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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 October 13, 2007



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### REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information 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 those documents incorporated by reference in this proxy statement/prospectus or other information about the companies that is filed with the Securities and Exchange Commission (the **SEC**) under the Securities and Exchange Act of 1934, as amended (the **Exchange Act**), by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

For information about Liberty Media or LEI:      For information about DIRECTV or Holdings:

By Mail:      Liberty Media Corporation      By Mail:      The DIRECTV Group, Inc.  
Liberty Entertainment, Inc.      DIRECTV  
3300 S. Broadway Blvd.      2600 East Imperial Highway  
Englewood, Colorado 80112      Brea, California 92611  
Attention: Office of Investor      Attention: Investor Relations  
Relations



**LIBERTY MEDIA CORPORATION**

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

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**NOTICE OF SPECIAL MEETINGS**

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*Annex F*—Malone Agreement; and *Annex G*—Form of Holdings' proposed amended and restated certificate of incorporation (the **Holdings charter**).

Holders of record of LMDIA and LMDIB, in each case, outstanding as of 5:00 p.m., New York City time, on October 9, 2009, the **record date**

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<b>SELECTED FINANCIAL DATA FOR DIRECTV AND HOLDINGS</b>	

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## QUESTIONS AND ANSWERS

*The questions and answers below highlight only selected information about the special meeting and how to vote your shares. You should read carefully the entire proxy statement/prospectus, including the Annexes and the additional documents incorporated by reference herein, to fully understand the proposals being considered at the special meeting.*

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

**A:** The special meeting will be held at [ ] a.m., local time, on [ ], 2009 at the [ ], telephone [( ) - ].

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

**A:** The record date for the special meeting is 5:00 p.m., New York City time, on October 9, 2009.

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

**A:** To consider and vote on each of the redemption proposal and the adjournment proposal and each of the transaction proposals.

**Q: What is the proposed Split-Off for which holdvNhSALCR R XNHTpldfo e -f ?ed WfE X**

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Series B common stock (the **Malone Contribution**). All other holders of LEI Series A common stock and LEI Series B common stock will receive shares of Holdings Class A common stock in the Mergers. For more information, see "Summary—DTV Business Combination", "Special Factors" and "DTV Business Combination" below. The sole stockholder of LEI prior to the Split-Off voted in favor of the adoption of the Merger Agreement and the transactions contemplated thereby at a meeting of the sole stockholder of LEI.

You are also being asked to vote to authorize the adjournment of the special meeting by Liberty Media, to permit further solicitation of proxies, if necessary or appropriate, if suat











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Because the approval of the transaction proposals by a majority of the voting power of the disinterested holders of Liberty Entertainment common stock is not so required, Liberty Media believes that the approval of the transaction proposals will have certain?fi??ô









not completed, LEI will become an independent, publicly-traded company upon completion of the Split-Off and will share its principal executive offices with Liberty Media at 12300 Liberty Boulevard, Englewood, Colorado 80112, and its main telephone number will be (720) 875-5400.

***The DIRECTV Group, Inc.***

DIRECTV is a leading provider of digital television entertainment in the United States and Latin America. Its two business segments, DIRECTV U.S. and DIRECTV Latin America, which are differentiated by their geographic location, are engaged in acquiring, promoting, selling and/or distributing digital entertainment programming via satellite to residential and commercial subscribers.

- **DIRECTV U.S.** DIRECTV Holdings LLC and its subsidiaries (**DIRECTV U.S.**), is the largest provider of direct-to-home (**DTH**), digital television services and the second largest provider in the multi-channel video programming distribution (**MVPD**) industry in the United States. As of June 30, 2009, DIRECTV U.S. had over 18.3 million subscribers.
- **DIRECTV Latin America.** DIRECTV Latin America (**DTVLA**) is a leading provider of DTH digital television services throughout Latin America. DTVLA is comprised of: PanAmericana, which provides services in Venezuela, Argentina, Chile, Colombia, and certain other countries in the region through DIRECTV's wholly owned subsidiary, DIRECTV Latin America, LLC; DIRECTV's 74% owned subsidiary, Sky Brasil Servicos Ltda. (**Sky Brazil**); and DIRECTV's 41% equity method investment in Innova, S. de R.L. de C.V. (**Sky Mexico**). The stock of the former DTVLA subsidiary providing such services to Puerto Rico has been placed in a trust to comply with certain conditions of the Federal Communications Commission (FCC) as described below. As of June 30, 2009, PanAmericana had approximately 2.4 million subscribers, Sky Brazil had approximately 1.7 million subscribers and Sky Mexico had approximately 1.8 million subscribers.

DIRECTV's principal executive offices are located at 2230 East Imperial Highway, El Segundo, California 90245, its main telephone number is (310) 964-5000 and its website is located at [www.directv.com](http://www.directv.com).

***DIRECTV***

Holdings is a newly-formed Delaware corporation that is currently a wholly owned subsidiary of DIRECTV, but, upon completion of the Mergers, will become a publicly-traded holding company named "DIRECTV" that will own all the outstanding equity interests in DIRECTV and LEI. Holdings was formed solely in contemplation of the Mergers, has not commenced any operations, has only nominal assets and has no liabilities or contingent liabilities, nor any outstanding commitments other than pursuant to the Merger Agreement and related agreements. The Class A common stock of Holdings is expected to be listed on the Nasdaq Global Select Market under DIRECTV's current ticker symbol, "DTV." The Class B common stock of Holdings will not be listed on any stock exchange. For information regarding the business of Holdings following the Mergers, please see *Annex A* of this proxy statement/prospectus.

Upon completion of the Mergers, Holdings will become an independent, publicly-traded company and will have its principal executive offices at 2230 East Imperial Highway, El Segundo, California 90245, its main telephone number will be (310) 964-5000 and its website will be located at [www.directv.com](http://www.directv.com).

***DTVG One, Inc.***

DTVG One, Inc. which we refer to as **Merger Sub One**,

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Legal Proceedings Regarding the DTV Business Combination" and further described in the section "DTV Business Combination—Legal Proceedings Regarding the DTV Business Combination") proposed to be executed in connection with an agreement in principle reached by the parties to certain litigation brought on behalf of the DIRECTV stockholders; (ii) that Liberty Media and LEI will not consummate the Split-Off until the first to occur of (x) all of the conditions precedent set forth in the Merger Agreement (other than certain specified conditions precedent relate Proaconditio

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LMDIA, while a holder of 100 shares of LMDIB would receive



Accounts holding shares of Liberty Entertain



common stock and (ii) no gain or loss will be recognized by, and no amount will be included in the inc



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- The Split-Off enables Liberty Media to retain Starz Entertainment and the other assets that will remain in the Entertainment Group, which the Liberty Media board believes were undervalued by DIRECTV during preliminary transaction structure discussions with its representatives.

The Liberty Media board also considered the benefit to Liberty Media as a whole and the other two tracking stock groups of retaining Starz Entertainment, WildBlue Communications, PicksPal, FUN Sports and a significant cash position at the Entertainment Group. Because the remaining Entertainment Group would include revenue generating assets, including the "anchor" asset of Starz Entertainment, as well as a significant amount of cash, it would enhance the financial position of Liberty Media as a whole. In addition, although these assets would continue to be attributed to the Entertainment Group, the cash flow generated by these businesses as well as the cash on hand could be made available to the other groups in the form of loans or the creation of inter-group interests, which may result in terms more favorable to the Capital Group and the Interactive Group than could be obtained from third parties given current conditions in the capital markets.

*Treatment of Outstanding Equity Awards*

Stock incentive awards with respect to shares of Liberty Entertainment common stock are held by directors, officers, employees and consultants of Liberty Media and certain of its subsidiaries under the Liberty Media Corporation 2007 Incentive Plan (the **2007 Incentive Plan**) and various other stock incentive plans administered by the Liberty Media board of directors or its incentive plan committee. As a result of the Split-Off, options and stock appreciation rights with respect to Liberty Entertainment common stock will be split into LEI stock awards and adjusted Liberty Entertainment stock awards. All outstanding restricted shares of Liberty Entertainment common stock will be treated in the same manner as outstanding unrestricted shares of Liberty Entertainment common stock in the Split-Off.

*LEI Common Stock*

LEI Series A common stock, LEI Series B common stock and LEI Series C common stock are identical in all respects, except that:

- LEI Series A common stock entitles its holder to one vote per share, LEI Series B common stock entitles its holder to ten votes per share, and LEI Series C common stock does not entitle its holder to any voting rights (except as required by Delaware law and the LEI restated charter);

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*Comparison of Liberty Entertainment  
Common Stock and LEI Common  
Stock*

The Liberty Entertainment common stock is a tracking stock of Liberty Media. Accordingly, the Liberty Entertainment common stock includes terms that are specific to







Furthermore, the executive officers and directors of Liberty Media and LEI are



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*Stock Exchange Listings*

There is currently no public marUpu



outstanding share of DIRECTV common stock (other than those owned by DIRECTV or LEI) will be exchanged for one share of Class A common stock of Holdings. Each share of Holdings Class A common stock will entitle the holder to one vote per share, and each share of Holdings Class B common stock will entitle the holder to 15 votes per share and to limited consent rights relating to certain share distributions and amendments to the Holdings charter. As a result of the DTV Business Combination, the former LEI stockholders will own approximately 56% of the outstanding Holdings common stock, which will entitle them in the aggregate to approximately 67% of the voting power of Holdings, with the former DIRECTV stockholders owning the remaining equity and voting interests in Holdings. The former LEI stockholders will be entitled to exercise aggregate voting power of Holdings that is greater than their aggregate equivalent equity percentage in Holdings due to the issuance of the high-vote Holdings Class B common stock to the Malones in the DTV Business Combination. For additional information on the allocation of these Holdings ownership interests among the holders of Liberty Entertainment common stock, see "—Comparison of Ownership Interests" below.

At the special meeting, holders of Liberty Entertainment common stock, excluding shares beneficially owned by Mr. Malone, certain affiliated persons of Mr. Malone and the other directors and officers of Liberty Media, will be asked to consider and vote on each of the following three, related transaction proposals:

- the minority redemption proposal, pursuant to which they would approve (i) the Split-Off and (ii) the transactions contemplated thereby (including the transactions contemplated by a reorganization agreement to be entered into between Liberty Media and LEI (the **Reorganization Agreement**));
- the merger proposal, pursuant to which they would approve (i) the Merger Agreement and (ii) the transactions contemplated thereby (including the LEI Merger); and
- the contribution proposal, pursuant to which they would approve (i) the Malone Agreement and (ii) the transactions contemplated thereby (including the Malone Contribution).

The approval of the transaction proposals is not required by either the terms of the Liberty Media charter or Delaware law, but is a contractual requirement under the terms of the Merger Agreement as a condition to the Mergers. Each of the minority redemption proposal, merger proposal and contribution proposal is dependent on the other, and the DTV Business Combination will not be implemented unless they are all approved at the special meeting. Even though approval of the transaction proposals is not legally required, Liberty Media is submitting each of the transaction proposals to the disinterested holders of Liberty Entertainment common stock for their approval. As further described elsewhere in this proxy statement/prospectus, Liberty Media believes that approval of each of the transaction proposals by the disinterested holders of Liberty Entertainment common stock should have certain effects under Delaware law. For more information on why Liberty Media is seeking approval of the transaction proposals, see "DTV Business Combination—Purpose of the Transaction Proposals" below.

The Merger Agreement and the Malone Agreement are included as *Annex E* and *Annex F*, respectively, to this proxy statement/ prospectus. For a description of the ancillary agreements entered into, or to be entered into, among the parties in connection with the DTV Business Combination, see "Transaction Agreements—Agreements Relating to the DTV Business Combination" below.

Holders of Liberty Entertainment common stock will also be asked to vote to authorize the adjournment of the special meeting by Liberty Media, if necessary or appropriate, to solicit additional proxies if sufficient votes are not represented at the special meeting to approve each of the transaction proposals in accordance with the Merger Agreement.

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The following summarizes selected terms of the DTV Business Combination. For more information, please see "Special Factors," "DTV Business Combination" and "Transaction Agreements" below.

### *Structure of the DTV Business Combination*

To accomplish the DTV Business Combination, Holdings was formed by DIRECTV, as its wholly owned subsidiary, with two wholly owned subsidiaries, Merger Sub One and Merger Sub Two.

At the effective time of the Mergers:

- In the DIRECTV Merger, Merger Sub One will merge with and into DIRECTV with DIRECTV as the surviving corporation; and
- In the LEI Merger, Merger Sub Two will merge with and into LEI with LEI as the surviving corporation.

Immediately prior to the Mergers, in the Malone Contribution, each share of LEI Series B common stock held by the Malones will be exchanged for a number of shares of Class B common stock of Holdings equal to the LEI Exchange Ratio.

