of Liberty Interactive common stock for shares of common stock of such Qualifying Subsidiary owned by New Liberty provided that New Liberty's board of directors has determined that such redemption is expected to qualify for nonrecognition of gain or loss (in whole or in part) under Section 355 of the Internal Revenue Code to holders of Liberty Interactive common stock. For additional information regarding such redemptions, see " Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock Optional Redemption for Stock of a Subsidiary Redemption of Liberty Interactive Common Stock."

Mandatory Dividend, Redemption and Conversion Rights on Disposition of Assets

None.

If New Liberty disposes, in one transaction or a series of transactions, of all or substantially all of the assets of the Capital Group, New Liberty is required to choose one of the following four alternatives, unless the board obtains approval of the holders of Liberty Capital common stock to not take such action or the disposition qualifies for one of the other specified exemptions (in which case New Liberty will not be required to take any of the following actions):

pay a dividend to holders of Liberty Capital common stock out of the available net proceeds of such disposition;

if there are legally sufficient assets and the Capital Group Available Dividend Amount would have been sufficient to pay a dividend, then: (i) if the disposition involves all of the properties and assets of the Capital Group, redeem all outstanding shares of Liberty Capital common stock in exchange for cash and/or securities or other assets with a fair value equal to the available net proceeds of such disposition, or (ii) if the disposition involves substantially all (but not all) of the properties and assets of the Capital Group, redeem outstanding shares of Liberty Capital common stock in exchange for cash and/or securities or other property with a fair value

If New Liberty disposes, in one transaction or a series of transactions, of all or substantially all of the assets of the Interactive Group, New Liberty is required to choose one of the following four alternatives, unless the board obtains approval of the holders of Liberty Interactive common stock to not take such action or the disposition qualifies for one of the other specified exemptions (in which case New Liberty will not be required to take any of the following actions):

pay a dividend to holders of Liberty Interactive common stock out of the available net proceeds of such disposition;

if there are legally sufficient assets and the Interactive Group Available Dividend Amount would have been sufficient to pay a dividend, then: (i) if the disposition involves all of the properties and assets of the Interactive Group, redeem all outstanding shares of Liberty Interactive common stock in exchange for cash and/or securities or other assets with a fair value equal to the available net proceeds of such disposition, or (ii) if the disposition involves substantially all (but not all) of the properties and assets of the Interactive Group, redeem outstanding shares of Liberty Interactive common stock in exchange for cash and/or securities or other property with a fair

equal to the available net proceeds of such disposition; or

convert each outstanding share of each series of Liberty Capital common stock into a number of shares of the corresponding series of Liberty Interactive common stock at a specified premium; or

combine a conversion of a portion of the outstanding shares of Liberty Capital common stock with the payment of a dividend on or redemption of shares of Liberty Capital common stock, as described above and subject to certain limitations.

For more information regarding such dispositions, including the criteria for exemption from the mandatory dividend, redemption or conversion provisions described above, see " Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock Mandatory Dividend, Redemption or Conversion on Disposition of All or Substantially All of the Assets of a Group Capital Group Dispositions."

value equal to the available net proceeds of such disposition; or

convert each outstanding share of each series of Liberty Interactive common stock into a number of shares of the corresponding series of Liberty Capital common stock at a specified premium; or

combine a conversion of a portion of the outstanding shares of Liberty Interactive common stock with the payment of a dividend on or redemption of shares of Liberty Interactive common stock, as described above and subject to certain limitations.

For more information regarding such dispositions, including the criteria for exemption from the mandatory dividend, redemption or conversion provisions described above, see " Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock Mandatory Dividend, Redemption or Conversion on Disposition of All or Substantially All of the Assets of a Group Interactive Group Dispositions."

Voting Rights

Holders of our existing Series A common stock are entitled to one vote for each share of such stock held and holders of our existing Series B common stock are entitled to ten votes for each share of such stock held on all matters submitted to a vote of our stockholders at any annual or special meeting. Holders of our Series A common stock and Series B common stock vote as a class, except to the extent separate series votes are required by Delaware law or our existing charter.

Holders of Liberty Capital Series A common stock will be entitled to one vote for each share of such stock held and holders of Liberty Capital Series B common stock will be entitled to ten votes for each share of such stock held on all matters submitted to a vote of our stockholders. Holders of Liberty Capital Series C common stock will not be entitled to any voting powers except as otherwise required by Delaware law. When so required, holders of Liberty Capital Series C common stock will be entitled to 1/100th of a vote for each share of such stock held.

Holders of Liberty Interactive Series A common stock will be entitled to one vote for each share of such stock held and holders of Liberty Interactive Series B common stock will be entitled to ten votes for each share of such stock held on all matters submitted to a vote of our stockholders. Holders of Liberty Interactive Series C common stock will not be entitled to any voting powers except as otherwise required by Delaware law. When so required, holders of Liberty Interactive Series C common stock will be entitled to 1/100th of a vote for each share of such stock held.

Holders of Liberty Capital common stock will vote as one class with holders of Liberty Interactive common stock on all matters that are submitted to a vote of New Liberty's stockholders unless a separate class vote is required by New Liberty's amended charter or Delaware law. In connection with certain dispositions of Capital Group assets, the board of directors may determine to seek approval of the holders of Liberty Capital Series A and Series B common stock, voting together as a separate class, to avoid effecting a mandatory dividend, redemption or conversion under New Liberty's amended charter. For more information regarding the voting rights of the Capital Group, see " Description of Liberty Interactive Common Stock and Liberty Capital Common Stock Voting Rights."

Holders of Liberty Interactive common stock will vote as one class with holders of Liberty Capital common stock on all matters that are submitted to a vote of New Liberty's stockholders unless a separate class vote is required by New Liberty's amended charter or Delaware law. In connection with certain dispositions of Interactive Group assets, the board of directors may determine to seek approval of the holders of Liberty Interactive Series A and Series B common stock, voting together as a separate class, to avoid effecting a mandatory dividend, redemption or conversion under New Liberty's amended charter. For more information regarding the voting rights of the Interactive Group, see " Description of Liberty Interactive Common Stock and Liberty Capital Common Stock Voting Rights."

Inter-Group Interest

None.	Initially, the Capital Group will have no inter-group interest in the Interactive Group. From time to time, the board of directors may determine to create an inter-group interest in the Interactive Group in favor of the Capital Group, subject to the terms of New Liberty's amended charter.	Initially, the Interactive Group will have no inter-group interest in the Capital Group. From time to time, the board of directors may determine to create an inter-group interest in the Capital Group in favor of the Interactive Group, subject to the terms of New Liberty's amended charter.
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Liquidation

Upon our liquidation, dissolution or winding up, holders of our existing common stock are entitled to receive our net assets, if any, remaining for distribution to holders of our common stock (after payment or provision for all of our liabilities and payment of the preferential amounts to which any series of preferred stock is entitled) on a per share basis.	Upon New Liberty's liquidation, dissolution or winding up, holders of shares of Liberty Capital common stock and the holders of shares of Liberty Interactive common stock will be entitled to receive in respect of shares of Liberty Capital common stock and Liberty Interactive common stock their proportionate interests in New Liberty's assets, if any, remaining for distribution to holders of New Liberty common stock (regardless of the group to which such assets are then attributed) in proportion to their respective number of liquidation units per share of Liberty Capital common stock and Liberty Interactive common stock.
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Each share of Liberty Capital common stock will have one liquidation unit, subject to adjustment.	Each share of Liberty Interactive common stock will have a number of liquidation units (including a fraction of one liquidation unit) equal to the quotient of the volume weighted average price of one share of Liberty Interactive Series A common stock over the first 20 trading days on which the Liberty Interactive Series A common stock trades in the regular way market, divided by the volume weighted average price of one share of Liberty Capital Series A common stock over the first 20 trading days on which the Liberty Capital Series A common stock trades in the regular way market, subject to adjustment.
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For additional information regarding liquidation units, including events requiring an adjustment thereto, see " Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock Liquidation and Dissolution."

Stock Exchange Listings

Our existing Series A common stock and Series B common stock is listed on the NYSE under the symbols "L" and "LMC.B" respectively.

We have applied to list Liberty Capital Series A common stock and Series B common stock on the Nasdaq National Market under the symbols "LCAPA" and "LCAPB," respectively.

We have applied to list Liberty Interactive Series A common stock and Series B common stock on the Nasdaq National Market under the symbols "LINTA" and "LINTB," respectively.

Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock

The following is a summary of the Liberty Interactive common stock and the Liberty Capital common stock and reflects the terms of New Liberty's amended charter. This summary may not contain all the information that is important to you. It is qualified in its entirety by reference to the form of New Liberty's amended charter included as Annex C, which is incorporated herein by reference.

General

Our current restated certificate of incorporation (which we call our "**current charter**") authorizes us to issue four billion four hundred fifty million (4,450,000,000) shares, consisting of four billion (4,000,000,000) shares of Series A common stock, par value \$.01 per share (our "**existing Series A common stock**"), four hundred million (400,000,000) shares of Series B common stock, par value \$.01 per share (our "**existing Series B Common stock**"), and fifty million (50,000,000) shares of preferred stock, par value \$.01 per share (our "**preferred stock**"). As of January 31, 2006, we had approximately 2,682,351,118 shares of Series A common stock, 121,062,825 shares of Series B common stock and no shares of preferred stock issued and outstanding

If the restructuring is completed, all of our existing common stock will be exchanged for shares of Liberty Capital common stock and Liberty Interactive common stock, the terms of which will be defined by New Liberty's amended charter. Under New Liberty's amended charter, New Liberty's authorized capital stock will be as follows:

four billion three hundred fifty million (4,350,000,000) authorized shares of common stock, consisting of:

four hundred million (400,000,000) shares of Liberty Capital Series A common stock,

twenty-five million (25,000,000) shares of Liberty Capital Series B common stock,

three hundred million (300,000,000) shares of Liberty Capital Series C common stock,

two billion (2,000,000,000) shares of Liberty Interactive Series A common stock,

one hundred and twenty-five million (125,000,000) shares of Liberty Interactive Series B common stock,

one billion five hundred million (1,500,000,000) shares of Liberty Interactive Series C common stock, and

fifty million (50,000,000) authorized shares of preferred stock, which the board will be authorized to issue in series that it designates.