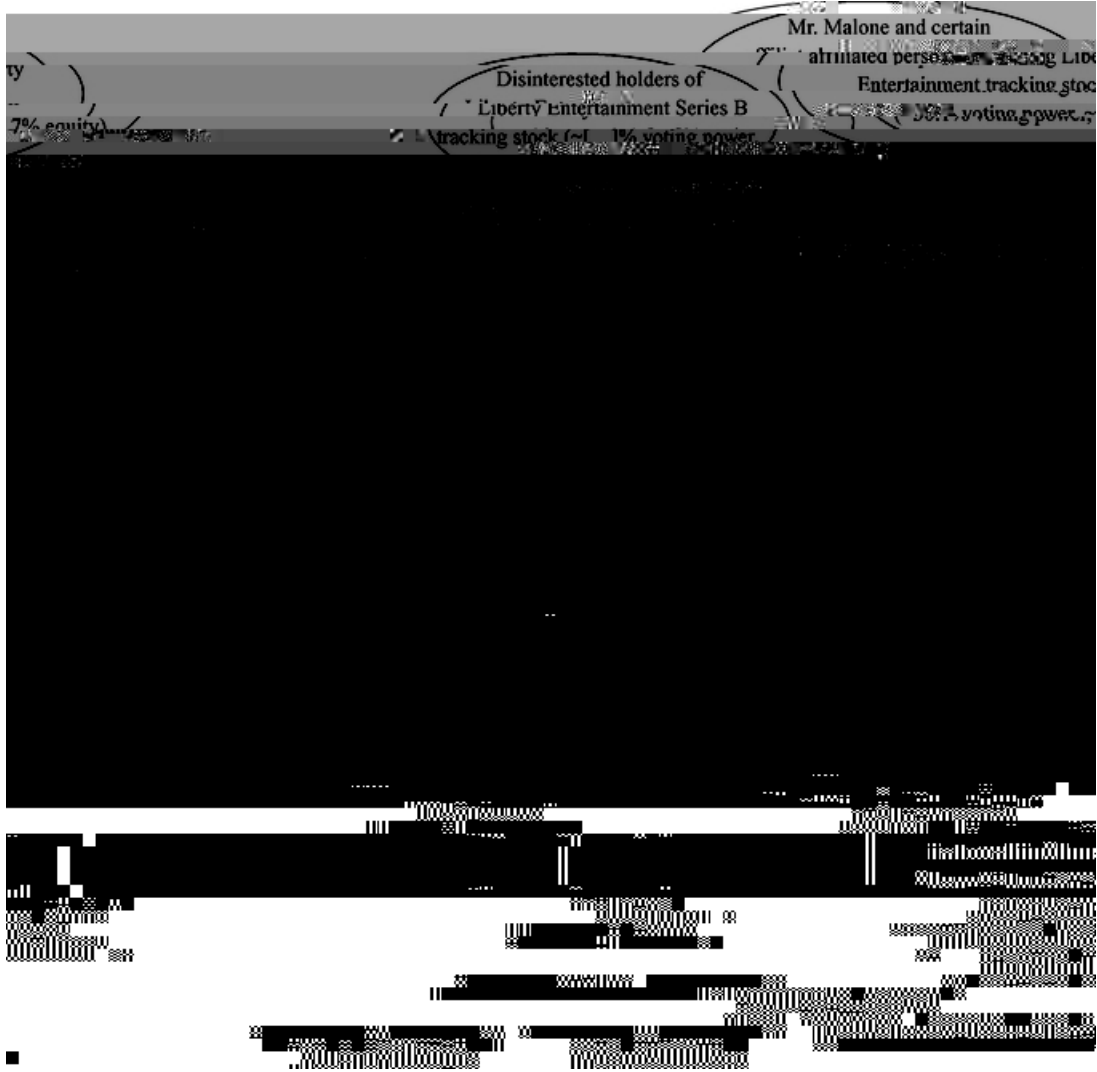
As a result of the Mergers and the Malone Contribution, each of LEI and DIRECTV will become wholly owned subsidiaries of Holdings.

The following diagram illustrates the material steps of the DTV Business Combination.

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After the Split-Off and Before the Mergers





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*LEI Exchange Ratio* The LEI Exchange Ratio equals 1.1111, subject to adjustment to reflect (i) changes in the number of outstanding shares of Liberty Entertainment common stock from March 1, 2009 through  $\cdot$ Ento 1, a

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satisfied or waived, and as a result, it is possible that the transaction might not be completed.

- The interests of Liberty Media's directors and executive officers and the interests of DIRECTV's directors and executive officers in the DTV Business Combination described under "The DTV Business Combination—Interests of Certain Persons" below.
- That, since the number of Holdings shares to be issued in the LEI Merger is fixed, rather than based on a floating exchange ratio that accounts for fluctuations in share prices, the market value of such shares at the time they are initially issued to LEI stockholders may vary significantly from the market value of the Liberty Entertainment common stock or DIRECTV common stock on the date of the Merger Agreement, on the date of this proxy statement/prospectus, or on the date of the special meeting;
- That the payment of costs related to the Mergers will adversely affect the short-term operating results and cash flows of Holdings;
- That, following the Mergers, Mr. Malone may have significant influence over corporate matters considered by Holdings and its stockholders due to his position as Holdings' Chairman of the Board and the Malones' approximate 24.2% voting power in Holdings;
- That certain provisions of the Merger Agreement that require LEI to pay DIRECTV termination fees and expense reimbursements could deter a third party from making a competing acquisition proposal for LEI or assets of LEI, including its DIRECTV shares, or affect the structure, pricing and terms of any competing proposal made by a third party, possibly to the detriment of LEI's stockholders;
- That the successful integration of DIRECTV's and LEI's organizations, procedures and operations may divert Holdings management's focus and resources from the core direct-to-home satellite operating business during the integration process; and
- That the excess share provisions in the Holdings charter has the effect of placing limitations on the shares held by certain stockholders, which may make it difficult for a third party to acquire Holdings.

*Opinion of Financial Advisor to the  
Liberty Media Board*

The Liberty Media board of directors retained Goldman Sachs as its financial advisor in connection with the Mergers. On May 3, 2009, Goldman Sachs orally rendered its opinion to Liberty Media's board, subsequently confirmed in writing, that as of May 3, 2009 and based upon and subject to the factors and assumptions set forth in the written opinion, the LEI





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If any of the foregoing conditions (other than the condition included in the sixth bullet point, which Liberty Media has no right to waive and, the conditions included in the second bullet point, which DIRECTV has agreed not to waive) are waived by the applicable party (or parties), Liberty Media will resolicit the approval of the holders of the Liberty Entertainment common stock of the transaction proposals before completing the DTV Business Combination.

See "Transaction Agreements—Agreements Relating to the DTV Business Combination—Merger Agreement—Conditions to Completion of the Mergers" and "—Termination" for information on these and additional conditions to the Mergers. If any of the additional conditions are waived by the applicable party (or parties), Liberty Media will not resolicit the approval of the holders of the Liberty Entertainment common stock before completing the DTV Business Combination.

*Treatment of Fractional Shares*

No fractional shares of Holdings common stock will be issued in connection with the LEI Merger. Instead each holder of shares of LEI common stock exchanged in the LEI Merger who would otherwise have received a fraction of a share of Holdings common stock will receive cash in an amount of such holder's pro rata share of the net proceeds from a sale by the Exchange Agent in the public market of the aggregate fractional shares of Holdings common stock to be issued in the Mergers. Because each share of DIRECTV common stock is being exchanged for one share of Holdings Class A common stock, no fractional shares are expected to arise as a result of that exchange.

*Holdings*

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of the Class B common stock, and (iii) certain charter amendments, including amendments relating to the consent rights of the holders of the Holdings Class B common stock, the voting rights of the Holdings common stock, the terms for automatic conversion of the Holdings Class B common stock into Holdings Class A common stock, the terms of distributions or dividends (including share distributions), the requirement that the corporation reclassify the Holdings common stock on an equal per share basis; the exemption of the Malones and certain transferees from the terms of the provisions relating to the excess shares, the terms requiring that the consideration received in certain corporate transactions by Holdings Class B stockholders to not be less than the consideration received by Holdings Class A stockholders, Holdings' right to redeem the Holdings Class B common stock upon the death of Mr. Malone, and the terms of liquidation, dissolution or winding-up of Holdings, except that no consent of the Holdings Class B common stock will be required for Holdings to enter into certain transactions with non-affiliates of Holdings, regardless of whether such transactions would result in any amendment or change described in clauses (ii) or (iii) above;

- subject to certain events that would result in the termination of this right, holders of Holdings Class A common stock have the right to approve any merger, consolidation or sale of all or substantially all of the assets of Holdings which requires stockholder approval but provides for a payment of per share consideration to the holders of Holdings Class B common stock that is different from the per share consideration received by holders of Holdings Class A common stock; and
- shares of Class B common stock are not convertible into shares of Class A common stock at the election of the holder; however, each share of Class B common stock will be automatically converted, upon the transfer of such share to a transferee that is not an affiliate of the transferor which is effected through a public transfer, into one share of Class A common stock. Class A common stock and Class C common stock are not convertible. For this purpose, a "public transfer" means a transfer that (i) is effected on any stock exchange, in the over-the-counter market, or on any electronic screen-based or automated securities trading market and (ii) involves a broker, dealer or market maker.

If final court approval of the stipulation of settlement is not obtained by June 30, 2010, the settlement and certain related changes to the Holdings charter and by-laws, including the right described in the third bullet point above, will become null and void.

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The holders of each class of Holdings common stock will be subject to an automatic transfer of their shares to a trust upon certain transfer or non-transfer events and the resultant loss of ownership rights to those shares (other than the right to receive certain proceeds upon the sale of those shares by the trust). For more information about the Holdings excess share provisions, see "—Comparison of Liberty Entertainment Common Stock and LEI Common Stock" below and "Description of Common Stock and Comparison of Stockholder Rights."

In addition, holders of Holdings Class B common stock are entitled to receive per share consideration in any business combination that is not less than the per share consideration received by the holders of Holdings Class A common stock in such business combination.

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with any fractional number being rounded up to the next whole number).

In addition, a majority of the Holdings board will be required to be Qualifying Directors (as defined in the section "DTV Business Combination—Legal Proceedings Regarding the DTV Business Combination"). This requirement was included pursuant to the terms of the proposed stipulation of settlement and will terminate if the stipulation of settlement has not received final approval of the court by June 30, 2010 and upon the occurrence of certain other events.

The entire board of directors of Holdings at the effective time of the Mergers will be up for reelection at the first annual meeting of stockholders of Holdings after the effective time of the Mergers. That meeting will occur during the first full calendar year following the year in which the effective time of the Mergers occur. Pursuant to the Holdings charter, at such first annual meeting, the board of directors of Holdings will be classified into three classes, as is currently the case for the board of directors of DIRECTV. In connection with this classification of the Holdings board, the LEI Designees (or their successors) will be placed in separate classes with each LEI Designee's class designation to be made in accordance with a resolution of the LEI board to be delivered to Holdings prior to the Merger Effective Time.

In addition, immediately prior to the Malone Contribution, the Holdings board will appoint the initial members of each of the nominating and corporate governance committee and the compensation committee. Each such committee will be composed of three or four members with each such committee including a LEI Designee who qualifies as an independent director for Nasdaq purposes. Alternatively, each such committee may be composed of five members if the one additional independent director described above (i) is then serving on the Holdings board and (ii) is appointed to serve as the fifth member of such committee. Additionally, at least 50% of the members of the audit committee, compensation committee and any special transaction committee established by the Holdings board for the purpose of evaluating a change of control transaction proposal received by Holdings will consist of Qualifying Directors. The requirement described in the immediately preceding sentence was included pursuant to the terms of the proposed stipulation of settlement and will terminate if the stipulation of settlement has not received final approval of the court by June 30, 2010 and upon the occurrence of certain other events.

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*Malone Agreement*

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Holders of Liberty Entertai

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terminated because the Liberty Stockholder Approval is not obtained and a third party acquisition proposal is made prior to such termination and (i) within nine months of the termination Liberty Media or LEI enters into a third party acquisition proposal and the transactions contemplated by the acquisition proposal are consummated or (ii) Liberty Media or LEI otherwise consummates an acquisition proposal within nine months of the termination. LEI may also be obligated to pay DIRECTV the expense reimbursement if a third party acquisition proposal is made known and the requisite Liberty Stockholder Approval is not obtained.

In some circumstances, including those involving a change in the DIRECTV board's recommendation in favor of the Merger Agreement or a third party acquisition proposal, DIRECTV may become obligated to pay a termination fee to LEI of \$450 million and an expense reimbursement of up to \$10 million. DIRECTV may also be obligated to pay LEI the same termination fee and expense reimbursement if the Merger Agreement is terminated because the DIRECTV Stockholder Approval is not obtained and a third party acquisition proposal is made prior to such termination and (i) within nine months of the termination DIRECTV enters into a third party acquisition proposal and

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*Legal Proceedings Regarding the  
DTV Business Combination*

with the DTV Business Combination. The FCC consented to the pro forma transfer applications for the DIRECTV licenses and other authorizations in connection with the DTV Business Combination in an order released on October 1, 2009.

There are multiple purported class action complaints pending against Liberty Media, DIRECTV

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## 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 proposals.*

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

- risks that relate to the Split-Off, which include risks relating to an investment in LEI and the capital structure of LEI and risks relating to LEI's ownership of an interest in DIRECTV following the Split-Off assuming the DTV Business Combination is not completed immediately following the Split-Off or at all; and
- risks that relate to the DTV Business Combination, which include risks relating to the Mergers and risks relating to an investment in Holdings and the capital structure of Holdings.

The risks described below and elsewhere in this proxy statement/prospectus are not the only ones that relate to the Split-Off, an investment in LEI, the DTV Business Combination and an investment in Holdings. 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 LEI, Holdings or an investment in their respective common stock. Past financial performance may not be a reliable

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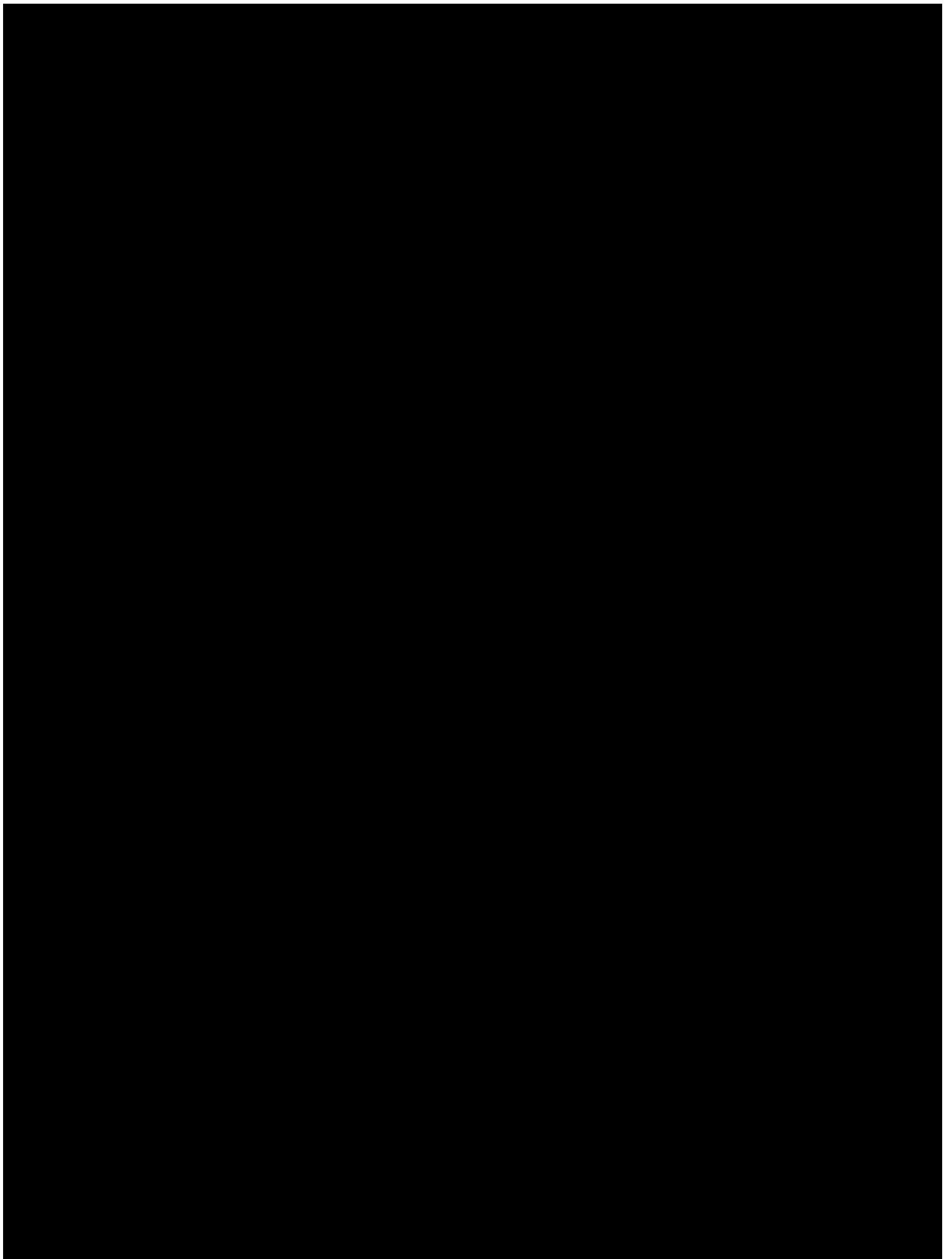
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Computer viruses transmitted over the Internet have significantly increased in recent years, thereby increasing the possibility of disabling attacks on and damage to websites of LEI's subsidiaries and business affiliates whose businesses will be dependent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

***The success of certain of LEI's subsidiaries and business affiliates depends on audience acceptance of their programs and programming services which is difficult to predict.*** Entertainment content production is an inherently risky business because the revenue derived from the production and distribution of a cable program depends primarily upon its acceptance by the public, which is difficult to predict. The commercial success of a cable program depends on the quality and acceptance of other competing programs 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 are important factors when cable and DTH satellite video providers negotiate affiliation agreements with cable programmers and, in the case of cable programming, when advertising rates are negotiated. Consequently, low public acceptance of cable programs could hurt the ability of LEI's subsidiaries and business affiliates to maintain rates charged to affiliates, subscribers and advertisers.

***No assurance can be made that LEI will be successful in integrating any acquired businesses.*** LEI's businesses and those of its subsidiaries may grow through acquisitions in selected markets. Integration of new businesses may present significant challenges, including: realizing economies of scale in programming and network operations; eliminating duplicative overheads; and integrating networks, financial systems and operational systems. No assurances can be made that, with respect to any acquisition, LEI will realize anticipated benefits or successfully integrate any acquired business with its existing operations. In addition, while LEI intends to implement appropriate controls and procedures as it integrates acquired companies, LEI may not be able to certify as to the effectiveness of these companies' disclosure controls and procedures or internal control over financial reporting (as required by U.S. federal securities laws and regulations) until LEI has fully integrated them.

***If, following the Split-Off, LEI is unable to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or LEI's internal control over financial reporting is not effective, the reliability of LEI's financial statements may be questioned and LEI's stock price may suffer.*** Section 404 of the Sarbanes-Oxley Act of 2002 requires any company subject to the reporting requirements of the U.S. securities laws to complete a comprehensive evaluation of its and its consolidated subsidiaries' internal control over financial reporting. To comply with this statute, LEI will be required to document and test its internal control procedures; LEI's management will be required to assess and issue a report concerning LEI's internal control over financial reporting; and LEI's independent auditors will be required to issue an attestation regarding its internal control over financial reporting. LEI's compliance with Section 404 of the Sarbanes-Oxley Act will first be tested in connection with the filing of its Annual Report on Form 10-K for the fiscal year ending December 31, 2010. Although LEI does not expect the annual costs to comply with Section 404 to be significant (based on its preliminary assessments), the rules governing the standards that must be met for LEI's management to assess its internal control over financial reporting are complex, subject to change, and require significant documentation, testing and possible remediation to meet the detailed standards under the rules. During the course of its testing, LEI's management may identify material weaknesses or deficiencies which may not be remedied in time to meet the deadline imposed by the Sarbanes-Oxley Act. If LEI's management cannot favorably assess the effectiveness of its internal control over financial reporting when it's required to do so or LEI's

auditors identify material weaknesses in its internal control, investor confidence in LEI's financial results may weaken, and LEI's stock price may suffer.

***LEI has overlapping directors and management with Liberty Media and Liberty Global, Inc. (LGI), which may lead to conflicting interests.*** Executive officers of Liberty Media will also serve as executive officers of LEI pursuant to a services agreement that will be entered into between Liberty Media and LEI in connection with the completion of the Split-Off, and the directors of Liberty Media will also serve as the initial directors of LEI. John C. Malone is the Chairman of the Board of Liberty Media and LGI and will serve as the Chairman of the Board of LEI. In addition, three other directors who serve on LGI's board also serve on the Liberty Media board. Immediately following the Split-Off, neither Liberty Media nor, to its knowledge, LGI will have any ownership interest in LEI, and LEI will not have any ownership interest in Liberty Media or LGI. LGI is an independent, publicly-traded company and the largest international cable operator based on number of subscribers as of December 31, 2008. The executive officers and the members of LEI's board of directors have fiduciary duties to its stockholders. Likewise, any such persons who serve in similar capacities at Liberty Media and/or LGI have fiduciary duties to that company's stockholders. Therefore, such persons may have conflicts of interest or the appearance of conflicts of interest with respect to matters involving or affecting their respective companies. For example, there may be the potential for a conflict of interest when LEI, LGI or Liberty Media looks at acquisitions and other corporate opportunities that may be suitable for each of them. Moreover, most of LEI's directors and officers will continue to own Liberty Media and/or LGI stock and options to purchase Liberty Media and/or LGI stock. These ownership interests could create, or appear to create, potential conflicts of interest when these individuals are faced with decisions that could have different implications for LEI and/or LGI or Liberty Media. Any potential conflict that could qualify as a "related party transaction" (as defined in Item 404 of Regulation S-K) will be subject to review by an independent committee of the applicable issuer's board of directors in accordance with its corporate governance guidelines. Any other potential conflicts that arise would be addressed on a case-by-case basis, keeping in mind the applicable fiduciary duties owed by the executive officers and directors of each issuer. From time to time, Liberty Media or LGI or their respective affiliates may enter into transactions with LEI and/or its subsidiaries or other affiliates. Although the terms of any such transactions or agreements will be established based upon negotiations between employees of the companies involved, there can be no assurance that the terms of any such transactions will be as favorable to LEI or its subsidiaries or affiliates as would be the case where the parties are completely at arms' length.

***LEI may compete with Liberty Media and LGI for business opportunities.*** Certain of Liberty Media's subsidiaries and business affiliates own or operate domestic or foreign programming services that may compete with the programming services offered by LEI's businesses. Certain of LGI's subsidiaries and business affiliates offer international cable and DTH satellite distribution services in areas outside the U.S. in competition with DTVLA. LGI also has subsidiaries or business affiliates that own or operate foreign programming services that may compete with those offered by LEI's businesses. LEI has no rights in respect of U.S. or international programming or international distribution opportunities developed by or presented to the subsidiaries or business affiliates of Liberty Media or LGI, and the pursuit of these opportunities by such subsidiaries or affiliates may adversely affect the interests of LEI and its stockholders. Because LEI and Liberty Media have overlapping officers, and LEI, Liberty Media and LGI have overlapping directors, the pursuit of business opportunities may serve to intensify the conflicts of interest or appearance of conflicts of interest faced by each management team. LEI has renounced its rights to certain business opportunities and LEI's restated charter will provide that no director or officer of LEI will be liable to LEI or its stockholders for breach of any fiduciary duty by reason of the fact that any such individual directs a corporate opportunity to another person or entity (including Liberty Media and LGI) instead of LEI, or does not refer or communicate information regarding such corporate opportunity to LEI, unless (x) such opportunity was expressly offered to such person solely in his or her capacity as a director or officer of LEI or as a director or officer of any of

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LEI's subsidiaries or affiliates, and (y) such opportunity relates to a line of business in which LEI or any of its subsidiaries is then directly engaged. The management teams of each of LEI and Liberty Media intend to exercise vigilance in their avoidance of any actual conflicts of interest while fulfilling their fiduciary duties to their respective stockholders.

***It may be difficult for a third party to acquire LEI, even if doing so may be beneficial to LEI stockholders.*** Certain provisions of LEI's restated charter and by-laws may discourage, delay or prevent a change in control of LEI that a stockholder may consider favorable. These provisions include the following:

- authorizing a capital structure with multiple series of common stock: a Series B that entitles the holders to ten votes per share, a Series A that entitles the holders to one vote per share, and a Series C that, except as otherwise required by applicable law, entitles the holders to no voting rights;
  - classifying LEI's board of directors with staggered three-year terms, which may lengthen the time required to gain control of LEI's board of directors;
  - limiting who may call special meetings of stockholders;
  - prohibiting stockholder action by written consent (subject to certain exceptions), thereby requiring stockholder action to be taken at a meeting of the stockholders;
  - requiring stockholder approval by holders of at least 80% of LEI's voting power or the approval by at least 75% of LEI's board of directors with respect to certain extraordinary matters, such as a merger or consolidation of LEI, a sale of all or substantially all of LEI's assets or an amendment to LEI's restated charter;
  - establishing advance notice requirements for nominations of candidates for election to LEI's board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings;
  - requiring the consent of the holders of at least 75% of the outstanding Series B common stock.
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of LEI's businesses. If the Mergers are not consummated, LEI will be responsible for its own transaction costs and expenses for which it will receive no benefit.

*Failure to com t*

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DIRECTV service. It is uncertain whether DIRECTV will be able to increase its satellite capacity, offer













DIRECTV's ability to generate revenue v









## THE SPECIAL MEETING

### Time, Place and Date

The special meeting of the stockholders is to be held at 9:00 a.m., local time, on [ ], 2009, at [ ], telephone [( ) - ].

### Purpose

At the special meeting, you will be asked to consider and vote on the redemption proposal, which would allow Liberty Media to redeem a portion of the outstanding shares of Liberty Entertainment common stock for all of the outstanding shares of LEI, with LEI holding Liberty Media's 57% interest in DIRECTV, a 100% interest in Liberty Sports Holdings, a 65% interest in GSN and approximately \$50 million in cash and cash equivalents, together with approximately \$2 billion of indebtedness.

Additionally, at the special meeting, holders of Liberty Entertainment common stock, other than Mr. Malone, certain affiliate



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. 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 any proposal, or if those shares are voted in circumstances in which proxy authority is defective or has been withheld, those shares (**broker non-votes**) nevertheless 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 shares of LMDIA and LMDIB, as recorded in Liberty Media's stock register as of 5:00 p.m., New York City time, on October 9, 2009 (such date and time, the **record date** for the special meeting), may vote on the redemption proposal and the adjournment proposal at the special meeting or at any adjournment or postponement thereof. Holders of shares of LMDIA and LMDIB, excluding all shares beneficially owned by Mr. Malone, certain affiliated persons of Mr. Malone or any directors and officers of Liberty Media, as recorded in Liberty Media's stock register as of the record date, may vote on the transaction proposals at the special meeting or at any adjournment or postponement thereof.

#### **Votes Required**

Each of the redemption proposal and the adjournment proposal requires the approval by holders of record, as of the record date, of a majority of the aggregate voting power of the shares of Liberty Entertainment common stock that are present (in person or by proxy) and entitled to vote at the special meeting, voting together as a single class. The approval of the redemption proposal is required by the terms of Liberty Media's charter. Each of the transaction proposals requires the approval by the holders of record, as of the record date, voting together as a separate class, of a majority of the aggregate voting power of the outstanding shares of Liberty Entertainment common stock, excluding all shares of Liberty Entertainment common stock beneficially owned by Mr. Malone, certain affiliated persons of Mr. Malone or any director or officer of Liberty Media. The approval of each of the transaction proposals is not required by either the terms of the Liberty Media charter or Delaware law, but is a contractual obligation under the terms of the Merger Agreement as a condition to the Mergers and is intended by Liberty Media to have certain effects under Delaware law as described in "DTV Business Combination—Purpose of the Transaction Proposals." If any of the three transaction proposals is not approved, the DTV Business Combination will not be completed.

#### **Votes You Have**

At the special meeting:

- holders of shares of LMDIA will have one vote per share; and
- holders of shares of LMDIB will have ten votes per share;

in each case, for each share that Liberty Media's records show they owned as of the record date.

#### **Shares Outstanding**

As of the record date for the special meeting, an aggregate of [ ] shares of LMDIA and [ ] shares of LMDIB were issued and outstanding and entitled to vote at the special meeting.

#### **Number of Holders**

There were, as of the record date for the special meeting, approximately [ ] and [ ] record holders of LMDIA and LMDIB, respectively (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 Liberty Entertainment common stock as of the record date for the special meeting may vote in person at the special meeting. Alternatively, they may give a proxy by completing, signing, dating and returning the enclosed proxy card by mail, or by voting by telephone or through the Internet. Instructions for voting by using the telephone or the Internet are printed on the proxy voting instructions attached to the proxy card. In order to vote via the Internet, holders should have their proxy cards available so they can input the required information from the card, and log into the Internet website address shown on the proxy card. When holders log on to the Internet website address, they will receive instructions on how to vote their shares. The telephone and Internet voting procedures are designed to authenticate votes cast by use of a personal identification number, which will be provided to each voting stockholder separately. Unless such proxy is subsequently revoked, shares of Liberty Entertainment common stock represented by a proxy submitted as described herein and received at or before the special 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 special meeting. You may change your vote at the special meeting.

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

If you submit a proxy card on which you indicate that you abstain from voting, it will have the same effect as a vote "**AGAINST**" each of the proposals.

If you fail to respond with a vote, your shares will not be counted as present and entitled to vote for purposes of determining a quorum, but your failure to vote will have no effect on determining whether the redemption proposal or the adjournment proposal is approved (if a quorum is present), and your shares will count as a vote "**AGAINST**" each of the transaction proposals.

### **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 Liberty Entertainment common stock or when granting or revoking a proxy.