New Liberty's amended charter defines the assets and liabilities to be attributed to each of the Capital Group and the Interactive Group, as follows:

"Interactive Group" means:

our direct and indirect interests in QVC (including any successor to all or substantially all of the assets of QVC), Provide Commerce (including any successor to all or substantially all of the assets of Provide Commerce), Expedia (including any successor to all or substantially all of the assets of Expedia) and IAC (including any successor to all or substantially all of the assets of IAC) and their respective assets, liabilities and businesses at the effective time of the restructuring;

any other of our assets, liabilities and businesses attributed to the Interactive Group at the effective time of the restructuring;

all assets, liabilities and businesses acquired by us or any of our subsidiaries for the account of, or contributed, allocated or otherwise transferred to the Interactive Group, as determined by the board of directors;

the proceeds of any sale, transfer, exchange, assignment or other disposition of any of the foregoing; and

any inter-group interest (as defined below) in the Capital Group at any time attributed to the Interactive Group.

"Capital Group" means:

our direct and indirect interests at the effective time of the restructuring in all of the businesses in which we are or have been engaged, directly or indirectly, and in the respective assets and liabilities of us or any of our subsidiaries, other than any businesses, assets or liabilities attributed to the Interactive Group at the effective time of the restructuring;

all assets, liabilities and businesses acquired by us or any of our subsidiaries for the account of, or contributed, allocated or otherwise transferred to the Capital Group, as determined by the board of directors;

the proceeds of any sale, transfer, exchange, assignment or other disposition of any of the foregoing; and

any inter-group interest in the Interactive Group at any time attributed to the Capital Group.

An **"inter-group interest"** means, as of any date, an undivided quasi-equity interest in one group held by the other group. Inter-group interests are not represented by outstanding shares of common stock, however they are generally stated in terms of a notional number of shares issuable of the group in which the inter-group interest is being created. The number of shares issuable is generally determined by dividing the aggregate dollar value of the funds contributed, or the aggregate fair market value of the assets allocated, to the other group by the market price of the common stock of the group in which the inter-group interest is being created. More specifically, the **"Number of Shares Issuable With Respect to the Interactive Group Inter-Group Interest"** is the notional number of shares of Liberty Interactive common stock in which the inter-group interest of the Capital Group in the Interactive Group will be stated, as of any date, and the **"Number of Shares Issuable With Respect to the Capital Group Inter-Group Interest"** is the notional number of shares of Liberty Capital common stock in which the inter-group interest of the Interactive Group in the Capital Group will be stated, as of any date. Initially, neither group will have an inter-group interest in the other group.

Inter-group interests are created in the discretion of the board of directors for specific transactions, such as when funds of one group are used to effect an acquisition of assets or businesses to be attributed to the other group. Inter-group interests once created may be increased or decreased for subsequent events. For instance, if the Interactive Group holds an inter-group interest in the Capital Group at the time funds or assets are contributed by the Capital Group to the Interactive Group, the board of directors may choose to reduce the Interactive Group's inter-group interest in the Capital Group rather than create an inter-group interest in the Interactive Group in favor of the Capital Group. Such a reduction would take the form of a reduction in the Number of Shares of Issuable With Respect to the Capital Group Inter-Group Interest. The board may also forego creating or adjusting an inter-group interest by accounting for a transfer of funds or assets or a similar transaction as a short-term loan or long-term loan. See "The Restructuring Proposals Management and Allocation Policies." Throughout the following discussion of New Liberty's amended charter, we describe other circumstances in which inter-group interests may be created, increased or decreased.

New Liberty may from time to time, by action of its board of directors:

offer shares of Liberty Capital common stock or Liberty Interactive common stock for cash in one or more public offerings;

issue shares of Liberty Capital common stock or Liberty Interactive common stock as consideration for acquisitions or investments;

issue shares of Liberty Capital common stock or Liberty Interactive common stock to its employees pursuant to its stock-based compensation plans or otherwise as compensation; or

issue shares of Liberty Capital common stock or Liberty Interactive common stock for any other proper corporate purpose.

As long as sufficient authorized shares are available, the timing, sequence, size and terms of such transactions would be determined by New Liberty's board of directors, without further approval of the stockholders, unless deemed advisable by New Liberty's board of directors in its sole discretion or required by applicable law, regulation or stock exchange requirements.

Board of Directors

Any determination made by New Liberty's board of directors under any provision of New Liberty's amended charter will be final and binding on all of New Liberty's stockholders, except as may otherwise be required by law. References to actions or determinations to be taken or made by New Liberty's board of directors under New Liberty's amended charter will include actions or determinations made by any committee of the board that has been authorized by the board to act on such matters, including the executive committee of the board.

Voting Rights

Currently, holders of Old Liberty Series A common stock have one vote per share and holders of Old Liberty Series B common stock have 10 votes per share on all matters submitted to a vote of stockholders. Holders of Old Liberty Series A common stock and holders of Old Liberty Series B common stock vote together as one class on all matters as to which common stockholders generally are entitled to vote, except as otherwise required by Delaware law.

Once the restructuring is completed, holders of Liberty Capital Series A common stock, Liberty Capital Series B common stock, Liberty Interactive Series A common stock and Liberty Interactive Series B common stock will vote together as one class on all matters as to which common stockholders generally are entitled to vote, unless a separate class vote is required by New Liberty's amended charter (as described below) or Delaware law.

On all matters submitted to a vote of New Liberty's stockholders:

each outstanding share of Liberty Capital Series A common stock entitles the holder to one vote per share, and each outstanding share of Liberty Interactive Series A common stock entitles the holder to one vote per share; and

each outstanding share of Liberty Capital Series B common stock entitles the holder to 10 votes per share, and each outstanding share of Liberty Interactive Series B common stock entitles the holder to 10 votes per share.

Holders of Liberty Capital Series C common stock and Liberty Interactive Series C common stock will not be entitled to vote on any matter, except as required by Delaware law, in which case, each share of Liberty Capital Series C common stock and each share of Liberty Interactive Series C common stock entitles the respective holder to 1/100th of a vote per share.

New Liberty's amended charter provides for a separate class vote under the following circumstances:

in connection with a disposition of all or substantially all of the Capital Group's assets when New Liberty's board of directors determines to seek the approval of holders of Liberty Capital Series A common stock and holders of Liberty Capital Series B common stock, voting together as a separate class, to classify the disposition as exempt from the mandatory dividend, redemption or conversion provisions otherwise applicable to the Liberty Capital common stock as a result of such disposition; and

in connection with a disposition of all or substantially all of the Interactive Group's assets when New Liberty's board of directors determines to seek the approval of holders of Liberty Interactive Series A common stock and holders of Liberty Interactive Series B common stock, voting together as a separate class, to classify the disposition as exempt from the mandatory dividend, redemption or conversion provisions otherwise applicable to the Liberty Interactive common stock as a result of such disposition.

The foregoing separate class voting rights are in addition to any vote of all of New Liberty's stockholders that may be required by New Liberty's amended charter or Delaware law. For more information regarding these class voting rights, see "Mandatory Dividend, Redemption or Conversion on Disposition of All or Substantially All of the Assets of a Group Capital Group Dispositions" and "Mandatory Dividend, Redemption or Conversion on Disposition of All or Substantially All of the Assets of a Group International Group Dispositions," respectively.

Dividends

Available Amounts. We have never paid cash dividends on our common stock and we currently intend to retain all of our available funds to finance operations, repay our indebtedness and fund future growth. Following the restructuring, we do not expect that New Liberty will pay cash dividends on Liberty Capital common stock or Liberty Interactive common stock for the foreseeable future. Under New Liberty's amended charter, New Liberty will be permitted to declare and pay cash dividends:

on Liberty Capital common stock, out of the lesser of New Liberty's assets legally available for the payment of dividends under Delaware law and the Capital Group Available Dividend Amount (as defined below); and

on Liberty Interactive common stock, out of New Liberty's assets legally available for the payment of dividends under Delaware law and the Interactive Group Available Dividend Amount (as defined below).

We cannot assure you whether there will be an available dividend amount for either group.

"Capital Group Available Dividend Amount," as of any date, means generally: (i) the excess of the total assets of the Capital Group less the total liabilities of the Capital Group as of such date over the aggregate par value of, or any greater amount determined to be capital in respect of, all outstanding shares of Liberty Capital common stock or (ii) in case there is no such excess, an amount equal to the earnings or loss attributable to the Capital Group (if positive) for the fiscal year in which such date occurs and/or the preceding fiscal year.

"Interactive Group Available Dividend Amount," as of any date, means generally: (i) the excess of the total assets of the Interactive Group less the total liabilities of the Interactive Group as of such date over (B) the aggregate par value of, or any greater amount determined to be capital in respect of, all outstanding shares of Liberty Interactive common stock, or (ii) in case

there is no such excess, an amount equal to the earnings or loss attributable to the Interactive Group (if positive) for the fiscal year in which such date occurs and/or the preceding fiscal year.