*Effect of Broker Non-Votes.* Broker non-votes are counted as shares of Liberty Entertainment common stock present and entitled to vote for purposes of determining a quorum but will have no effect on the redemption proposal or the adjournment proposal. They will, however, count as a vote "**AGAINST**" each of the transaction proposals. You should follow the directions your broker, bank or other nominee provides to you regarding how to vote your shares of common stock and how to revoke prior voting instructions.

### **Revoking a Proxy**

Before the start of the special meeting, 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 special 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 43102, Providence, Rhode Island 02940. **Any signed proxy revocation or new signed proxy must be received before the start of the special meeting.**

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





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Group common stock to the value of its underlying assets, particularly the implicit discount being applied to the DIRECTV common stock attributed to the Entertainment Group. The Liberty Media board noted that, in the period immediately following the creation of the Liberty Entertainment tracking stock and based on consensus analyst reports, LMDIA was trading at an approximate 25% discount to market estimates of the Entertainment Group's net asset value and that this trading discount increased over the next six months. The Liberty Media board believed the trading discount was being caused by, among other things, the mix of public and private assets in the Entertainment Group compounded by Liberty Media's complex tracking stock structure. Moreover, the Liberty Media board considered that a beneficial outcome to its DIRECTV stock ownership might be a consolidation with DIRECTV, and that the complex nature of Liberty Media's tracking stocks together with the significant market discount applied to the Entertainment Group tracking stock would likely make it more difficult to complete a transaction with DIRECTV than if the Entertainment Group were split off into a separate public company. In that regard, DIRECTV had advised Liberty Media's management that DIRECTV's management and independent directors had expressed the view that the use of Liberty Media tracking stock as consideration in a potential merger with DIRECTV would not be in the best interests of DIRECTV's stockholders and DIRECTV. As a result, in the beginning of September 2008, the Liberty Media board authorized management to proceed with the development of a plan to split-off all of the businesses, assets and liabilities of the Entertainment Group as a Liberty public company and Liberty Media announced this subchapter S company to be a Eard arthoe ia

In response to the turmoil in the financ -offi Medn ha008.iabit2008, e Ethe Liberty Media abard authoorpfinthe



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In analyzing the potential effects of the Split-Off to Liberty Media as a whole, the Liberty Media board further considered that the focus on DIRECTV, including the uncertainty which resulted in the financial community over the possibility of a transaction with DIRECTV, might be having an adverse effect on the Capital Group tracking stock and the Interactive Group tracking stock. By splitting off a portion of the Entertainment Group into a separate company, the Liberty Media board believed that the markets would focus more closely on the remaining assets of Liberty Media to the benefit of the holders of the two other tracking stocks and the remainder of the Entertainment Group.

The Liberty Media board then revisited the proposed asset composition of LEI and the Entertainment Group following the Split-Off. After considering the relative liquidity needs of each, the Liberty Media board determined to retain a significant cash position at the Entertainment Group following the Split-Off and to make a portion of those funds available to LEI pursuant to a short-term revolving credit facility. In making this determination, the Liberty Media board also took into account the potential benefits to the Capital Group and the Interactive Group of having a substantial amount of cash in the Entertainment Group, which could be available for inter-group loans. It was determined that the revolving credit facility would provide for borrowings in the range of \$300–\$350 million principal amount and bear interest at market rates. The Liberty Media board believed that the revolving credit facility, coupled with LEI's marketable securities and the modest cash allocation to be made to LEI in connection with the Split-Off, will provide LEI with adequate short-term liquidity during which time LEI can establish its own credit rating as an independent public company. In addition, as structured, the revolving credit facility would not impose a long-term obligation on the assets of the Entertainment Group.

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Split-Off, including the additional legal, accounting and administrative costs of operating a separate public company; (iii) the potential tax liabilities that could arise as a result of the Split-Off; and (iv) the interests of Liberty Media's directors and executive officers in the Split-Off described under "—Interests of Certain Persons" below. The Liberty Media board considered all of these factors in its analysis even though some factors, such as the loss of intangible synergistic benefits and the interests of certain persons in the Split-Off, were not quantifiable. The costs of effecting the Split-Off were estimated to be \$4–\$5 million, and the additional legal and accounting costs of operating a separate public company were estimated to be \$4–5 million per year. Administrative costs were not expected to change significantly as Liberty Media and LEI will be entering into a services agreement in connection with the completion of the Split-Off, pursuant to which Liberty Media personnel will provide service to LEI and LEI will reimburse Liberty Media for an allocable portion of such personnel compensation based upon the percentage of time spent on LEI matters. Liberty Media and LEI expect these allocations to aggregate \$2–\$3 million for the first twelve-month period following the Split-Off. Although the potential, collective tax liabilities that could arise to Liberty Media, LEI and the holders of Liberty Entertainment common stock if the Split-Off did not qualify as a tax-free transaction for U.S. federal income tax purposes would be substantial, the Liberty Media board did not consider it likely that these liabilities would be incurred due to the non-waivable conditions to the Split-Off that the opinions of tax counsel and the IRS private letter ruling (in each case, relating to the tax-free treatment of the Split-Off for U.S. federal income tax purposes) be obtained.

After considering the positive and negative factors described above, the Liberty Media board unanimously determined that the anticipated benefits of the Split-Off outweighed the risks and costs and unanimously approved the Split-Off. Because the Split-Off would not include all of the assets, businesses and liabilities of the Entertainment Group, the Liberty Media board could not effect a redemption of all of the outstanding shares of Liberty Entertainment common stock under the Liberty Media charter. Rather, the Liberty Media board determined to effect a partial redemption of the Liberty Entertainment common stock, subject to the receipt of the requisite stockholder approval and the other conditions described below. In accordance with the terms of the Liberty Media charter, the Liberty Media board then determined that, if all conditions to the Split-Off are satisfied or, if applicable, waived, Liberty Media will redeem, on a pro rata basis, 90% of the shares of each series of Liberty Entertainment common stock outstanding on the date indicated by the Liberty Media board.

In an effort to avoid confusion in the markets following the completion of the Split-Off, the Liberty Media board has also determined, following the Split-Off and subject to the receipt of the requisite stockholder approval at Liberty Media's 2009 annual meeting, to redesignate LMDIA as Series A Liberty Starz common stock and LMDIB as Series B Liberty Starz common stock and to list these securities on the Nasdaq Global Select Market under the symbols "LSTZA" and "LSTZB", respectively. Because analysts and others in the financial community know the businesses of Liberty Media's y Media boy M



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believes is likely to affect the market price of the LEI common stock after the Split-Off and avoiding the costs of having two separate public companies primarily focused on the same operating business. The Liberty Media









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On March 26, 2009, Liberty Media a a



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shares of DIRECTV's common stock following the Split-Off in order to satisfy its obligations on such debt.

- The proposed transaction would result in DIRECTV having a single board of directors owing fiduciary duties only to DIRECTV stockholders thereby eliminating any conflict issues that may have arisen with persons serving on the board of both DIRECTV and LEI.
- Because stockholders would have a direct interest in Holdings, the publicly traded parent company of DIRECTV, it was unlikely that the market price of their shares would be subject to the market discount that may have applied to the ownership of LEI common stock following the Split-Off (as a result of LEI's most significant asset being stock of another public company). Although management did not believe that such a discount would be as large as the discount that had applied to the Liberty Entertainment common stock (due to the elimination of the "tracking stock discount" in the Split-Off), management believed that the proposed transaction should eliminate any continuing discount altogether.

Management also noted that the DIRECTV shares had performed well in the current market downturn—better than many other media companies in recent periods. It was suggested that this was due in part to its strong management team, which would become the management team of Holdings following the merger.

During the March 26 Discussions, management discussed with the board members the following negative aspects of a proposed transaction with DIRECTV:

- The merger transaction would likely result in holders of LEI common stock receiving a relatively small premium in return for LEI giving up its controlling interest in DIRECTV.
- Holders of LEI Series B common stock would likely expect a premium over the LEI Series A common stock in exchange for their high vote shares and might initiate litigation over the failure to be paid such a premium.
- LEI may have been able to negotiate better terms for itself and its stockholders if it had been the acquirer of the DIRECTV business following the Split-Off.
- The split-and-merge structure would increase the complexity of the tax analysis and may delay the receipt of the necessary tax rulings from the IRS or may prevent Liberty Media from obtaining such tax rulings.
- The proposed merger will require regulatory approvals in addition to those required for the Split-Off. Such approval process may result in delays in effecting the Split-Off.

Management's discussions with the board also focused on the fact that entering into a merger agreement with DIRECTV prior to the Split-Off would mean that Liberty Media would be a required party to the tax ruling process.

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to the Split-Off, including DIRECTV's suggestion that it would prefer that the Split-Off be delayed until the conditions to the mergers had been satisfied. Management advised the board members that it was confident that Liberty Media would be able to obtain the tax rulings necessary to accomplish the Split-Off relatively quickly and noted that seeking tax rulings related to the mergers could delay receipt of these rulings. It was also noted that the follow-on mergers would add additional complexity to the rulings and may also require additional representations and agreements from Mr. Malone and any other large stockholders in order to obtain tax opinions necessary to require a

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effect on LEI. In addition, based on their review of the drafts of the proposed tax sharing agreement and reorganization agreement proposed by Liberty Media to be executed in connection with the Split-Off, representatives of DIRECTV expressed concern about provisions of those agreements that would make LEI liable for certain contingent liabilities, including income tax liabilities if the tax-free nature of the Split-Off were to be successful.

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by Robert R. Bennett (one of the directors of Liberty Media) of high vote shares of Liberty Media's three tracking stocks. Mr. Bennett did not participate in these discussions. The Liberty Media board was informed that DIRECTV had requested Liberty Media and LEI to enter into an agreement with Mr. Bennett (i) to restrict his ability to acquire or sell shares of Liberty Entertainment common stock, LEI common stock and DIRECTV common stock, and (ii) to acknowledge that these

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(A) the Split-Off and the transactions contemplated thereby (including the transactions contemplated by the Reorganization Agreement

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Liberty Media that rulings with respect to certain tax matters are reasonably acceptable to them, or, alternatively, waives the related closing condition or delivers a certificate to LEI acknowledging receipt of a tax opinion in lieu of the requested rulings. The amendment also provided for the foregoing governance arrangements and a number of agreed-upon ministerial changes. The parties also executed Amendment No. 1 to the Malone Agreement on July 29, 2009, which corrected typographical errors and made conforming changes based on the final provisions of the Holdings charter.

During June and July of 2009, counsel for Liberty Media had discussions with the Staff of the Securities and Exchange Commission as to whether the LEI Merger, when coupled with the Malone Contribution, constituted a "13e-3 transaction" as it relates to the holders of LEI Series B common stock other than the Malones. On July 30, 2009, the Liberty Media board and the LEI .it Malones.aas to y rtain ers ~

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Hence, Liberty Media determined that so long as the Merger Agreement remained in effect (i) there was no longer a substantive reason to provide for the Split-Off to occur far in advance of the Mergers and (ii) significant cost savings (such as legal and listing fees) and other benefits would inure if the Split-Off did not occur until the conditions to the Mergers were satisfied (other than those which may only be satisfied at closing). In an effort to achieve these cost savings and other benefits, it was determined that LEI's common stock would not be registered under the Exchange Act or listed on Nasdaq so long as the Merger Agreement remained in place. This structural change was also expected to cause the Transactions to cease to qualify as a "going-private transaction" within the meaning of Rule 13e-3 of the Exchange Act, which would simplify and streamline e AA

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conducted an overall analysis of the factors described above. In doing so, different members of the Liberty Media board may have given different weight to different factors.

***Liberty Media's Reasons for the DTV Business Combination***

In coming to its conclusion that the DTV Business Combination is advisable and in the best interests of Liberty Media and its stockholders, the Liberty Media board considered the following material factors:

- The DTV Business Combination would eliminate the post Split-Off public holding company structure in which LEI's principal consolidated asset will be its interest in another public company (DIRECTV), thereby avoiding the holding company discount that has historically been applied by the investment community to similar structures while also eliminating the costs of operating LEI as a separate public company.
- That the LEI stockholders will obtain a premium for their shares in the DTV Business Combination based upon the relative market values of the Liberty Entertainment common stock and DIRECTV common stock immediately prior to the initial public announcement by Liberty Media and DIRECTV of their entrance into the Merger Agreement.
- The opinion of Goldman Sachs, financial advisor to Liberty Media, rendered to the Liberty Media board that, as of May 3, 2009 and based upon and subject to the factors and assumptions set forth in the written opinion, the LEI Exchange Ratio pursuant to the Merger Agreement was fair from a financial point of view to those holders (other than the Malones and their respective affiliates) of shares of Liberty Entertainment Common Stock who receive shares of LEI common stock as a result of the Split-Off, taken in the aggregate.
- The consummation of the DTV Business Combination would eliminate any potential competition between LEI and DIRECTV, including the pursuit of acquisition opportunities and capital raising activities.
- The Liberty Media board's expectation that the consummation of the DTV Business Combination will generally be tax-free to LEI and its shareholders.
- The review by the board with Liberty Media's legal and financial advisors of the structure and terms of the Merger Agreement and ancillary agreements including the parties' representation, warranties and covenants, the conditions to their respective obligations and the termination provisions, as well as the likelihood of the consummation of the transaction and the board's evaluation of the likely time period necessary to close.

The Liberty Media board weighed these factors against various risks associated with the DTV Business Combination, including, among other things:

- That, while the DTV Business Combination is expected to be completed, there is no assurance that all conditions to the parties' obligations to complete the transaction will be satisfied or waived, and as a result, it is possible that the transaction might not be completed.
  - The interests of Liberty Media's directors and executive officers and the interests of DIRECTV's directors and executive officers in the DTV Business Combination described under "The DTV Business Combination—Interests of Certain Persons" below.
  - That, since the number of Holdings shares to be issued in the LEI Merger is fixed, rather than based on a floating exchange ratio, the number of shares to be issued is fixed.
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Based upon the LEI Exchange Ratio, the DIRECTV Exchange Ratio, the number of shares of DIRECTV common stock outstanding as of February 23, 2009 (other than shares of DIRECTV common stock owned by subsidiaries of Liberty Media), an illustrative number of shares of LEI common stock outstanding (which Goldman Sachs assumed would be equal to 90% of the shares of Liberty Entertainment common stock outstanding as of March 31, 2009), Goldman Sachs calculated that LEI stockholders would receive 52.5% of the outstanding shares of Holdings common stock upon completion of the Mergers.