Inter-Group Dividend Amounts Capital Group Dividend. If the Interactive Group holds an inter-group interest in the Capital Group (which means that the Number of Shares Issuable With Respect to the Capital Group Inter-Group Interest is greater than zero) on the record date for any dividend or distribution with respect to the Liberty Capital common stock, then unless the dividend or distribution consists of shares of New Liberty's common stock, the board of directors will compensate the Interactive Group for its inter-group interest in the Capital Group by causing the Interactive Group to receive (or be attributed (including through the creation of or an increase in an existing inter-group interest)), concurrently with the payment of such dividend on the shares of Liberty Capital common stock, cash, securities and/or other property with a fair value equal to that which the Interactive Group would have received had the Number of Shares Issuable With Respect to the Capital Group Inter-Group Interest been issued and outstanding shares of Liberty Capital common stock on the record date for the dividend or distribution.

If, however, the dividend or distribution consists of Liberty Capital common stock, the board of directors will compensate the Interactive Group by increasing the Number of Shares Issuable With Respect to the Capital Group Inter-Group Interest or making a distribution of shares of Liberty Capital Common Stock to holders of Liberty Interactive common stock.

If the dividend or distribution consists of Liberty Interactive common stock, the board of directors will compensate the Interactive Group by decreasing the Number of Shares Issuable With Respect to Interactive Group Inter-Group Interest thereby decreasing the Capital Group's inter-group interest in the Interactive Group.

Interactive Group Dividend. If the Capital Group holds an inter-group interest in the Interactive Group (which means that the Number of Shares Issuable With Respect to the Interactive Group Inter-Group Interest is greater than zero) on the record date for any dividend or distribution with respect to the Liberty Interactive common stock, then unless the dividend or distribution consists of shares of New Liberty's common stock, the board of directors will compensate the Capital Group for its inter-group interest in the Interactive Group by causing the Capital Group to receive (or be attributed (including through the creation of or an increase in an existing inter-group interest)), concurrently with the payment of such dividend on the shares of Liberty Interactive common stock, cash, securities and/or other property with a fair value equal to that which the Capital Group would have received had the Number of Shares Issuable With Respect to the Interactive Group Inter-Group Interest been issued and outstanding shares of Liberty Interactive common stock on the record date for the dividend or distribution.

If, however, the dividend or distribution consists of Liberty Interactive common stock, the board of directors will compensate the Capital Group by increasing the Number of Shares Issuable With Respect to the Interactive Group Inter-Group Interest or making a distribution of shares of Liberty Interactive common stock to holders of Liberty Capital common stock.

If the dividend or distribution consists of Liberty Capital common stock, the board of directors will compensate the Capital Group by decreasing the Number of Shares Issuable With Respect to the Capital Group Inter-Group Interest thereby decreasing the Interactive Group's inter-group interest in the Capital Group.

General. Subject to the foregoing limitations as well as those noted under " Share Distributions" below (and to any other limitations set forth in any future series of preferred stock or in any agreements binding on us from time to time), New Liberty has the sole discretion and authority to pay dividends on, or refrain from declaring and paying dividends on, its common stock. **Notwithstanding the foregoing, if dividends are paid on any series of common stock of either group, then an equal per**

share dividend will be concurrently paid on each other series of common stock of that group. For example, if New Liberty's board of directors declared and paid a cash dividend on the Liberty Capital Series B common stock, it would be required to declare and pay a cash dividend in the same per share amount on each outstanding share of Liberty Capital Series A common stock and Liberty Capital Series C common stock. However, it would not be required to declare and pay any dividend on any shares of Liberty Interactive common stock.

Share Distributions

Distributions on Liberty Capital Common Stock. If at any time, a share distribution is to be paid in Liberty Capital common stock, such share distribution may be declared and paid only as follows (or as described under " Conversion and Exchange" below with respect to the redemptions and other distributions referred to therein):

a share distribution consisting of shares of Liberty Capital Series A common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Capital Series A common stock) to holders of Liberty Capital Series A common stock, Liberty Capital Series B common stock and Liberty Capital Series C common stock, on an equal per share basis;

a share distribution consisting of shares of Liberty Capital Series C common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Capital Series C common stock) to holders of Liberty Capital Series A common stock, Liberty Capital Series B common stock and Liberty Capital Series C common stock, on an equal per share basis;

a share distribution consisting of shares of Liberty Capital Series A common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Capital Series A common stock) to holders of Liberty Capital Series A common stock, and shares of Liberty Capital Series B common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Capital Series B common stock) to holders of Liberty Capital Series B common stock, and shares of Liberty Capital Series C common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Capital Series C common stock) to holders of Liberty Capital Series C common stock, in each case, on an equal per share basis;

a share distribution consisting of Liberty Interactive Series A common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Interactive Series A common stock) to holders of Liberty Capital Series A common stock, Liberty Capital Series B common stock and Liberty Capital Series C common stock, on an equal per share basis, provided that no such distribution will be declared and paid in excess of the Number of Shares Issuable with Respect to the Interactive Group Inter-Group Interest, which means that a share distribution consisting of Liberty Interactive Series A common stock may only be paid on Liberty Capital common stock to the extent of the Capital Group's inter-group interest in the Interactive Group;

a share distribution consisting of Liberty Interactive Series C common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Interactive Series A common stock) to holders of Liberty Capital Series A common stock, Liberty Capital Series B common stock and Liberty Capital Series C common stock, on an equal per share basis, provided that no such distribution will be declared and paid in excess of the Number of Shares Issuable with Respect to the Interactive Group Inter-Group Interest, which means that a share distribution consisting of Liberty Interactive Series C common stock may only be paid on Liberty Capital common stock to the extent of the Capital Group's inter-group interest in the Interactive Group;

a share distribution consisting of shares of Liberty Interactive Series A common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Interactive Series A common stock) to holders of Liberty Capital Series A common stock, and shares of Liberty Interactive Series B common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Interactive Series B common stock) to holders of Liberty Capital Series B common stock, and shares of Liberty Interactive Series C common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Interactive Series C common stock) to holders of Liberty Capital Series C common stock, in each case, on an equal per share basis, provided that no such distribution will be declared and paid in excess of the Number of Shares Issuable with Respect to the Interactive Group Inter-Group Interest, which means that a share distribution consisting of Liberty Interactive Series A, Series B and Series C common stock may only be paid on Liberty Capital common stock to the extent of the Capital Group's inter-group interest in the Interactive Group; or

a share distribution consisting of any class or series of New Liberty's securities or the securities of any other person other than as described in the preceding bullet points, on the basis of a distribution of (i) identical securities, on an equal per share basis, to holders of each series of Liberty Capital common stock, (ii) separate classes or series of securities, on an equal per share basis, to the holders of the respective series of Liberty Capital common stock or (iii) a separate class or series of securities to the holders of one or more series of Liberty Capital common stock and, on an equal per share basis, a different class or series of securities to the holders of all other series of Liberty Capital Common stock, subject to certain limitations.

New Liberty will not subdivide, consolidate or reclassify any series of Liberty Capital common stock without subdividing, consolidating or reclassifying each other outstanding series of Liberty Capital common stock on an equal per share basis.

Distributions on Liberty Interactive Common Stock. If at any time a share distribution is to be made with respect to Liberty Interactive common stock, such share distribution may be declared and paid only as follows (or as described under " Conversion and Exchange" below with respect to the redemptions and other distributions referred to therein):

a share distribution consisting of shares of Liberty Interactive Series A common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Interactive Series A common stock) to holders of Liberty Interactive Series A common stock, Liberty Interactive Series B common stock and Liberty Interactive Series C common stock, on an equal per share basis;

a share distribution consisting of shares of Liberty Interactive Series C common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Interactive Series C common stock) to holders of Liberty Interactive Series A common stock, Liberty Interactive Series B common stock and Liberty Interactive Series C common stock, on an equal per share basis;

a share distribution consisting of shares of Liberty Interactive Series A common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Interactive Series A common stock) to holders of Liberty Interactive Series A common stock, and shares of Liberty Interactive Series B common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Interactive Series B common stock) to holders of Liberty Interactive Series B common stock, and shares of Liberty Interactive Series C common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Interactive Series C common stock) to holders of Liberty Interactive Series C common stock, in each case, on an equal per share basis;

a share distribution consisting of Liberty Capital Series A common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Capital Series A common stock) to holders of Liberty Interactive Series A common stock, Liberty Interactive Series B common stock and Liberty Interactive Series C common stock, on an equal per share basis, provided that no such distribution will be declared and paid in excess of the Number of Shares Issuable with Respect to the Capital Group Inter-Group Interest, which means that a share distribution consisting of Liberty Capital Series A common stock may only be paid on Liberty Interactive common stock to the extent of the Interactive Group's inter-group interest in the Capital Group;

a share distribution consisting of Liberty Capital Series C common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Capital Series A common stock) to holders of Liberty Interactive Series A common stock, Liberty Interactive Series B common stock and Liberty Interactive Series C common stock, on an equal per share basis, provided that no such distribution will be declared and paid in excess of the Number of Shares Issuable with Respect to the Capital Group Inter-Group Interest, which means that a share distribution consisting of Liberty Capital Series C common stock may only be paid on Liberty Interactive common stock to the extent of the Interactive Group's inter-group interest in the Capital Group;

a share distribution consisting of shares of Liberty Capital Series A common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Capital Series A common stock) to holders of Liberty Interactive Series A common stock, and shares of Liberty Capital Series B common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Capital Series B common stock) to holders of Liberty Interactive Series B common stock, and shares of Liberty Capital Series C common stock (or securities convertible into or exercisable or exchangeable for shares of Liberty Capital Series C common stock) to holders of Liberty Interactive Series C common stock, in each case, on an equal per share basis, provided that no such distribution will be declared and paid in excess of the Number of Shares Issuable with Respect to the Capital Group Inter-Group Interest, which means that a share distribution consisting of Liberty Capital Series A, Series B and Series C common stock may only be paid on Liberty Interactive common stock to the extent of the Interactive Group's inter-group interest in the Capital Group; or

a share distribution consisting of any class or series of New Liberty's securities or the securities of any other person other than as described in the preceding bullet points, on the basis of a distribution of (i) identical securities, on an equal per share basis, to holders of each series of Liberty Interactive common stock, (ii) separate classes or series of securities, on an equal per share basis, to the holders of the respective series of Liberty Interactive common stock or (iii) a separate class or series of securities to the holders of one or more series of Liberty Interactive common stock and, on an equal per share basis, a different class or series of securities to the holders of all other series of Liberty Interactive common stock, subject to certain conditions.