Based on the assumptions described above and on LEI stockholders' 52.5% pro forma ownership of Holdings upon completion of the Mergers, this analysis implied that the LEI Merger would be accretive to LEI stockholders within a range of 9.7% to 10.4%.

*Illustrative Equity Value Per Share*

Based on Goldman Sachs' calculation of the implied net asset value of LEI (see "—Illustrative Premia Analysis," above), Goldman Sachs derived the implied value to be contributed by LEI stockholders for each share of Holdings common stock to be received by LEI stockholders in the LEI Merger. Goldman Sachs compared the results of this analysis with the implied pro forma equity value per share of Holdings common stock, which was derived based on Goldman Sachs' calculation of the pro forma equity value of Holdings (see "—Illustrative Value of Pro Forma Ownership," above) and on the pro forma number of shares of Holdings common stock outstanding upon completion of the Mergers. Goldman Sachs' calculation of the implied net asset value of LEI and the implied pro forma equity value per share of Holdings common stock were each based on the closing price of DIRECTV common stock as of May 1, 2009. The following table presents the results of this analysis based, in part, on equity values for LEI's/ Holdings' 100% interest in the RSN Subsidiaries and 65% interest in GSN ranging from \$700 million to \$850 million in the aggregate.

<u>Implied Value Contributed by LEI Stockholders per share of Holdings Received</u>	<u>Pro Forma Equity Value per Share of Holdings</u>
\$23.52 - \$23.81	\$24.02 - \$24.17

*Analysis of DIRECTV*

*Discounted Cash Flow Analysis.* Goldman Sachs performed an illustrative discounted cash flow analysis on DIRECTV using estimates provided by qqs rovided byqs



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for a company is calculated by applying selected multiples to the company's estimated future EBITDA. This future enterprise value is then discounted back to the present by applying a range of discount rates. The resulting range of values is then expressed as an illustrative current stock price of the company. Set forth below is a description of Goldman Sachs' illustrative analysis of the implied present value of the future price per share of DIRECTV common stock:

- Goldman Sachs calculated the implied enterprise value for DIRECTV for each of the fiscal years 2010 and 2011 by applying one-year forward EBITDA multiples ranging from 3.5x - 7.5x for each of the fiscal years.







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## THE SPLIT-OFF

### General

a Under the terms of the Liberty Media charter, the Liberty Media board may, subject to the approval of the holders of Liberty Entertainment common stock voting as a single class, redeem all or a portion of the outstanding shares of Liberty Entertainment common stock for h Ldia c

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of LMDIB will be redeemed for 0.9 of a share of LEI Series B common stock, and 0.1 of each share of LMDIB will remain outstanding as Liberty Entertainment common

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holders of book-entry shares of Liberty Entertainment common stock will not need to take any action to receive their LEI shares in the Split-Off.

If the DTV Business Combination is completed immediately following the Split-Off, shares of Liberty Entertainment common stock that are redeemed for shares of LEI common stock, as described above, will immediately be exchanged for the applicable merger consideration as described under "DTV Business Combination—Effect of the LEI Merger; What LEI Stockholders Will Receive in the Merger" below.

After the Split-Off, an investment in Liberty Entertainment common stock, Liberty Capital common stock or Liberty Interactive common stock will continue to represent an ownership interest in Liberty Media as a whole and not in the businesses or assets attributed to the Entertainment Group, the Capital Group or the Interactive Group, respectively. This number of shares of LEI, LCAPB, LINTA and LINTB outstanding prior to the split-off, which are

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date with respect to the shares of Liberty Entertainment common stock subject to such Outstanding Liberty Entertainment Option if the holder had exercised such Outstanding Liberty Entertainment Option immediately prior to the redemption date, with any fraction of a share rounded down to the nearest whole number; and

- an adjusted option award (which we refer to as an **Adjusted Liberty Entertainment Option**) to purchase the number and series of whole shares of Liberty Entertainment common stock which the holder would have retained following the redemption date had the holder exercised such Outsta which weoul
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**SAR Awards**

As of the effective time of the Split-Off, each outstanding stock appreciation right related to Liberty Entertainment common stock (which we refer to as an **Outstanding Liberty Entertainment SAR**) will be split, automatically, into two stock appreciation right awards:

- a stock appreciation right award (which we refer to as an **LEI SAR**) related to the number and series of whole shares of LEI common stock which the holder would have received on the redemption date with respect to the shares of Liberty Entertainment common stock subject to such Outstanding Liberty Entertainment SAR had the holder owned such Liberty Entertainment shares immediately prior to the redemption date, with any fraction of a share rounded down to the nearest whole number; and
- an adjusted stock appreciation right award (which we refer to as an **Adjusted Liberty Entertainment SAR**) related to the number and series of whole shares of Liberty Entertainment common stock which the holder would have retained following the redemption date had the holder owned the number and series of shares of Liberty Entertainment common stock subject to such Outstanding Liberty Entertainment SAR immediately prior to the redemption date, with any fraction of a share rounded down to the nearest whole number.

The amount in the Single Split-Out Outstanding Liberty Entertainment SAR will be divided between the LEI SAR and the Adjusted Liberty Entertainment SAR, first as (x) each case, with any fraction of a cent in the resulting base price rounded up, based upon the relative VWAPs of (x) Series A Liberty Entertainment common stock over the pre-closing valuation period and (y) LEI Series A common stock (or, if the DTV Business Combination is completed, Holdings Class A common stock (as adjusted)) and Series A member

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Regardless of whether the Merger Agreement is terminated, Liberty Media will change the symbol of the Series A and Series B Liberty Entertainment common stock that will remain outstanding following the Split-Off to "LSTZA" and "LSTZB." The post-Split-Off shares of LMDIA, LMDIB, LSTZA and LSTZB would all trade on the Nasdaq Global Select Market. Liberty Media and LEI have been advised that, for a short period following the Split-Off, LEI's common stock may trade under temporary trading symbols, which will be announced by press release once available. If, however, the DTV Business Combination is completed immediately following the Split-Off, LEI will be acquired by Holdings, and LEI common stock will be exchanged for Holdings common stock before ever trading in the public market.

**Stock Transfer Agent and Registrar**

Computershare Trust Company, N.A. is the transfer agent and registrar for all series of Liberty Media common stock and LEI common stock.

**Federal Securities Law Consequences**

The issuance of shares of LEI common stock in the Split-Off will be registered under the Securities Act, and the shares of LEI common stock so issued will be freely transferable under the Securities Act, except for shares of LEI common stock issued to any person who is deemed to be an "affiliate" of LEI after completion of the Split-Off. Persons who may be deemed to be affiliates include individuals or entities that control, are controlled by, or are under common control with LEI and may include directors, officers, executive officers, and stockholders of LEI. Affiliates may not sell their shares of LEI common stock, except:

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***LEI Exchange Ratio***

The LEI Exchange Ratio will be equal to the quotient (rounded to the nearest five decimal places) obtained by dividing 518,325,335 (which is equal to the number of outstanding shares of Liberty Entertainment common stock as of February 28, 2009) by an amount equal to:

- the aggregate number of shares of LEI common stock outstanding immediately prior to the Merger Effective Time (as reduced for the exercise or settlement of any stock options and stock appreciation rights referred to in the following two bullets); plus
- ninety percent of the aggregate number of shares of Liberty Entertainment common stock underlying Liberty Entertainment stock options and stock appreciation rights that were awarded on or after March 1, 2009 (other than stock options granted pursuant to the Bennett Agreement) and prior to the effective time of the Split-Off; plus

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- [ ]% voting power and [ ]% total equity to be held, in the aggregate, by the disinterested holders of Liberty Entertainment Series B common stock;
- 30.1% voting power and 4.7% total equity to be held, in the aggregate, by John Malone and certain affiliated persons; and
- the remaining [ ]% voting power and [ ]% total equity to be held, in the aggregate, by the other officers and directors of Liberty Media.

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each share of DIRECTV owned by Greenlady II will be converted into the right to receive one share of Holdings Class A common stock.

The rights pertaining to Holdings Class A common stock will be different from the rights pertaining to DIRECTV common stock, because the Holdings charter and Holdings by-laws will be different from the amended and restated certificate of incorporation and amended and restated by-laws of DIRECTV. The holders of the Holdings Class B common stock will have certain consent rights for certain share distributions and for certain charter amendments. A description of the rights pertaining to Holdings common stock and the Holdings charter and the Holdings by-laws is further described under "Description of Common Stock and Comparison of Stockholders Rights" below.

**Effects of the DTV Business Combination**

Neither of the Mergers will occur unless both do, and following the Mergers, DIRECTV and LEI will be whol





arrangement, see "—Interests of Certain Persons—LEI" and "Transaction Agreements—Agreements Relating to the DTV Business Combination—Withholding Arrangement Side Letter" below.

### ***DIRECTV***

In the DIRECTV Merger, each option to purchase shares of DIRECTV common stock granted under any DIRECTV stock plan that is outstanding immediately prior to the completion of the DIRECTV Merger (each, a **DIRECTV Stock Option**) will be converted into an option (each, a **aDIRECTV Adjusted Option**) to purchase a number of shares of Holdings Class A common stock equal to the number of shares of DIRECTV common stock subject to such DIRECTV Stock Option immediately prior to the completion of the DIRECTV Merger, at an exercise price per share of Holdings Class A common stock equal to the exercise price for each such share of DIRECTV common stock subject to such DIRECTV Stock Option immediately prior to the completion of the DIRECTV Merger, and otherwise on the same terms and conditions (including applicable vesting requirements) as applied to each such DIRECTV Stock Option immediately prior to the completion of the DIRECTV Merger.

In the DIRECTV Merger, each outstanding restricted stock unit with respect to shares of DIRECTV common stock granted under a DIRECTV stock plan (each, a **DIRECTV RSU**) will be converted into a restricted stock unit (each, a **aDIRECTV Adjusted RSU**) with respect to the number of shares of Holdings Class A common stock that is equal to the number of shares of DIRECTV common stock subject to such DIRECTV RSU immediately prior to the completion of the DIRECTV Merger, and otherwise on the same terms and conditions (including applicable vesting requirements, any accelerated vesting thereof and deferral provisions) as applied to each such DIRECTV RSU immediately prior to the completion of the DIRECTV Merger. However, subject to approval by the compensation committee of the board of directors of Holdings, the performance targets applicable to the DIRECTV RSUs may be adjusted to appropriately reflect (or exclude) the effects of the Mergers on the applicable operating performance of DIRECTV or Holdings, if necessary to preserve the intended incentives and benefits of such DIRECTV RSUs.

### **Interests of Certain Persons**

#### ***LEI***

In considering the recommendation of the Liberty Media board to vote to approve each of the transaction proposals, holders of Liberty Entertainment common stock should be aware that the executive officers and directors of Liberty Media will receive stock incentive awards with respect to Holdings common stock in exchange for the LEI stock incentive awards they receive as a result of the Split-Off. See "The Split-Off—Treatment of Outstanding Equity Awards" above for more information. In addition, the vesting of their Holdings stock incentives will be accelerated as a result of the DTV Business Combination. See "—Treatment of Outstanding Equity Awards" above.

The table below sets forth, for each of Liberty Media's executive officers and directors, as of October [ ], 2009, assuming that the Mergers are completed on such date, (a) the aggregate number of shares underlying unvested stock options to acquire, or stock appreciation rights in respect of, Liberty Entertainment common stock that will vest as a result of the LEI Merger (after such shares are converted into options to purchase, or stock appreciation rights in respect of, shares of LEI common stock), (b) the aggregate intrinsic value of such unvested stock options and stock appreciation rights assuming such awards are exercised immediately after the completion of the Transactions and (c) the aggregate number of restricted shares of Liberty Entertainment common stock that will vest as a result of the u convert

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for Holdings Class A common stock immediately after the completion of the Mergers is \$ \_\_\_\_\_, which was the closing price of DIRECTV common stock on October [ ], 2009.

Director or Executive Officer	Number of Shares of LEI Common Stock to Vest as a Result of the LEI Merger (in thousands)	Aggregate Intrinsic Value of Shares of LEI Common Stock that will Vest as a Result of the LEI Merger (in thousands)	Number of Restricted Shares of LEI Common Stock to Vest as a Result of the LEI Merger (in thousands)
John C. Malone			
Gregory B. Maffei			
Robert R. Bennett			
Donne F. Fisher			
Malcolm Ian Grant Gilchrist			
Evan D. Malone			
David E. Rapley			
M. LaVoy Robison			
Larry E. Romrell			
Charles Y. Tanabe			
David J.A. Flowers			
Albert Rosenthaler			
Christopher W. Shean			
<b>Total</b>			

Additionally, Liberty Media and LEI have entered into an arrangement with DIRECTV and Holdings with respect to the accelerated vesting of all outstanding LEI restricted shares (including LEI restricted shares held by Liberty Media's executive officers and directors) upon the conversion of LEI restricted shares to shares of Holdings Class A common stock in accordance with the Merger Agreement. Under this arrangement, to the extent a holder of LEI restricted shares elects to have his or her tax withholding obligation satisfied with shares of Holdings Class A common stock, Holdings will deduct from each such award following its conversion to shares of Holdings Class A common stock, a number of shares of Holdings Class A common stock required to satisfy the tax withholding obligation, which will be based on the average of the high and low sale prices of Holdings common stock on the first trading day after completion of the Mergers. Holdings will then pay to Liberty Media cash in the aggregate dollar value of all such amounts withheld under the arrangement and Liberty Media will satisfy the tax withholding obligation with such cash. See "Transaction Agreements—Agreements Relating to the DTV Business Combination—Withholding Arrangement Side Letter" below.

Holders of Liberty Entertainment common stock should also be aware that the executive officers and directors of Liberty Media and LEI are entitled to indemnification with respect to actions taken by them in connection with the Split-Off and the DTV Business Combination under the organizational documents of Liberty Media and LEI, as well as customary indemnification agreements to which Liberty Media or LEI, on the one hand, and these persons, on the other hand, are parties. They are further entitled to certain indemnification from Holdings pursuant to the Merger Agreement up to the time of the completion of the Mergers as described below in "Transaction Agreements—Agreements Relating to the DTV Business Combination—Merger Agreement—Indemnification."