New Liberty will not subdivide, consolidate or reclassify any series of Liberty Interactive common stock without subdividing, consolidating or reclassifying each other outstanding series of Liberty Interactive common stock in the same proportion and the same manner.

Conversion and Exchange

Conversion at the Option of the Holder. Each share of Series B common stock of a group will be convertible, at the option of the holder thereof, into one share of Series A common stock of the same group. Shares of Series A and Series C common stock of a group will not be convertible into shares of any other series.

Conversion of Liberty Interactive Common Stock at Liberty's Option. Following the first anniversary of the effective date of the restructuring (absent the earlier occurrence of a "tax event" (as defined below)), New Liberty's board of directors may convert each share of Liberty Interactive Series A common stock into a number (or fraction) of shares of Liberty Capital Series A common stock, each share of Liberty Interactive Series B common stock into a number (or fraction) of shares of Liberty Capital Series B common stock and each share of Liberty Interactive Series C common stock into a number (or fraction) of shares of Liberty Capital Series C common stock, in each case based upon the ratio of the average market value of one share of Liberty Interactive Series A common stock (or another series of Liberty Interactive common stock subject to certain limitations) over a specified 60-trading day period to the average market value of one share of Liberty Capital Series A common stock (or another series of Liberty Capital common stock subject to certain limitations) over the same 60-trading day period. The average market value is determined based upon the average of the high and low reported sales prices regular way for shares of the applicable series of common stock on each trading day during the period or, absent reported sales, the average of the reported bid and ask prices regular way for the shares of the applicable series of common stock on each trading day during the period.

Prior to the first anniversary of the effective date of the restructuring, New Liberty's board of directors may effect such a conversion only as a result of a "tax event." A "**tax event**" occurs when, due to an amendment, clarification, change or proposed change in the tax laws, there is a risk that (i) any issuance of Liberty Interactive common stock or Liberty Capital common stock would be treated as a sale or other taxable disposition by us, (ii) the existence of the Liberty Interactive common stock or Liberty Capital common stock would subject us or our stockholders to imposition of tax or adverse tax consequences, or (iii) either Liberty Interactive common stock or Liberty Capital common stock is not or at any time in the future would not be treated solely as common stock of New Liberty for tax purposes.

The following illustration demonstrates the calculation of the number of shares issuable upon conversion of one share of Liberty Interactive Series A common stock into shares of Liberty Capital Series A common stock at our option, if:

the average market value of one share of Liberty Capital Series A common stock as of the applicable determination date is \$50; and

the average market value of one share of Liberty Interactive Series A common stock as of the applicable determination date is \$25.

In this case, each share of Liberty Interactive common stock would be converted into 0.5 of a share of the corresponding series of Liberty Capital common stock at the conversion ratio of: $\$25/\50 or 0.5 of a share.

These provisions allow New Liberty the flexibility to recapitalize the Liberty Interactive common stock into Liberty Capital common stock, thereby terminating the tracking stock structure. The optional conversion may be exercised, subject to the timing restrictions described above, if New Liberty's board of directors determines that, under the facts and circumstances then existing, New Liberty's existing tracking stock structure is no longer in the best interests of New Liberty's stockholders, as a whole. An optional conversion could be effected at a time that is disadvantageous to the holders of the Liberty Interactive common stock or the Liberty Capital common stock. See "Risk Factors Factors Relating to the Restructuring Proposals and Ownership of "Tracking Stock" The adoption of a tracking stock capital structure could create conflicts of interest, and New Liberty's board of directors may make decisions that could adversely affect only some holders of New Liberty's common stock."

Any such conversion would dilute possibly the interests of holders of Liberty Capital common stock and would preclude holders of Liberty Interactive common stock from retaining their interest in a

security intended to reflect separately the business of the Interactive Group. See "Risk Factors Risk Factors Relating to the Restructuring Proposals and ownership of "Tracking Stock" Following the first anniversary of the restructuring (absent an earlier triggering event), New Liberty's 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 New Liberty, which could result in a loss in value to you."

No Conversion of Liberty Capital Common Stock at Liberty's Option. Shares of Liberty Capital common stock are not convertible into shares of Liberty Interactive common stock, other than as described under " Mandatory Dividend, Redemption or Conversion on Disposition of All or Substantially All of the Assets of a Group Capital Group Dispositions."

Optional Redemption for Stock of a Subsidiary

Redemption of Liberty Capital Common Stock. If at any time a Qualifying Subsidiary (as defined below) holds assets and liabilities attributed to the Capital Group and no other assets or liabilities, New Liberty may redeem outstanding shares of Liberty Capital common stock for shares of common stock of such Qualifying Subsidiary owned by New Liberty provided that New Liberty's board of directors has determined that such redemption is expected to qualify for nonrecognition of gain or loss (in whole or in part) under Section 355(a) of the Internal Revenue Code to holders of Liberty Capital common stock.

"Qualifying Subsidiary" means one of New Liberty's subsidiaries in which our direct or indirect ownership and voting interest is sufficient to satisfy the ownership and voting requirements for a distribution of New Liberty's interest in that subsidiary to New Liberty's stockholders in a transaction that qualifies for nonrecognition of gain or loss (in whole or in part) under Section 355(a) of the Internal Revenue Code. Under current law, New Liberty would need to hold at least 80% of the voting power of all classes of stock entitled to vote and 80% of the total number of shares of each class of stock of a subsidiary for it to qualify as a Qualifying Subsidiary.

The number of shares of Liberty Capital common stock to be redeemed will be determined by multiplying the number of outstanding shares of Liberty Capital common stock by the percentage of the fair market value of the Capital Group that is represented by the fair market value of New Liberty's equity interest in the Qualifying Subsidiary, in each case, as determined by New Liberty's board of directors. Redemptions will be made pro rata, and New Liberty will distribute all of the shares of the Qualifying Subsidiary owned by New Liberty in redemption of the shares of Liberty Capital common stock to be redeemed, unless at the time of the redemption (i) the Interactive Group has an inter-group interest in the Capital Group and (ii) the board of directors elects to cause the Interactive Group to participate in the redemption. If the board of directors makes this election, the Interactive Group will receive (or be attributed) a number of shares of the Qualifying Subsidiary owned by us based upon the Number of Shares Issuable With Respect to the Capital Group Inter-Group Interest at the record date for the redemption compared to the number of then-outstanding shares of Liberty Capital common stock, and the remaining shares of the Qualifying Subsidiary owned by New Liberty will be distributed in the redemption of outstanding shares of Liberty Capital common stock. In addition, if the board of directors makes this election, New Liberty may distribute the shares of the Qualifying Subsidiary received by or attributed to the Interactive Group to the holders of Liberty Interactive common stock. New Liberty also will reduce the Number of Shares Issuable With Respect to the Capital Group Inter-Group Interest as if the applicable portion of the notional shares reflecting such inter-group interest had been redeemed.

In effecting such a redemption the board of directors may either:

redeem shares of each series of Liberty Capital common stock in exchange for shares of a single class or series of common stock of the Qualifying Subsidiary without distinction among the shares distributed to the holders of each series of Liberty Capital common stock;

redeem shares of each series of Liberty Capital common stock in exchange for shares of separate classes or series of common stock of the Qualifying Subsidiary, on an equal per share basis; or

redeem shares of one or more series of Liberty Capital common stock in exchange for shares of a separate class or series of common stock of the Qualifying Subsidiary and, on an equal per share basis, redeem shares of all other series of Liberty Capital common stock in exchange for shares of a different class or series of common stock of the Qualifying Subsidiary.