Holders of Liberty Entertainment common stock should further be aware that Liberty Media's designees to the DIRECTV board of directors are expected to continue to serve as directors of Holdings following the completion of the DTV Business Combination. Currently, Liberty Media's designees are John C. Malone, Chairman of the Board of Liberty Media, Gregory B. Maffei, President and CEO of Liberty Media, and Paul A. Gould, a former director of Liberty Media. See "—Holdings Board of Directors and Management after the Mergers" below for a description of the post-Mergers composition of the Holdings board of directors.

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In addition, the Malones (including Mr. Malone, who is the Chairman of the Board of each of Liberty Media, LEI and DIRECTV and is expected to serve as the Chairman of the Board of Holdings) are the only persons receiving shares of Holdings Class B common stock in the DTV Business Combination. The Holdings Class B common stock has 15 votes per share, whereas the Holdings Class A common stock only 1 vote per share. The shares of Holdings Class B common stock will also have limited consent rights with respect to certain share distributions and certain amendments to the Holdings charter as described in "Description of Common Stock and Comparison of Stockholder Rights." The Malones have agreed to certain restrictions on their shares of Holdings Class B common stock as described in "Transaction Agreements—Agreements Relating to the DTV Business Combination." ~~Robert R. Bennett, a director of Liberty Media, is expected to receive the execution of the ownership of Liberty Media, LEI and DIRECTV.~~

Further, in connection with the execution of the Merger Agreement, the parties determined that the ownership by Robert R. Bennett, a director of Liberty Media, is expected to receive the execution of the ownership of Liberty Media, LEI and DIRECTV.

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- the treatment of equity awards held by directors of DIRECTV in the Mergers (including the acceleration and survival of equity awards such persons may have that relate to LEI common stock); and
- the fact that John C. Malone and Gregory Maffei, members of the DIRECTV board of directors, and Mark Carleton, a member of the DIRECTV board of directors at the time the Merger Agreement was signed, are the Chairman, President and CEO and a Senior Vice President, respectively, of Liberty Media, which currently beneficially owns 57% of the outstanding common stock of DIRECTV.

The Liberty Media board was aware of these interests and considered them when approving each of the transaction proposals.

For information about the shareholdings of the directors and executive officers of each of Liberty Media and DIRECTV, see "Security Ownership of Certain Beneficial Owners and Management of Liberty Media—Security Ownership of Management" and "Management of Holdings—Pro Forma Security Ownership of Management," respectively, below.

### **Holdings Board of Directors and Management after the Mergers**

The board of directors of Holdings from and after the time immediately prior to the Malone Contribution will be comprised of:

- three LEI Designees;
- seven DTV Designees; and
- one additional independent director serving on the DIRECTV board who was appointed with the approval of at least 80% of the directors then serving on the DIRECTV board, with any fractional number being rounded up to the next whole number (unless no such independent director was appointed, in which case one additional independent director may be appointed to the Holdings board following the Merger Effective Time with the approval of at least 80% of the directors then serving on the Holdings board, with any fractional number being rounded up to the next whole number).

A majority of the Holdings board will also be Qualifying Directors. This requirement was included pursuant to the terms of the proposed stipulation of settlement and will terminate if the stipulation of settlement has not received final approval of the court by June 30, 2010 and upon the occurrence of certain other events.

The entire board of directors of Holdings at the effective time of the Mergers will be up for re-election at the first annual meeting of stockholders of Holdings after the effective time of the Mergers. That meeting will occur during the first full calendar year following the year in which the effective time of the Mergers occur. Pursuant to the Holdings charter, at such first annual meeting, the board of directors of Holdings will be classified into three classes, as is currently the case for the board of directors of DIRECTV. In connection with this classification of the Holdings board, the LEI Designees (or their successors) will be placed in separate classes with each's class designation to be made in accordance with a resolution of the LEI board to be delivered to Holdings prior to the Merger Effective Time.

In addition, immediately prior to the Malone Contribution, the Holdings board will appoint the initial members of each of the nominating and corporate governance committee and the compensation committee. Each such committee will be composed of three or four members with each such committee including a LEI Designee who qualifies as an independent director for Nasdaq purposes. Alternatively, each such committee may be composed of five members if the one additional independent director described above (i) is then serving on the Holdings board and (ii) is appointed to serve as the fifth member of such committee. Additionally, at least 50% of the members of the audit committee,









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- that the Merger Agreement be amended to eliminate certain provisions in the Holdings charter that were intended to exculpate the directors and officers of Holdings who also serve as directors or officers of other entities for any potential breach of fiduciary duty arising out of the allocation of business opportunities not presented to such persons in their capacity as directors or officers of Holdings;
  - the Malones' ability to seek control of Holdings through future purchases of Holdings common stock will be restricted by their agreement to a 3-year standstill (the **Malone St**
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Liberty Entertainment common stock would be evidence in any such litigation of the fairness of the transactions contemplated by the transaction proposals. In addition, Liberty Media believes that approval of each of the transaction proposals (including the transactions contemplated thereby) by a majority of the voting power of the disinterested holders of Liberty Entertainment common stock would also have additional substantive and procedural effects that could benefit Liberty Media and its directors in connection with the defense of any such stockholder litigation, including the litigation described in "—Legal Proceedings Regarding the DTV Business Combination" above. Liberty Media believes such approvals would be a factor under Delaware law in invoking a standard of judicial review or burden of proof that is more favorable to Liberty Media and its directors than the standard of judicial review or burden of proof that might otherwise apply in the absence of such approval. Even though the Delaware case law addressing the circumstances in which stockholder ratification may result in the extinguishment of breach of fiduciary duty claims is not entirely clear, Liberty Media also believes that a Delaware court could conclude that approval of the transaction proposals by the voting power of the disinterested holders of Liberty Entertainment common stock would extinguish some or all of the claims in any such such appropriate judicial proceeding that appertain to the operations of Liberty Media.

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## TRANSACTION AGREEMENTS

### Agreements Relating to the Split-Off

#### *Reorganization Agreement*

Prior to the redemption date, LEI will enter into the Reorganization Agreement with Liberty Media to provide for, among other things, the principal corporate transactions required to effect the Split-Off, certain conditions to the Split-Off and provisions governing the relationship between LEI and Liberty Media with respect to and resulting from the

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***Tax Sharing Agreement***

Prior to the effective time of the Split-Off, LEI will enter into a tax sharing agreement with Liberty Media that governs Liberty Media's and LEI's respective rights, responsibilities and obligations with respect to taxes, the filing of tax returns, the control of audits and other tax matters. Pursuant to a joinder agreement to be executed by Holdings in connection with the closing of the Mergers, Holdings will become jointly and severally liable with LEI at the Merger Effective Time for 9EI at the e ep ,a ep LEI at the







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delivered to Liberty Media and LEI to the effect that the Split-Off will not affect the tax-free treatment under Sections 355 and/or 368(a) of the Code of, and will not cause Section 355(e) of the Code to apply to, the News Exchange or related restructuring transactions; or

- would be inconsistent with, or otherwise cause any person to be in breach of, (i) any representation, covenant or material statement made in connection with the private letter rulings and tax opinions obtained by Liberty Media and News Corporation relating to the qualification of the News Exchange and related transactions as tax-free transactions described under Sections 355 and/or 368(a) of the Code, or (ii) any representation or covenant made in the tax matters agreement entered into between Liberty Media and News Corporation in connection with the News Exchange.

Further, each party will be restricted from taking any position for tax purposes that is inconsistent with the IRS private letter ruling or the tax opinions obtained in connection with the Split-Off.

The parties must indemnify each other for taxes and losses allocated to them under the tax sharing agreement and for taxes and losses arising from a breach by them of their respective covenants and obligations under the tax sharing agreement. Liberty Media must also partially assign certain of its rights under its tax matters agreement with News Corporation to LEI to the extent those rights relate to taxes or losses allocated to LEI under the tax sharing agreement.

Notwithstanding the tax sharing agreement, under U.S. Treasury Regulations, each member of a consolidated group is severally liable for the U.S. federal income tax liability of each other member of the consolidated group. Accordingly, with respect to periods prior to the Split-Off in which LEI (or its subsidiaries) have been included in Liberty Media's consolidated group or another company's consolidated group, LEI (or its subsidiaries) could be liable to the U.S. government for any U.S. federal income tax liability incurred, but not discharged, by any other member of such consolidated group. However, if any such liability were imposed, LEI would generally be entitled to be indemnified by Liberty Media for tax liabilities allocated to Liberty Media under the tax sharing agreement.

This summary is qualified by reference to the full text of the tax sharing agreement, a form of which is filed as an exhibit to LEI's registration statement on Form S-4 of which this proxy statement/prospectus forms a part.

## **Agreements Relating to the DTV Business Combination**

### ***Merger Agreement***

*The following summary describes the material provisions of the Merger Agreement, including the material provisions of Amendment No. 1 to the Merger Agreement executed on July 29, 2009 and Amendment No. 2 to the Merger Agreement executed on October 2, 2009, and is qualified in its entirety by reference to the complete text of the Merger Agreement and any amendments thereto, a copy of which is attached as Annex E to, and is incorporated by reference in, this proxy statement/prospectus. The provisions of the Merger Agreement are extensive and not easily summarized. Accordingly, this summary may not contain all of the information about the Merger Agreement that is important to you. We encourage you to read the Merger Agreement carefully in its entirety for a more complete understanding of the Merger Agreement.*

*The Merger Agreement and this summary of its terms have been included with this proxy statement/prospectus to provide you with information regarding the terms of the Merger Agreement and are not intended to modify or supplement any factual disclosures about DIRECTV or LEI from the public reports filed with the SEC or otherwise. The representations and warranties contained in the Merger Agreement have been negotiated with the principal purpose of establishing the circumstances in which a party may have the right not to close the Mergers if the representations and warranties of the other party prove to be untrue due to a change in circumstance or otherwise, and allocate risk between the parties, rather than establishing*

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*matters as facts. The representations and warranties may also be subject to a contractual standard of materiality different from those generally applicable to stockholders. Furthermore, you should not rely on the covenants relating to the conduct of Liberty Media's, LEI's or DIRECTV's businesses during the pendency of the transaction in the Merger Agreement as actual limitations on the respective businesses of Liberty Media, LEI and DIRECTV, because any party may take certain actions that are either expressly permitted in the confidential disclosures to the Merger Agreement or are otherwise consented to by the appropriate party, which consent may be given without prior notice to the public.*

### ***Structure of the Mergers***

To effect the combination of LEI and DIRECTV, Holdings was formed as a wholly owned subsidiary of DIRECTV, with two wholly owned subsidiaries, Merger Sub One and Merger Sub Two. At the effective time of the respective Mergers:

- Merger Sub One will merge with and into DIRECTV, and DIRECTV will be the surviving corporation in that merger; and
- Merger Sub Two will merge with and into LEI, and LEI will be the surviving corporation in that merger.

As a result of the Mergers described above, and the conversion and exchange of securities described below (see "—Conversion of Shares; Exchange of Certificates"), DIRECTV and LEI will each become a wholly owned subsidiary of Holdings, with Holdings as the new public parent company of DIRECTV and LEI.

### ***Effective Time and Completion of the Mergers***

DIRECTV and LEI will file certificates of merger with the Delaware Secretary of State no later than the second business day after the date on which the last condition to completing the Mergers is satisfied or, where permissible, waived or at such other time as DIRECTV and LEI may agree. The DIRECTV Merger and the LEI Merger will become effective at the time and on the date on which those documents are filed, or later if the parties so agree and specify in those documents, provided that the DIRECTV Merger will become effective immediately after the completion of the Malone Contribution, and the LEI Merger will become effective immediately after the DIRECTV Merger. The time that the DIRECTV Merger becomes effective is referred to as the **DIRECTV Effective Time**. The time that the LEI Merger becomes effective is referred to as the **Merger Effective Time**.

We cannot assure you when, or if, all the conditions to completion of the Mergers will be satisfied or, where permissible, waived. See "—Conditions to Completion of the Mergers" below. The parties intend to complete the Mergers as promptly as practicable, subject to receipt of the requisite stockholder and regulatory approvals.

### ***Directors and Officers of Holdings after Completion of the Mergers***

The board of directors of Holdings from and after the time immediately prior to the Malone Contribution will be comprised of:

- three LEI Designees;
- seven DTV Designees; and
- one additional independent director serving on the DIRECTV board who was appointed with the approval of at least 80% of the directors then serving on the DIRECTV board, with any fractional number being rounded up to the next whole number (unless no such independent director was appointed, in which case one additional independent director may be appointed to the Holdings board following the Merger Effective Time with the approval of at least 80% of



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common stock of DIRECTV as the surviving corporation in the DIRECTV Merger equal to the number of shares of DIRECTV common stock that are outstanding immediately prior to the DIRECTV Effective Time (other than (a) each issued share of DIRECTV common stock that is owned by DIRECTV which will be canceled and (b) the DIRECTV common stock owned by Greenlady and Greenlady II which will remain issued and outstanding).

At the Merger Effective Time:

- each share of LEI Series A common stock and LEI Series B common stock (other than LEI common stock that is owned directly or indirectly by LEI or Holdings immediately prior to the Merger Effective Time (including the shares of LEI Series B common stock acquired in the Malone Contribution) which will be canceled) issued and outstanding immediately prior to the Merger Effective Time will be converted into the right to receive a number of shares of Holdings Class A common stock equal to the LEI Exchange Ratio; and
- each share of Merger Sub Two common stock issued and outstanding immediately prior to the Merger Effective Time will be converted into one share of LEI Series A common stock as the surviving corporation in the LEI Merger.

g ~~For information only~~ ~~See the Automatic Conversion of Shares of Merger Sub Two into Shares of LEI Series A~~ ~~on page 21~~







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- sale of assets;
- solvency of Liberty Media and its subsidiaries;
- applicable state takeover laws;
- opinion of financial advisor; and
- investigation, reliance.

***LEI Representations and Warranties***

In addition, the representations and warranties made

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result of the completion of the transactions or (v) release any person from, or modify or waive any provision of, any confidentiality, standstill or similar agreement;

- increase in any manner the compensation of any of the directors, officers, employees, and individual consultants of LEI or its subsidiaries or enter into, establish, amend or terminate any compensation or benefit arrangement, agreement or plan in respect of, any stockholder, director, officer, other employee, consultant or affiliate of LEI;
  - relating to LEI and each entity that will be a subsidiary of LEI at the time of the Split-Off, make, change or revoke any tax election, consent to any extension or waiver of the limitations period applicable to any tax claim or assessment, settle or compromise any tax liability, change any method of accounting, tax practice or policy or enter into an agreement relating to taxes with a taxing authority, subject, in each case, to certain limited exceptions;
  - amend organizational documents of LEI or any of its subsidiaries;
  - adopt a plan or agreement of liquidation, dissolution, restructuring, recapitalization, merger consolidation or other reorganization, liquidation, or other reorganization.
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***Special Meetings***

As soon as practicable following the date of the Merger Agreement, DIRECTV will call and hold a special meeting of its stockholders for the purpose of obtaining the DIRECTV Stockholder Approval. The obligation to call and hold such stockholders meeting will not be affected by, among other things:

- the commencement, public proposal, public disclosure or communication to DIRECTV of any DIRECTV Takeover Proposal; or
- the withdrawal or modification of (x) DIRECTV's board of directors' approval and recommendation of the transactions or (y) the fairness opinion issued by Morgan Stanley & Co. Incorporated (financial advisors to the special committee of the board of directors of DIRECTV).

As soon as practicable following the date of the Merger Agreement, Liberty Media will call and hold a meeting of the holders of Liberty Entertainment common stock for the purpose of obtaining the Liberty Stockholder Approval. The obligation to call and hold such stockholders meeting will not be affected by, among other things:

- the commencement, public proposal, public disclosure or communication to Liberty Media of any LEI Takeover Proposal; or
- the withdrawal or modification of (x) Liberty Media's board of directors' approval and recommendation of the transactions or (y) the fairness opinion issued by Goldman Sachs to Liberty Media.

***Restructuring anaL ti ~***

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***Benefits Matters***

Effective as of the closing of the Mergers, each employee of LEI and its subsidiaries who will by virtue of the DTV Business Combination be employed by a subsidiary of Holdings following the completion of the Mergers (which are referred to as the **Transferred Employees**)



such national U.S. law  
subject to the provisions of the Trust Agreement as

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therein) in order for Greenlady to make additional permitted payments. Those permitted payments include scheduled maturities under the Greenlady Debt and other amounts  
the Greenlady Trust, and the Trustee, Bank of America, of certain unwind rights in the associated equity collars that relate to actions of DIRECTV. The DIRECTV Credit  
the Greenlady Trust, and the Trustee, Bank of America, of certain unwind rights in the associated equity collars that relate to actions of DIRECTV. The DIRECTV Credit

the Greenlady Trust, and the Trustee, Bank of America, of certain unwind rights in the associated equity collars that relate to actions of DIRECTV. The DIRECTV Credit



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- DIRECTV will pay for the portion of the SEC filing fee applicable to the Holdings Form S-4 of which this proxy statement/prospectus forms a part, which is attributable to the shares of Holdings common stock to be distributed to the holders of DIRECTV common stock in the DIRECTV Merger;
- LEI will pay for the portion of the SEC filing fee applicable to the Holdings Form S-4 of which this proxy statement/prospectus forms a part, which is attributable to the shares of Holdings common stock to be distributed (i) to the holders of LEI common stock in the LEI Merger and (ii) in connection with the Malone Contribution; and
- Liberty Media will pay the entire SEC filing fee applicable to the LEI Form S-4 of which this proxy statement/prospectus forms a part.

***LEI Cash Amount***

Liberty Media will cause LEI to possess, directly or indirectly, at the effective time of the Split-Off an amount of cash or cash equivalents equal to at least the LEI Cash Amount; provided that under no circumstances will such amount be held by Fox Sports Net Northwest, LLC, Fox Sports Net Rocky Mountain, LLC, Fox Sports Net Pittsburgh, LLC, GSN or FUN or any of their subsidiaries. The LEI Cash Amount is an amount of cash equal to approximately \$29.7 million, plus cash received in connection with the exercise of certain Liberty Entertainment or LEI stock options, plus 90% of the grant date fair value of any options granted pursuant to the Bennett Agreement.

***Parent Undertaking***

From the date of the Merger Agreement to the completion of the Transactions, Liberty Media will (i) cause LEI and its subsidiaries to perform in all material respects their respective obligations under the Merger Agreement and (ii) be responsible for any liability arising out of a breach of any representation or warranty made by LEI in the Merger Agreement and for the failure of LEI to perform any of its covenants, agreements or obligations under the Merger Agreement. After the Split-Off, Liberty Media will be released from its obligations under the Merger Agreement, other than certain specified obligations and liabilities set forth in the Merger Agreement, as described below.

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the Merger Agreement or its failure to perform in all material respects any covenant to be performed by it under the Merger Agreement.

From and after the effective time of the Split-Off:

- DIRECTV, Holdings, Merger Sub One and Merger Sub Two will look solely to LEI with respect to the performance of LEI's and Liberty Media's covenants, agreements and obligations under the Merger Agreement, whether such agreement or obligation arises before or after the effective time of the Split-Off.





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from Skadden, Arps, Slate, Meagher & Flom LLP, in form and substance reasonably acceptable to DIRECTV, to the effect that the Split-Off will not affect the tax-free treatment under Sections 355 and/or 368(a)(1)(D) of the Code, and will not cause Section 355(e) of the Code to apply to, (I) the News Exchange or (II) any of the internal distributions of the stock of Greenlady that were effected by subsidiaries of News Corporation in connection with the News Exchange; and

- the Malone Contribution will have occurred in accordance with the terms of the Malone Agreement.

Liberty Media's and LEI's obligations to complete the LEI Merger are also subject to the satisfaction or waiver of each of the following additional conditions:

- truthfulness and correctness of the representations and warranties of DIRECTV that would not, individually or in the aggregate, have a DIRECTV material adverse effect (subject to certain exceptions);
- DIRECTV's and Holdings' performance in all material respects of all obligations that are required by the Merger Agreement to be performed on or prior to the closing of the Mergers;
- there is no action, proceeding or litigation by any governmental authority reasonably likely to: (i) prohibit or restrain Liberty Media from owning or operating all or any portion of the businesses or assets of Liberty Media or its subsidiaries (excluding the LEI business), (ii) as a result of the DTV Business Combination, compel Liberty Media to dispose of any portion of any of the businesses or assets of Liberty Media or its subsidiaries (excluding the LEI business) or (iii) impose damages on Liberty Media or any of its subsidiaries (excluding the LEI business) as a result of the DTV Business Combination. In addition, there are no restraints that could reasonably be expected to result in any of the effects referred to above;
- the joinder agreement whereby Holdings will be jointly and severally liable for LEI's indemnification of Liberty Media will be in full force and will not have been repudiated by any party thereto; and
- the receipt of the private letter rulings and opinions described in the tenth bullet point under DIRECTV's obligations to complete the DIRECTV Merger above (except that such opinions need to be reasonably acceptable to Liberty Media and LEI and, in the case of the ruling and opinions referenced in clause (ii) of such bullet point, the ruling or opinion, as applicable, will be to the effect that the LEI Merger and the Malone Contribution, taken together, will qualify as a reorganization under Section 368(a) of the Code and that the LEI Merger and the Malone Contribution, taken together with the DIRECTV Merger, will be treated as exchanges described in Section 351 of the Code).

For purposes of the Merger Agreement, the term "material adverse effect" means, with respect to any party, any material adverse effect on, or change, event, occurrence, development, condition or state of facts materially adverse to:

- the business, properties, assets, liabilities (contingent or otherwise), results of operations or condition (financial or otherwise) of such party and its subsidiaries taken as a whole, other than any effect, change, event, occurrence, development, condition or state of facts occurring after the date of the Merger Agreement (i) relating to the United States economy in general or (ii) relating to the industry in which such person operates in general and (in each case under (i) and (ii)) not specifically relating to (or disproportionately affecting) such person, or
- such party's ability to, in a timely manner, perform its obligations under the Merger Agreement or consummate the DTV Business Combination.

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For purposes of any determination as to the existence of a "material adverse effect" with respect to LEI, LEI's assets will be deemed to consist of (i) only the LEI business and will exclude the shares of DIRECTV beneficially owned by Liberty Media and, (ii) solely for purposes of the closing condition described in the first bullet under DIRECTV's obligations to complete the DIRECTV Merger above, the LEI business and the shares of DIRECTV beneficially owned by Liberty Media.

No effect, change, event, occurrence, development, condition or state of facts arising or resulting from any of the following, either alone or in combination, will constitute or be taken into account in determining whether there has been, a material adverse effect:

- the announcement or performance of the Merger Agreement and the DTV Business Combination, including, to the extent arising therefrom, any termination of, reduction in or similar negative impact on relationships, contractual or otherwise, with any customers, suppliers, distributors, partners or employees of the LEI business or DIRECTV (in each case, other than in respect of required consents and approvals);
  - acts of war or terrorism or natural disasters;
  - changes in any laws or regulations or applicable accounting regulations or principles or the interpretations thereof;
  - the fact, in and of itself (and not the underlying causes thereof) that LEI or any of its subsidiaries or DIRECTV failed to mesor DIRIs snde
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LEI may terminate the Merger Agreement by written notice to DIRECTV if:

- there has been a breach en





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In addition, under the Malone A



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- to grant to Holdings a right of first refusal exercisable in the event of certain proposed transfers of their shares of Holdings Class B common stock;
  - to be bound by a provision in the Holdings charter pursuant to which Holdings has the right to redeem, at a 10% premium to the market price of a share of Holdings Class A common stock, shares of Holdings Class B common stock held by the Malones (and those transferees of the Malones who become party to the Malone Agreement) at the time of Mr. Malone's death;
  - that the Malone Agreement will terminate automatically upon the termination of the Merger Agreement in accordance with its terms and that following the effective time of the LEI Merger, the Malone Agreement will terminate automatically, without further action of the parties hereto, (i) with respect to any Malone or any of their transferees who becomes a party to the Malone Agreement, upon the first to occur of: (w) all such person's shares having been purchased by Holdings pursuant to the redemption right under the Holdings charter, (x) Holdings failing to purchase the shares called for redemption within the time period prescribed by the Holdings charter (and after gt rrrr
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So long as any borrowings remain outstanding or Liberty Media has a commitment under the Liberty Revolving Credit Facility, Greenlady has agreed to not, and to cause its subsidiaries to not:

- create any liens on their respective properties, other than certain permitted liens; or
- incur any debt, other than debt existing as of the effective date of the Liberty Revolving Credit Facility and debt incurred under the DIRECTV Credit Facility.

This summary is qualified by reference to the full text of the Liberty Revolving Credit Facility, filed as an exhibit to LEI's registration statement on Form S-4 of which this proxy statement/prospectus forms a part.

### ***DIRECTV Credit Facility***

Following the Split-Off, DIRECTV will provide a \$650 million credit facility to Greenlady pursuant to the DIRECTV Credit Facility. Borrowings under the DIRECTV Credit Facility are subject to certain conditions precedent, including the occurrence of the effective time of the Split-Off, and the DIRECTV Credit Facility will mature on the earlier of the closing of the Mergers and the termination of the Merger Agreement.

The DIRECTV Credit Facility will be secured by a pledge of and first priority security interest in 53 million shares of DIRECTV common stock owned beneficially by Greenlady, subject to certain adjustments.

Borrowings under the DIRECTV Credit Facility will bear interest at a rate equal to 3.5% per annum until December 31, 2009 and thereafter at a rate per annum equal to LIBOR plus 5.0%. If Greenlady defaults under the DIRECTV Credit Facility, it will be obligated to pay default interest equal to the rate otherwise applicable plus 2.00% per annum.

The DIRECTV Credit Facility contains negative covenants that, among other things, restrict, subject to certain exceptions, Greenlady's and its subsidiaries' ability to incur indebtedness; grant liens and modify the Liberty Media loan agreement or the collar transaction. The DIRECTV Credit Facility also contains affirmative covenants that, among other things, require Greenlady and its subsidiaries to comply with laws; pay taxes; maintain insurance; preserve existence; permit visitations; keep books and maintain properties and report certain events.

This summary is qualified by reference to the full text of the DIRECTV Credit Facility, filed as an exhibit to LEI's registration statement on Form S-4 of which this proxy statement/prospectus forms a part.

### ***Bennett Agreement***

In connection with the execution of the Merger Agreement, the parties determined that the ownership by Robert R. Bennett, a director of Liberty Media, of certain Liberty Media equity securities and his acquisition or sale of those securities could affect the tax consequences of the Split-Off. To address these concerns, DIRECTV required that Liberty Media and LEI execute the Bennett Agreement pursuant to which Mr. Bennett agreed to specified limitations on his ability to transfer or acquire certain securities of Liberty Media, LEI or DIRECTV.

The Bennett Agreement provides that prior to the earlier of the termination of the Bennett Agreement or the completion of the DTV Business Combination, Mr. Bennett will not acquire or dispose of (including through derivative transactions) any shares of Liberty Entertainment common stock prior to the Split-Off, any shares of LEI common stock following the Split-Off and any shares of DIRECTV common stock, and Mr. Bennett will not exercise any options or stock appreciation rights in respect of Liberty Entertainment common stock prior to the Split-Off or LEI common stock following the Split-Off, except that he may sell up to 750,000 LMDIA shares prior to the Split-Off or an adjusted

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number of shares of Series A LEI common stock following the Split



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Liberty Entertainment Common Stock

LEI Common Stock

Holdings Common Stock

Series B Liberty Capital common stock to holders of Series B Liberty Entertainment common stock and, on an equal per share basis, shares of Series C Liberty Capital common stock to holders of Series C Liberty Entertainment common stock, subject to certain limitations; and (iv) share distributions of any other class or series of Liberty Media's securities or the securities of any other person to holders of all series of Liberty Entertainment common stock, on an equal per share basis, subject to certain limitations. *See Article IV, Section A.2.(d)(ii) of the Liberty Media charter.*

Each share of Series B Liberty Entertainment common stock is convertible, at the option of the holder, into one share of Series A Liberty Entertainment common stock. Shares of Series A Liberty Entertainment common stock and shares of Series C Liberty Entertainment common stock are not convertible at the option of the holder. *See Article IV, Section A.2.(b)(i)(B) of the Liberty Media charter.*

**Conversion at Option of Holder**

Each share of LEI Series B common stock will be convertible, at the option of the holder, into one share of LEI Series A common stock. Shares of LEI Series A and Series C common stock will not be convertible. *See Article IV, Section B.2 of Annex B*





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**Liberty Entertainment Common Stock**

**LEI Common Stock**

**Holdings Common Stock**

Series A Liberty Interactive common stock (or another series of Liberty Interactive common stock subject to certain limitations), as applicable, to the Series A Liberty Entertainment common stock (or another series of Liberty Entertainment common stock subject to certain limitations) over a specified 60-trading day period. *See paragraphs (b)(iii) and (b)(vii) of Article IV, Section A.2. of the Liberty Media charter.*

Automatic Conversion of LEI into LEI



**Optional Redemption for Stock of a Subsidiary**

Liberty Media may redeem outstanding shares of Liberty Entertainment common stock for shares of common stock of a subsidiary that holds assets and liabilities attributed to the Entertainment Group (and may or may not hold assets and liabilities attributed to any other group), provided that its board of directors seeks and receives the approval to such redemption of holders of Liberty Entertainment common stock, voting together as a separate class.