Redemption of Liberty Interactive Common Stock. If at any time a Qualifying Subsidiary holds assets and liabilities attributed to the Interactive Group and no other assets or liabilities, New Liberty may redeem outstanding shares of Liberty Interactive common stock for shares of common stock of such Qualifying Subsidiary owned by New Liberty provided that New Liberty's board of directors has determined that such redemption is expected to qualify for nonrecognition of gain or loss (in whole or in part) under Section 355(a) of the Internal Revenue Code to holders of Liberty Interactive common stock. The number of shares of Liberty Interactive common stock to be redeemed will be determined by multiplying the number of outstanding shares of Liberty Interactive common stock by the percentage of the fair market value of the Interactive Group that is represented by the fair market value of New Liberty's equity interest in the Qualifying Subsidiary, in each case, as determined by New Liberty's board of directors. Redemptions will be made pro rata, and New Liberty will distribute all of the shares of the Qualifying Subsidiary owned by New Liberty in redemption of the shares of Liberty Interactive common stock to be redeemed, unless at the time of the redemption (i) the Capital Group has an inter-group interest in the Interactive Group and (ii) the board of directors elects to cause the Capital Group to participate in the redemption. If the board of directors makes this election, the Interactive Group will receive (or be attributed) a number of shares of the Qualifying Subsidiary owned by us based upon the Number of Shares Issuable With Respect to the Interactive Group Inter-Group Interest at the record date of the redemption compared to the number of then-outstanding shares of Liberty Interactive common stock, and the remaining shares of the Qualifying Subsidiary owned by us will be distributed in the redemption of outstanding shares of Liberty Interactive common stock. In addition, if the board of directors makes this election, New Liberty may distribute the shares of the Qualifying Subsidiary received by or attributed to the Capital Group to the holders of Liberty Capital common stock. New Liberty also will reduce the Number of Shares Issuable With Respect to the Interactive Group Inter-Group Interest as if the applicable portion of the notional shares reflecting such inter-group interest had been redeemed.

In effecting such a redemption the board of directors may either:

redeem shares of each series of Liberty Interactive common stock in exchange for shares of a single class or series of common stock of the Qualifying Subsidiary without distinction among the shares distributed to the holders of each series of Liberty Interactive common stock;

redeem shares of each series of Liberty Interactive common stock in exchange for shares of separate classes or series of common stock of the Qualifying Subsidiary, on an equal per share basis; or

redeem shares of one or more series of Liberty Interactive common stock in exchange for shares of a separate class or series of common stock of the Qualifying Subsidiary and, on an equal per share basis, redeem shares of all other series of Liberty Interactive common stock in exchange for shares of a different class or series of common stock of the Qualifying Subsidiary.

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Mandatory Dividend, Redemption or Conversion on Disposition of All or Substantially All of the Assets of a Group

Capital Group Dispositions. If there is a Capital Group Disposition (as defined below) other than an Exempt Capital Group Disposition (as defined below), and subject to the discussion under "Effect of Inter-Group Interest in Capital Group," New Liberty would be required, on or prior to the 85th trading day after the consummation of such Capital Group Disposition (or, if New Liberty's board of directors seeks the approval of holders of Liberty Capital common stock to classify such disposition as an Exempt Capital Group Disposition and such approval is not obtained, the 85th trading day following the day on which the vote was taken), to take one of the following four alternative actions:

subject to the restrictions on the payment of dividends described above under "Dividends", declare and pay a dividend to holders of Liberty Capital common stock in any combination of cash, securities or other assets (other than shares of New Liberty common stock), with a fair value equal to the Capital Group Allocable Net Proceeds (as defined below) of such Capital Group Disposition as of the record date for determining the holders entitled to receive such dividend;

provided that there are assets of New Liberty legally available, and the Capital Group Available Dividend Amount would have been sufficient to pay a dividend as detailed above, then:

if such Capital Group Disposition involves all (not merely substantially all) of the assets of the Capital Group, redeem all outstanding shares of Liberty Capital common stock in exchange for cash, securities or other assets (other than shares of our common stock) with a fair value equal to the Capital Group Allocable Net Proceeds of such Capital Group Disposition, to be allocated among all outstanding shares of the Capital Group as of the redemption date; or

if such Capital Group Disposition involves substantially all (but not all) of the properties and assets of the Capital Group, redeem a number of outstanding shares of Liberty Capital common stock with a fair value equal to the Capital Group Allocable Net Proceeds of such Capital Group Disposition in exchange for cash, securities or other property (other than shares of our common stock) with a fair value equal to such Capital Group Allocable Net Proceeds, being allocated to the shares of Liberty Capital common stock to be redeemed on a pro rata basis; or

convert each outstanding share of Liberty Capital Series A common stock into a number (or fraction) of shares of Liberty Interactive Series A common stock, each outstanding share of Liberty Capital Series B common stock into a number (or fraction) of shares of Liberty Interactive Series B common stock and each outstanding share of Liberty Capital Series C common stock into a number (or fraction) of shares of Liberty Interactive Series C common stock, in each case, equal to 110% of the average daily ratio (calculated to the nearest five decimal places) of (i) the average market value of one share of Liberty Capital Series A common stock (or another series of Liberty Capital common stock subject to certain limitations) over a specified 16-trading day period to (ii) the average market value of one share of Liberty Interactive Series A common stock (or another series of Liberty Interactive common stock subject to certain limitations) over the same period; or

combine the conversion of a portion of the outstanding shares of Liberty Capital common stock, as contemplated above, with payment of a dividend on, or the redemption of, shares of Liberty Capital common stock, subject to certain limitations; in such a case, we will convert the relevant shares at the rate discussed in the bullet point above, and either pay a dividend to holders of the remaining shares of Liberty Capital common stock or redeem all or a portion of the remaining shares of Liberty Capital common stock (in exchange for a pro rata share of the Capital Group Allocable Net Proceeds) in the manner described above.

"Capital Group Disposition" means the disposition, in one transaction or a series of related transactions, by New Liberty or its subsidiaries of all or substantially all of the assets of the Capital Group to one or more entities. As of any date, **"substantially all of the assets of the Capital Group"** means a portion of such assets that represent at least 80% of the then fair market value (as determined by the board of directors) of the assets of the Capital Group as of such date.

"Exempt Capital Group Disposition" means any of the following: (i) the disposition of all or substantially all of New Liberty's assets in one transaction or a series of related transactions in connection with New Liberty's liquidation, dissolution or winding up, (ii) a dividend, other distribution or redemption in accordance with the provisions of New Liberty's amended charter, (iii) a Capital Group Disposition to any person or entity that New Liberty, directly or indirectly, after giving effect to the disposition, control, (iv) a Capital Group Disposition in connection with a Capital Group Related Business Transaction, or (v) a Capital Group Disposition as to which the board seeks and obtains the approval of the holders of Liberty Capital Series A common stock and holders of Liberty Capital Series B common stock, voting together as a separate class, to classify such Capital Group Disposition as an Exempt Capital Group Disposition by a majority of votes cast by the holders of that stock entitled to vote thereon and present in person or by proxy at the meeting at which such vote is taken.

"Capital Group Related Business Transaction" means any disposition of all or substantially all of the assets of the Capital Group in which New Liberty receives as proceeds primarily equity securities of the purchaser of those assets, any entity which succeeds to those assets or a third party issuer, if a significant portion of the business or businesses in which the purchaser, successor or third party issuer is engaged or proposes to engage consists of one or more businesses similar or complementary to the businesses conducted by the Capital Group prior to such disposition, as determined in good faith by New Liberty's board of directors.

"Capital Group Net Proceeds" means generally, as of any date, with respect to any Capital Group Disposition, an amount, if any, equal to what remains of the gross proceeds of such disposition to New Liberty after any payment of, or reasonable provision for, taxes, transaction costs (including, without limitation, any legal, investment banking and accounting fees and expenses) and any liabilities and other obligations (contingent or otherwise) incurred in connection with the disposition. To the extent the proceeds of any Capital Group Disposition include any securities or other assets other than cash, New Liberty's board of directors will determine the value of such securities or assets, including for the purpose of determining the equivalent value thereof if New Liberty's board of directors determines to pay a dividend or redemption price in cash, securities or other assets.

"Capital Group Allocable Net Proceeds" means, as of any date, with respect to any Capital Group Disposition, the Capital Group Net Proceeds of such Capital Group Disposition, unless at the time of such Capital Group Disposition the Interactive Group has an inter-group interest in the Capital Group, in which case, Capital Group Allocable Net Proceeds means the Capital Group Net Proceeds as the same will be proportionately reduced to reflect the Number of Shares Issuable With Respect to the Capital Group Inter-Group Interest compared to the number of then-outstanding shares of Liberty Capital common stock.

New Liberty may elect to pay the dividend or redemption price referred to above either in the same form as the proceeds of the disposition were received or in any other combination of cash, securities or other assets that New Liberty's board of directors determines will have an aggregate fair value on a fully distributed basis, of not less than the amount allocated to such dividend or redemption.

If the redemption price is paid in the form of securities of an issuer other than New Liberty, New Liberty's board of directors may determine to pay the redemption price in the form of (i) identical securities, on an equal per share basis, to holders of each series of Liberty Capital common stock,

(ii) separate classes or series of securities, on an equal per share basis, to the holders of each series of Liberty Capital common stock, subject to certain limitations, and (iii) a separate class or series to holders of one or more series of Liberty Capital common stock and, on an equal per share basis, a different class or series of securities to the holders of all other series of Liberty Capital common stock, subject to certain limitations.

The exceptions to the foregoing requirements, among other things, would enable New Liberty to enter into transactions in which the properties or assets of the Capital Group may be considered to be "disposed of" in exchange for equity securities of an entity engaged or proposing to engage in similar or complementary business areas to those of the Capital Group "disposed of" while maintaining the capital structure and delineation of business groups contemplated by the restructuring proposals.

The option to convert the Liberty Capital common stock into Liberty Interactive common stock in the event of a Capital Group Disposition provides New Liberty with additional flexibility by allowing New Liberty to deliver consideration in the form of shares of Liberty Interactive common stock rather than cash, securities or other properties. This alternative could be used, for example, in circumstances when New Liberty did not have sufficient legally available assets under Delaware law to pay the full amount of an otherwise required dividend or redemption or when New Liberty desired to retain such proceeds.

If New Liberty does not have the legal capacity under Delaware law or its amended charter to pay a dividend or redeem shares with the full amount of the Capital Group Allocable Net Proceeds, New Liberty's board of directors has the right to pay out as much as New Liberty is able to pay and deposit the balance in an escrow or other account for further application as soon as New Liberty is able to do so under Delaware law and its amended charter.

Effect of Inter-Group Interest in Capital Group. If at the time of a Capital Group Disposition, the Interactive Group holds an inter-group interest in the Capital Group and a dividend or distribution is effected as a result of the Capital Group Disposition, the board of directors will cause the Interactive Group to participate (or be deemed to participate) in the dividend or distribution, in the manner described under "Dividends Inter-Group Dividend Amounts" above.

If at the time of a Capital Group Disposition, the Interactive Group holds an inter-group interest in the Capital Group and a redemption of Liberty Capital common stock is effected as a result of the Capital Group Disposition, the board of directors may cause the Interactive Group to participate in the redemption, in which case the Interactive Group will receive (or be attributed), concurrently with the redemption of outstanding shares of Liberty Capital common stock, a portion of the Capital Group Net Proceeds based upon the Number of Shares Issuable With Respect to the Capital Group Inter-Group Interest at the record date for the redemption of outstanding shares of Liberty Capital common stock compared to the number of then-outstanding shares of Liberty Capital common stock. If the board of directors makes this election, New Liberty may distribute the redemption consideration received by the Interactive Group to the holders of Liberty Interactive common stock. New Liberty also will reduce the Number of Shares Issuable With Respect to the Capital Group Inter-Group Interest as if the applicable portion of the notional shares reflecting such inter-group interest had been redeemed.

Interactive Group Dispositions. If there is an Interactive Group Disposition (as defined below) other than an Exempt Interactive Group Disposition (as defined below), and subject to the discussion under "Effect of Inter-Group Interest in Interactive Group," New Liberty would be required, on or prior to the 85th trading day after the consummation of such Interactive Group Disposition (or, if New Liberty's board of directors seeks the approval of holders of Liberty Interactive common stock to classify such disposition as an Exempt Interactive Group Disposition and such approval is not obtained,

the 85th trading day following the day on which the vote was taken), to take one of the following four alternative actions:

subject to the restrictions on the payment of dividends described above under " Dividends", declare and pay a dividend to holders of Liberty Interactive common stock in any combination of cash, securities or other assets (other than shares of New Liberty's common stock), with a fair value equal to the Interactive Group Allocable Net Proceeds (as defined below) of such Interactive Group Disposition as of the record date for determining the holders entitled to receive such dividend;

provided that there are assets of New Liberty legally available, and the Interactive Group Available Dividend Amount would have been sufficient to pay a dividend as detailed above, then:

if such Interactive Group Disposition involves all (not merely substantially all) of the assets of the Interactive Group, redeem all outstanding shares of Liberty Interactive common stock in exchange for cash, securities or other assets (other than shares of our common stock) with a fair value equal to the Interactive Group Allocable Net Proceeds of such Interactive Group Disposition, to be allocated among all outstanding shares of the Interactive Group as of the redemption date; or

if such Interactive Group Disposition involves substantially all (but not all) of the properties and assets of the Interactive Group, redeem a number of outstanding shares of Liberty Interactive common stock with a fair value equal to the Interactive Group Allocable Net Proceeds of such Interactive Group Disposition in exchange for cash, securities or other property (other than shares of our common stock) with a fair value equal to such Interactive Group Allocable Net Proceeds to be redeemed on a pro rata basis, being allocated to the shares of Liberty Interactive common stock; or

convert each outstanding share of Liberty Interactive Series A common stock into a number (or fraction) of shares of Liberty Capital Series A common stock, each outstanding share of Liberty Interactive Series B common stock into a number (or fraction) of shares of Liberty Capital Series B common stock and each outstanding share of Liberty Interactive Series C common stock into a number (or fraction) of shares of Liberty Capital Series C common stock, in each case, equal to 110% of the average daily ratio (calculated to the nearest five decimal places) of (i) the average market value of one share of Liberty Interactive Series A common stock (or another series of Liberty Interactive common stock subject to certain limitations) over a specified 16-trading day period to (ii) the average market value of one share of Liberty Capital Series A common stock (or another series of Liberty Capital common stock subject to certain limitations) over the same period; or

combine the conversion of a portion of the outstanding shares of Liberty Interactive common stock, as contemplated above, with payment of a dividend on, or the redemption of, shares of Liberty Interactive common stock, subject to certain limitations; in such a case, we will convert the relevant shares at the rate discussed in the bullet point above, and either pay a dividend to holders of the remaining shares of Liberty Interactive common stock or redeem all or a portion of the remaining shares of Liberty Interactive common stock (in exchange for a pro rata share of the Interactive Group Allocable Net Proceeds) in the manner described above.

"Interactive Group Disposition" means the disposition, in one transaction or a series of related transactions, by New Liberty or its subsidiaries of all or substantially all of the assets of the Interactive Group to one or more entities. As of any date, **"substantially all of the assets of the Interactive Group"** means a portion of such assets that represent at least 80% of the then fair

market value (as determined by the board of directors) of the assets of the Interactive Group as of such date.

"Exempt Interactive Group Disposition" means any of the following: (i) the disposition of all or substantially all of New Liberty's assets in one transaction or a series of related transactions in connection with New Liberty's liquidation, dissolution or winding up, (ii) a dividend, other distribution or redemption in accordance with the provisions of New Liberty's amended charter, (iii) an Interactive Group Disposition to any person or entity that New Liberty, directly or indirectly, after giving effect to the disposition, controls, (iv) an Interactive Group Disposition in connection with an Interactive Group Related Business Transaction, or (v) an Interactive Group Disposition as to which the board seeks and obtains the approval of the holders of Liberty Interactive Series A common stock and holders of Liberty Interactive Series B common stock, voting together as a separate class, to classify such Interactive Group Disposition as an Exempt Interactive Group Disposition by a majority of votes cast by the holders of that stock entitled to vote thereon and present in person or by proxy at the meeting at which such vote is taken.

"Interactive Group Related Business Transaction" means any disposition of all or substantially all of the assets of the Interactive Group in which New Liberty receives as proceeds primarily equity securities of the purchaser of those assets, any entity which succeeds to those assets or a third party issuer, if a significant portion of the business or businesses in which the purchaser, successor or third party issuer is engaged or proposes to engage consists of one or more businesses similar or complementary to the businesses conducted by the Interactive Group prior to such disposition, as determined in good faith by New Liberty's board of directors.

"Interactive Group Net Proceeds" means generally, as of any date, with respect to any Interactive Group Disposition, an amount, if any, equal to what remains of the gross proceeds of such disposition to New Liberty after any payment of, or reasonable provision for, taxes, transaction costs (including, without limitation, any legal, investment banking and accounting fees and expenses) and any liabilities and other obligations (contingent or otherwise) incurred in connection with the disposition. To the extent the proceeds of any Interactive Group Disposition include any securities or other assets other than cash, New Liberty's board of directors will determine the value of such securities or assets, including for the purpose of determining the equivalent value thereof if New Liberty's board of directors determines to pay a dividend or redemption price in cash, securities or other assets.

"Interactive Group Allocable Net Proceeds" means, as of any date, with respect to any Interactive Group Disposition, the Interactive Group Net Proceeds of such Interactive Group Disposition, unless at the time of such Interactive Group Disposition, Capital Group has an inter-group interest in the Interactive Group in which case, Interactive Group Allocable Net Proceeds means the Interactive Group Net Proceeds as the same will be proportionately reduced to reflect the Number of Shares Issuable With Respect to the Interactive Group Inter-Group Interest compared to the number of then-outstanding shares of Liberty Interactive common stock.

New Liberty may elect to pay the dividend or redemption price referred to above either in the same form as the proceeds of the disposition were received or in any other combination of cash, securities or other assets that New Liberty's board of directors determines will have an aggregate fair value on a fully distributed basis, of not less than the amount allocated to such dividend or redemption.

If the redemption price is paid in the form of securities of an issuer other than New Liberty, New Liberty's board of directors may determine to pay the redemption price in the form of (i) identical securities, on an equal per share basis, to holders of each series of Liberty Interactive common stock, (ii) separate classes or series of securities, on an equal per share basis, to the holders of each series of Liberty Interactive common stock, subject to certain limitations, and (iii) a separate class or series to holders of one or more series of Liberty Interactive common stock and, on an equal per share basis, a

different class or series of securities to the holders of all other series of Liberty Interactive common stock, subject to certain limitations.

The exceptions to the foregoing requirements, among other things, would enable New Liberty to enter into transactions in which the properties or assets of the Interactive Group may be considered to be "disposed of" in exchange for equity securities of an entity engaged or proposing to engage in similar or complementary business areas to those of the Interactive Group "disposed of" while maintaining the capital structure and delineation of business groups contemplated by the restructuring proposals.

The option to convert the Liberty Interactive common stock into Liberty Capital common stock in the event of an Interactive Group Disposition provides New Liberty with additional flexibility by allowing New Liberty to deliver consideration in the form of shares of Liberty Capital common stock rather than cash, securities or other properties. This alternative could be used, for example, in circumstances when New Liberty did not have sufficient legally available assets under Delaware law to pay the full amount of an otherwise required dividend or redemption or when New Liberty desired to retain such proceeds.

If New Liberty does not have the legal capacity under Delaware law or New Liberty's amended charter to pay a dividend or redeem shares with the full amount of the Interactive Group Allocable Net Proceeds, New Liberty's board of directors has the right to pay out as much as New Liberty is able to pay and deposit the balance in an escrow or other account for further application as soon as New Liberty is able to do so under Delaware law and New Liberty's amended charter.

Effect of Inter-Group Interest in Interactive Group. If at the time of an Interactive Group Disposition, the Capital Group holds an inter-group interest in the Interactive Group and a dividend or distribution is effected as a result of the Interactive Group Disposition, the board of directors will cause the Capital Group to participate in the dividend or distribution, in the manner described under " Dividends Inter-Group Dividend Amounts" above.

If at the time of an Interactive Group Disposition, the Capital Group holds an inter-group interest in the Interactive Group and a redemption of Liberty Interactive common stock is effected as a result of the Interactive Group Disposition, the board of directors may cause the Capital Group to participate in the redemption, in which case the Capital Group will receive (or be attributed), concurrently with the redemption of outstanding shares of Liberty Interactive common stock, a portion of the Interactive Group Net Proceeds based upon the Number of Shares Issuable With Respect to the Interactive Group Inter-Group Interest at the record date for the redemption of outstanding shares of Liberty Interactive common stock compared to the number of then-outstanding shares of Liberty Interactive common stock. If the board of directors makes this election, New Liberty may distribute the redemption consideration received by the Capital Group to the holders of Liberty Capital common stock. New Liberty also will reduce the Number of Shares Issuable With Respect to the Interactive Group Inter-Group Interest as if the applicable portion of the notional shares reflecting such inter-group interest had been redeemed.

General Dividend, Redemption and Conversion Provisions

Public Announcements. New Liberty is required to provide certain notices to holders of Liberty Capital common stock and holders of Liberty Interactive common stock in connection with the dividend, redemption and conversion provisions of New Liberty's amended charter. All public announcements required by New Liberty's amended charter will include such further statements, and New Liberty reserves the right to make such further public announcements, as may be required by law or the rules of the principal national securities exchange on which the applicable series of its common stock is listed or as New Liberty's board of directors may, in its discretion, deem appropriate. Any

notice sent to a registered holder of any series of New Liberty's common stock will be sent by first-class mail, postage prepaid to such holder's address as the same appears on New Liberty's transfer books.

Neither the failure to mail any required notice to any particular holder of any series of New Liberty's common stock nor any defect therein will affect the sufficiency thereof with respect to any other holder of outstanding shares of any series of New Liberty's common stock, or the validity of any action taken pursuant to New Liberty's amended charter.

No Adjustments. No adjustments in respect of dividends will be made upon the conversion or redemption of any shares of any series of New Liberty's common stock, provided that, except as explicitly otherwise contemplated by New Liberty's amended charter, if the conversion date or the redemption date with respect to any shares of our common stock will be subsequent to the record date for the payment of a dividend or other distribution thereon or with respect thereto, but prior to the payment of such dividend or distribution, the holders of record of such shares of New Liberty's common stock at the close of business on such record date will be entitled to receive the dividend or other distribution payable on or with respect to such shares on the date set for payment of such dividend or other distribution, notwithstanding the prior conversion or redemption of such shares.

Surrender of Shares. Before any holder of shares of New Liberty's common stock becomes entitled to receive certificates representing shares of any kind of capital stock or cash, securities (other than capital stock) or other assets to be received by such holder with respect to such shares upon any conversion of such shares at New Liberty's option or in connection with a mandatory dividend, redemption or conversion in case of a Capital Group Disposition or an Interactive Group Disposition, as applicable, such holder will surrender, at a place to be specified by New Liberty, such shares, properly endorsed or assigned for transfer (unless New Liberty waives such requirement). New Liberty will as soon as practicable after such surrender of certificates representing such shares, deliver, or cause to be delivered, at the office of the transfer agent for the shares or other securities to be delivered, to the holder for whose account such shares were so surrendered, or to the nominee or nominees of such holder, certificates representing the number of whole shares of the kind of capital stock or cash, securities (other than capital stock) or other assets to which such person will be entitled, together with any payment for fractional securities. If less than all of the shares represented by any one certificate are to be redeemed or converted, New Liberty will issue and deliver a new certificate for the shares represented thereby and not redeemed or converted. New Liberty will not be required to register a transfer of (i) any shares of New Liberty's common stock for the period preceding any selection of shares to be redeemed or converted set forth in the applicable public announcement or notice or (ii) any shares of New Liberty's common stock selected for redemption or conversion. Shares selected for redemption may not thereafter be converted at the option of the holder.

From and after any applicable conversion date or redemption date, all rights of a holder of shares of New Liberty common stock that were converted or redeemed on such conversion date or redemption date, as applicable, will cease except for the right, upon surrender of the certificates representing such shares, to receive certificates representing shares of the kind and amount of capital stock or cash, securities (other than capital stock) or other assets for which such shares were converted or redeemed, as applicable, together with any payment for fractional securities and such holder will have no other or further rights in respect of the shares of New Liberty common stock so converted or redeemed, including, but not limited to, any rights with respect to any cash, securities or other assets which are reserved or otherwise designated by New Liberty as being held for the satisfaction of its obligations to pay or deliver any cash, securities or other assets upon the conversion, exercise or exchange of any convertible securities outstanding as of the date of such conversion or redemption. No holder of a certificate that immediately prior to the applicable conversion date or redemption date represented shares of New Liberty common stock will be entitled to receive any dividend or other distribution with respect to shares of any kind of capital stock into or in exchange for which such shares of New Liberty common stock were converted or redeemed until surrender of such holder's

certificate for a certificate representing shares of such kind of capital stock. Upon such surrender, there will be paid to the holder the amount of any dividends or other distributions (without interest) which theretofore became payable with respect to a record date after the conversion date or redemption date, as the case may be, but that were not paid by reason of the foregoing, with respect to the number of whole shares of the kind of capital stock represented by the certificate or certificates issued upon such surrender. From and after a conversion date or redemption date, as the case may be, New Liberty will, however, be entitled to treat certificates representing shares of New Liberty common stock that have not yet been surrendered for such conversion or redemption as evidencing the ownership of the number of whole shares of the kind or kinds of capital stock for which the shares of New Liberty common stock represented by such certificates will have been converted or redeemed at our option or in connection with the holding by a Qualifying Subsidiary of assets and liabilities of either group or a Capital Group Disposition or an Interactive Group Disposition, notwithstanding the failure of the holder thereof to surrender such certificates.

No Fractional Shares. New Liberty will not be required to issue or deliver fractional shares of any class or series of capital stock or any other securities in a smaller than authorized denomination to any holder of our common stock upon any conversion, redemption, dividend or other distribution. In connection with the determination of the number of shares of any class or series of capital stock that will be issuable or the amount of securities that will be deliverable to any holder of record of New Liberty common stock upon any such conversion, redemption, dividend or other distribution (including any fractions of shares or securities), New Liberty may aggregate the shares of New Liberty common stock held at the relevant time by such holder of record. If the aggregate number of shares of capital stock or other securities to be issued or delivered to any holder of New Liberty common stock includes a fraction of the minimum authorized denomination, New Liberty will pay a cash adjustment in respect of such fraction in an amount equal to the value of such fraction as of the trading day specified by New Liberty's board of directors for such purpose (without interest). For purposes of the preceding sentence, "such value" of any fraction will equal the product of such fraction and the fair value of one such share or the minimum authorized denomination of such other security as of such specified trading day.

Liquidation and Dissolution

In the event of the liquidation, dissolution or winding up, whether voluntary or involuntary, of New Liberty, after payment or provision for payment of New Liberty's debts and liabilities and subject to the prior payment in full of the preferential amounts to which any series of preferred stock is entitled, the holders of shares of Liberty Capital common stock and the holders of shares of Liberty Interactive common stock will be entitled to receive in respect of shares of Liberty Capital common stock and Liberty Interactive common stock their proportionate interests in New Liberty's assets remaining for distribution to holders of New Liberty common stock (regardless of the group to which such assets are then attributed) in proportion to the respective number of liquidation units per share of Liberty Capital common stock and Liberty Interactive common stock. Neither New Liberty's consolidation or merger with or into any other person nor the sale, transfer or lease of all or substantially all of our assets will itself be deemed to be a liquidation, dissolution or winding up.

The liquidation units per share of each series of common stock will be as follows:

each share of Liberty Capital common stock will have one liquidation unit; and

each share of Liberty Interactive common stock will have a number of liquidation units (including a fraction of one liquidation unit) equal to the quotient (rounded to the nearest five decimal places) of the daily volume weighted average prices of one share of Liberty Interactive Series A common stock over the first 20 trading days on which the Liberty Interactive Series A common stock trades in the regular way market, divided by the daily volume weighted average

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prices of one share of Liberty Capital Series A common stock over the first 20 trading days on which the Liberty Capital Series A common stock trades in the regular way market.

If New Liberty in any manner subdivides (by stock split, reclassification or otherwise) or combines (by reverse stock split, reclassification or otherwise) the outstanding shares of Liberty Capital common stock or Liberty Interactive common stock, or declares and pays a distribution in shares of Liberty Capital common stock or Liberty Interactive common stock, the per share liquidation units of the Liberty Capital common stock or Liberty Interactive common stock, as applicable, specified above, as adjusted from time to time, will be appropriately adjusted as determined by New Liberty's board of directors, so as to avoid any dilution in the aggregate, relative liquidation rights of the shares of Liberty Capital common stock and Liberty Interactive common stock.

Description of Other Provisions of New Liberty's Amended Charter

The following terms of New Liberty's amended charter are substantially similar to the corresponding terms found in Old Liberty's existing charter.

Preferred Stock

New Liberty's amended charter authorizes the board of directors to establish one or more series of preferred stock and to determine, with respect to any series of preferred stock, the terms and rights of the series, including:

the designation of the series;

the number of authorized shares of the series, which number New Liberty's board may increase or decrease but not below the number of such shares of such series of preferred stock then outstanding;

the dividend rate or amounts, if any, and, in the case of cumulative dividends, the date or dates from which dividends on all shares of the series will be cumulative and the relative preferences or rights of priority or participation with respect to such dividends;

the rights of the series in the event of New Liberty's voluntary or involuntary liquidation, dissolution or winding up and the relative preferences or rights of priority of payment;

the rights, if any, of holders of the series to convert into or exchange for other classes or series of stock or indebtedness and the terms and conditions of any such conversion or exchange, including provision for adjustments within the discretion of New Liberty's board of directors;

the voting rights, if any, of the holders of the series;

the terms and conditions, if any, for New Liberty to purchase or redeem the shares; and

any other relative rights, preferences and limitations of the series.

We believe that the ability of New Liberty's board of directors to issue one or more series of preferred stock will provide flexibility in structuring possible future financing and acquisitions and in meeting other corporate needs which might arise. The authorized shares of New Liberty's preferred stock will be available for issuance without further action by New Liberty's stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which New Liberty's securities may be listed or traded. If the approval of New Liberty's stockholders is not required for the issuance of shares of New Liberty's preferred stock or New Liberty's common stock, New Liberty's board may determine not to seek stockholder approval.

Although New Liberty has no intention at the present time of doing so, New Liberty could issue a series of preferred stock that could, depending on the terms of such series, impede the completion of a

merger, tender offer or other takeover attempt. New Liberty's board will make any determination to issue such shares based upon its judgment as to the best interests of its stockholders. New Liberty's board of directors, in so acting, could issue preferred stock having terms that could discourage an acquisition attempt through which an acquirer may be able to change the composition of New Liberty's board of directors, including a tender offer or other transaction that some, or a majority, of New Liberty's stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then-current market price of the stock.

Board of Directors

New Liberty's amended charter provides that, subject to any rights of the holders of any series of New Liberty's preferred stock to elect additional directors, the number of New Liberty's directors will not be less than three and the exact number will be fixed from time to time by a resolution of New Liberty's board. The members of New Liberty's board, other than those who may be elected by holders of New Liberty's preferred stock, are divided into three classes. Each class consists, as nearly as possible, of a number of directors equal to one-third of the then authorized number of board members. The term of office of New Liberty's Class I directors expires at the annual meeting of New Liberty's stockholders in 2008. The term of office of New Liberty's Class II directors expires at the annual meeting of New Liberty's stockholders in 2006. The term of office of New Liberty's Class III directors expires at the annual meeting of New Liberty's stockholders in 2007. At each annual meeting of New Liberty's stockholders, the successors of that class of directors whose term expires at that meeting will be elected to hold office for a term expiring at the annual meeting of New Liberty's stockholders held in the third year following the year of their election. The directors of each class will hold office until their respective successors are elected and qualified.

New Liberty's amended charter provides that, subject to the rights of the holders of any series of New Liberty's preferred stock, New Liberty's directors may be removed from office only for cause upon the affirmative vote of the holders of at least a majority of the aggregate voting power of New Liberty's outstanding capital stock entitled to vote at an election of directors, voting together as a single class.

New Liberty's amended charter provides that, subject to the rights of the holders of any series of New Liberty's preferred stock, vacancies on New Liberty's board resulting from death, resignation, removal, disqualification or other cause, and newly created directorships resulting from any increase in the number of directors on New Liberty's board, will be filled only by the affirmative vote of a majority of the remaining directors then in office (even though less than a quorum) or by the sole remaining director. Any director so elected will hold office for the remainder of the full term of the class of directors in which the vacancy occurred or to which the new directorship is assigned, and until that director's successor will have been elected and qualified or until such director's earlier death, resignation or removal. No decrease in the number of directors constituting New Liberty's board will shorten the term of any incumbent director, except as may be provided in any certificate of designation with respect to a series of New Liberty's preferred stock with respect to any additional director elected by the holders of that series of New Liberty's preferred stock.

These provisions would preclude a third party from removing incumbent directors and simultaneously gaining control of New Liberty's board by filling the vacancies created by removal with its own nominees. Under the classified board provisions described above, it would take at least two elections of directors for any individual or group to gain control of New Liberty's board. Accordingly, these provisions could discourage a third party from initiating a proxy contest, making a tender offer or otherwise attempting to gain control of New Liberty.

Limitation on Liability and Indemnification

To the fullest extent permitted by Delaware law, New Liberty's directors are not liable to New Liberty or any of its stockholders for monetary damages for breaches of fiduciary duties while serving as a director. In addition, New Liberty indemnifies and holds harmless, to the fullest extent permitted by applicable law, any person involved in any suit or action by reason of the fact that such person is a director or officer of New Liberty or, at New Liberty's request, a director, officer, employee or agent of another corporation or entity, against all liability, loss and expenses incurred by such person. New Liberty will pay expenses of a director or officer in defending any proceeding in advance of its final disposition, provided that such payment is made upon receipt of an undertaking by the director or officer to repay all amounts advanced if it should be ultimately determined that the director or officer is not entitled to indemnification.

No Shareowner Action by Written Consent; Special Meetings

New Liberty's amended charter provides that, except as otherwise provided in the terms of any series of preferred stock, no action required to be taken or which may be taken at any annual meeting or special meeting of stockholders may be taken without a meeting and may not be effected by any consent in writing by such holders. Except as otherwise required by law and subject to the rights of the holders of any series of New Liberty's preferred stock, special meetings of New Liberty's stockholders for any purpose or purposes may be called only by New Liberty's Secretary or at the request of at least 75% of the members of the New Liberty's board of directors then in office. No business other than that stated in the notice of special meeting will be transacted at any special meeting.

Amendments

New Liberty's amended charter provides that, subject to the rights of the holders of any series of its preferred stock, the affirmative vote of the holders of at least 66²/₃% of the aggregate voting power of its outstanding capital stock generally entitled to vote upon all matters submitted to its stockholders, voting together as a single class, is required to adopt, amend or repeal any provision of New Liberty's amended charter or the addition or insertion of other provisions in New Liberty's amended charter, provided that the foregoing voting requirement will not apply to any adoption, amendment, repeal, addition or insertion (1) as to which Delaware law does not require the consent of New Liberty's stockholders or (2) which has been approved by at least 75% of the members of New Liberty's board then in office. New Liberty's amended charter further provides that the affirmative vote of the holders of at least 66²/₃% of the aggregate voting power of its outstanding capital stock generally entitled to vote upon all matters submitted to its stockholders, voting together as a single class, is required to adopt, amend or repeal any provision of its bylaws, provided that the foregoing voting requirement will not apply to any adoption, amendment or repeal approved by the affirmative vote of not less than 75% of the members of New Liberty's board then in office.

Supermajority Voting Provisions

In addition to the supermajority voting provisions discussed under " Amendments" above, New Liberty's amended charter provides that, subject to the rights of the holders of any series of its preferred stock, the affirmative vote of the holders of at least 66²/₃% of the aggregate voting power of its outstanding capital stock generally entitled to vote upon all matters submitted to New Liberty's stockholders, voting together as a single class, is required for:

New Liberty's merger or consolidation with or into any other corporation, provided, that the foregoing voting provision will not apply to any such merger or consolidation (1) as to which the laws of the State of Delaware, as then in effect, do not require the consent of New Liberty's

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stockholders, or (2) that at least 75% of the members of New Liberty's board of directors then in office have approved;

the sale, lease or exchange of all, or substantially all, of New Liberty's assets, provided, that the foregoing voting provisions will not apply to any such sale, lease or exchange that at least 75% of the members of New Liberty's board of directors then in office have approved; or

New Liberty's dissolution, provided, that the foregoing voting provision will not apply to such dissolution if at least 75% of the members of New Liberty's board of directors then in office have approved such dissolution.

Section 203 of the DGCL

Section 203 of the Delaware General Corporation Law prohibits certain transactions between a Delaware corporation and an "interested stockholder." An "interested stockholder" for this purpose is a stockholder who is directly or indirectly a beneficial owner of 15% or more of the aggregate voting power of a Delaware corporation. This provision prohibits certain business combinations between an interested stockholder and a corporation for a period of three years after the date on which the stockholder became an interested stockholder, unless: (1) the transaction which resulted in the stockholder becoming an interested stockholder is approved by the corporation's board of directors before the stockholder became an interested stockholder, (2) the interested stockholder acquired at least 85% of the aggregate voting power of the corporation in the transaction in which the stockholder became an interested stockholder, or (3) the business combination is approved by a majority of the board of directors and the affirmative vote of the holders of two-thirds of the aggregate voting power not owned by the interested stockholder at or subsequent to the time that the stockholder became an interested stockholder. These restrictions do not apply if, among other things, the corporation's certificate of incorporation contains a provision expressly electing not to be governed by Section 203. Neither Old Liberty's existing charter nor New Liberty's amended charter contains such an election.

Material U.S. Federal Income Tax Consequences

The following discussion is a summary of the material U.S. federal income tax consequences to you of the receipt of Liberty Interactive common stock and Liberty Capit