None.

None.

If Liberty Media were to effect a redemption as described above with stock of a subsidiary that also holds assets and liabilities of the Capital Group and/or the Interactive Group, shares of Liberty Capital common stock and/or Liberty Interactive common stock, as applicable, would also be redeemed in exchange for shares of that subsidiary, and the entire redemption would be subject to the class vote described above as well as the separate class vote of the holders of Liberty Capital common stock and/or Liberty Interactive common stock, as applicable. *See Article IV, Section A.2.(f)(i) of the Liberty Media charter.*

**Mandatory Dividend, Redemption and Conversion Rights on Disposition of Assets**

If Liberty Media disposes, in one transaction or a series of transactions, of all or substantially all of the assets of the Entertainment Group, it is required to choose one of the following five alternatives, unless its board obtains approval of the

None.

None.

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Liberty Entertainment Common Stock

LEI Common Stock

Holdings Common Stock

holders of Liberty Entertainment common stock to not  
take such action or the disposition qualifies under a  
specified exemption (on (on ( in n tintertain





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**Liberty Entertainment Common Stock**

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**LEI Common Stock**

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**Holdings Common Stock**

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- convert each outstanding share of each series of Liberty Entertainment 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 Entertainment common stock into a number of shares of the corresponding series of Liberty Interactive common stock or Liberty Capital common stock with either the payment of a dividend on or redemption of shares of Liberty Entertainment common stock, subject to certain limitations. *See Article IV, Section A.2.(f)(ii) of the Liberty Media charter.*

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Liberty Entertainment Common Stock

LEI Common Stock

Holdings Common Stock

requirement was included pursuant to the terms of the proposed stipulation of settlement and will terminate if the stipulation of settlement has not received final approval of the court by June 30, 2010 and upon the occurrence of certain other events.

**Redemption Right**

None.

None.



Class B common stock subject to such redemption will be 110% of the per share market price for the Class A common stock at such time. The consideration will be payable in cash and/or in shares of Class A common stock, or any combination of the foregoing, at the election of the holder. *See Article IV, Section 4.11 of Annex G.*

**Voting Rights**

Holders of Series A Liberty Entertainment common stock are entitled to one vote for each share of the stock held and holders of Series B Liberty Entertainment common stock are entitled to ten votes for each share of the stock held on all matters submitted to a vote of its stockholders. Holders of Series C Liberty Entertainment common stock are not entitled to any voting powers (including with respect to any class votes taken in accordance with the terms of the Liberty Media charter) except as otherwise required by Delaware law. When so required, holders of Series A Liberty Entertainment common stock will be entitled to 1/100th of a vote for each share of

in cash 1/100th of a vote

SPS

or any combination of cash and shares of Class A common stock, at the election of the holder.

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which have not been approved by 75% of the directors then in office. When these requirements apply, the threshold vote required is 66<sup>2</sup>/3% of the aggregate voting power of Liberty Media's outstanding voting securities, voting together as a single class. *See Article IX of the Liberty Media charter.*

is required under the LEI charter. *See Article VI, Section B of Annex B.*

The LEI charter imposes supermajority voting requirements in connection with certain charter amendments and other extraordinary transactions which have not been approved by 75% of the directors then in office. When these requirements apply, the threshold vote required is 80% of the aggregate voting power of LEI's outstanding voting securities, voting together as a single class. *See Article VII of Annex B.* See "—Amendments" and "—Supermajority Voting Provisions" for a description of these requirements.

Irrespective of the provisions of Section 242(b)(2) of the DGCL, the number of authorized shares of (i) preferred stock or any series thereof, or (ii) common stock or any series thereof, may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of LEI entitled to vote thereon, and no separate class or series vote of any of the preferred stock, or common stock will be required therefor.

to the excess shares, the terms requiring that the consideration received in certain corporate transactions by holders of Holdings Class B common stock to not be less than the consideration received by the holders of Holdings Class A common stock, Holdings' right to redeem the Class B common stock upon the death of Mr. Malone, and the liquidation, dissolution or winding-up, and (ii) any amendment resulting in a reclassification or recapitalization that does not provide the holders of the Class B common stock, among other things, the same relative voting power of the Class B common stock versus the other classes of common stock. However, no consent of the Class B common stock will be required for Holdings to enter into certain transactions with non-affiliates of Holdings, regardless of whether such provisions will result in the amendment of any of the provisions referred to in clause c' rred tffwindinggrffwinor

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Liberty Entertainment Common Stock

LEI Common Stock

Holdings Common Stock

received by holders of Holdings Class A common stock. This requirement was included pursuant to the terms of the proposed stipulation of settlement and will terminate if the stipulation of settlement has not received final approval of the court by June 30, 2010 and upon the occurrence of certain other events.

The Holdings charter does not otherwise impose supermajority voting requirements in connection with charter amendments and other extraordinary transactions.

Irrespective of the provisions of Section 242(b)(2) of the DGCL, the agreement, adjusted



**Inter-Group Interest**

From time to time, the Liberty Media board may determine to create an inter-group interest in the Capital Group or the Interactive Group in favor of the Entertainment Group, or vice versa.



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Liberty Entertainment Common Stock

LEI Common Stock

Holdings Common Stock

and/or the Interactive Group at such time as any extraordinary action is taken with respect to the Liberty Capital common stock and/or the Liberty Interactive common stock (such as the payment of a dividend, a share distribution, the redemption of such stock for stock of a subsidiary or an action required to be taken in connection with a disposition of all or substantially all of the applicable group(s)' assets), the Liberty Media board will consider what actions are required, or permitted, to be taken under the Liberty Media charter with respect to the Entertainment Group's inter-group interest in the affected group(s).

All such board determinations will be made in ac; Lwān





respective number of liquidation units per share. *See Article IV, Section A.2.(h) of the Liberty Media charter.*

As of the date of this proxy statement/prospectus, each share of Liberty Entertainment common stock is entitled to 0.21347 of a liquidation unit.

**Other Provisions of LEI's Restated Charter and By-laws**

LEI's restated charter and by-laws will also contain the following terms. All Liberty Entertainment stockholders are urged to read carefully the relevant provisions of General Corporation Law of the State of Delaware and the restated charter which will be substantially in the form attached as *Annex B* and the by-laws, a form of which is filed as an exhibit to LEI's registration statement on Form S-4 of which this proxy statement/prospectus forms a part.





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violation of the restrictions described above will receive proceeds from the sale of the excess shares equal to the lesser of:

- the price paid by the intended holder for the excess shares, or, if no consideration was paid, the fair market value on the day of the event causing the excess shares to be held in trust; and
- the net proceeds received from the sale or other disposition of the excess shares held in trust.

Any proceeds in excess of the amount payable to the intended holder will be paid to the charitable beneficiary.

In addition, the excess shares held in trust are subject to purchase by LEI for a 30-day period at a purchase price equal to the price paid by the intended holder for the excess shares, or, if no consideration was paid, the fair market value on the day of the event causing the excess shares to be held in trust.

The intended holder of excess shares will cease to be entitled to distributions (other than liquidating distributions up to an amount equal to the amount the holder would have received upon a repurchase by LEI, as described above), voting rights or any other benefits with respect to the excess shares except the right to payment on the transfer of the excess shares as described above. Any dividend or distribution paid to an intended holder on excess shares must be repaid to LEI upon demand, and LEI will pay any such amounts to the trust for the benefit of the charitable beneficiary. However, if LEI distributes stock in connection with a stock dividend, stock split, reclassification or recapitalization, the excess share provisions will continue to apply, with appropriate adjustments, to both the excess shares with respect to which the distribution was made as well as the stock that was distributed.

*Exceptions*

These excess share provisions will not apply to acquisitions of stock from LEI or in connection with the Split-Off. In addition, the excess share provisions will not apply to shares held by the Malones.

*Waiver of Ownership Restrictions*

These ownership restrictions may not be waived by the LEI board of directors except in the event of an inadvertent violation of the provisions. Any waiver must be conditioned upon the intended holder promptly disposing of a sufficient number of shares to be waived by the board of directors.





*Corporate Opportunity*

LEI's restated charter ackn

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stockholder notice. However, if the number of directors to be elected to LEI's board at any meeting







common stock with respect to the payment of dividends and the distribution of assets in the event of a liquidation or dissolution of Holdings.

***Restrictions on Ownership; Transfer of Excess Shares to a Trust***

***Ownership Limitations***

The Holdings charter will contain restrictions on the transfer of Holdings common stock during the first year after completion of the Split-Off. These provisions are designed to protect Holdings and its stockholders from, among other things, liability for potential adverse effects under Section 355(e) of the Code that could result from certain changes in ownership of shares of Holdings common stock in light of Holdings participating in the Mergers.

The excess share provision of the Holdings charter will provide that, subject to certain exceptions, during the period beginning on the effective date of the Split-Off and ending one year and one day from such date (the "restriction period"), no person may acquire, actually or constructively by virtue of certain of the attribution and aggregation provisions of the Code and Treasury Regulations, any shares of Holdings common stock to the extent such acquisition would (i) cause such person to own, actually or constructively, 10% or more of any class of Holdings common stock (a "10% shareholder") or, if such person actively participates in management of Holdings, 5% or more of any class of Holdings common stock (a "controlling shareholder") or (ii) increase the amount of Holdings stock treated as owned by a 10% shareholder or controlling shareholder. In addition, the excess share provisions will provide that during such restriction period, certain "prohibited persons" may not acquire actually or constructively by virtue of certain of the attribution and aggregation provisions of the Code and Treasury Regulations any shares of Holdings common stock if such acquisition would not be protected by the so called "public trading" safe harbor contained in the Treasury Regulations under Section 355(e) of the Code. For these purposes, a prohibited person is any person that had an agreement, understanding, arrangement, or engaged in substantial negotiations regarding an acquisition of stock of Holdings, Liberty Media, LEI or DIRECTV during the two-year period preceding the Split-Off, and persons who would be aggregated with, or from whom ownership of such stock would be attributed to, such person under Section 355(e) of the Code and the Treasury Regulations. Acquisitions of Holdings common stock described in this paragraph are referred to as "prohibited acquisitions." If a prohibited person enters into an agreement, understanding or arrangement, or engaged in substantial negotiations regarding a prohibited acquisition prior to the day after the first anniversary of the Split-Off and such prohibited person prior to the Split-Off entered into an agreement, understanding or arrangement, or engaged in substantial negotiations regarding the prohibited acquisition (or a similar acquisition within the meaning of the Treasury Regulations under Section 355(e) of the Code), the restriction period will be extended with respect to such prohibited person until the later of the first day after the second anniversary of the Split-Off or six months and one day after the date that the prohibited acquisition was consummated or terminated.

The excess share provisions were included in the Holdings charter in order to induce DIRECTV to enter into the Merger Agreement and the Transactions.

***Remedies***

Any purported prohibited acquisition occurring during the restriction period, will be null and void to the intended holder. The stock will be treated in accordance with the excess share provisions of the Holdings charter. At the closing of the Mergers, Holdings will create a trust for the exclusive benefit of a charitable beneficiary. The trustee of the trust will be designated by the audit committee of Holdings' board of directors and will not be affiliated with Holdings or the intended holder. Excess shares will be transferred to the trustee of the trust for the exclusive benefit of the charitable beneficiary until such time as the excess shares are transferred to a person whose ownership will not violate the restrictions

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on ownership. While the excess shares are held in trust, dividends and distributions on the shares will be paid to the trust for the benefit of the charitable beneficiary. The trustee will have the right to vote the excess shares, which right will be exercised exclusively for the benefit of the charitable beneficiary. If the excess shares have already been voted by the intended owner, the trustee shall have the discretion to rescind and recast any such vote unless Holdings will have already taken irreversible corporate action based on such vote.

~~While the excess shares are held in trust, dividends and distributions on the shares will be paid to the trust for the benefit of the charitable beneficiary. The trustee will have the right to vote the excess shares, which right will be exercised exclusively for the benefit of the charitable beneficiary. If the excess shares have already been voted by the intended owner, the trustee shall have the discretion to rescind and recast any such vote unless Holdings will have already taken irreversible corporate action based on such vote.~~



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common stock received in exchange for LEI excess shares in the LEI Merger will be deemed to be Holdings excess shares subject to the excess share provision of the Holdings charter. With certain ied'in?



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first annual meeting of stockholders of Holdings after the effective time



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number of shares of capital stock which are owned of record by such stockholder, (iii) any derivative instruments owned beneficially by such stockholder, (iv) any proxies or arrangements pursuant to which such stockholder has a right to vote any securities of the corporation, (v) any short interest in any capital stock or other securities of the corporation, (vi) any right to participate in dividends on the shares of capital stock of the corporation owned beneficially by such stockholder that are separated or separable from the underlying shares of capital stock of the corporation, (vii) any proportionate interest in shares of capital stock of the corporation or derivative instruments held by a partnership in which such stockholder is a general partner or beneficially owns an interest in a general partner, (viii) any performance related fees that such stockholder is entitled to based on any increase or decrease in the value of shares of capital stock or other securities or derivative instruments held by members of such stockholder's immediate family, and (ix) any other information that would be required to be disclosed in a solicitation of proxies for election of directors in an election context pursuant to Section 14 of the Exchange Act.

In addition, in a instrument captioned "Notice of Meeting of Shareholders"

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stock, among other things, the same relative voting power of the Holdings Class B common stock versus the other classes of common stock. However, no consent of the Holdings Class B common stock will be required for Holdings to enter into certain transactions with non-affiliates of Holdings, regardless of whether such provisions will result in the amendment of any of the provisions referred to in clauses (i) or (ii) above.

*Amendment of By-laws.* The by-laws of Holdings provide that, except as provided below, such by-laws may be amended, repealed and new by-laws may be adopted by (i) the board at any meeting of the board by the affirmative vote of a majority of the whole board, (ii) by unanimous written consent of the board in lieu of a meeting, (iii) at any annual meeting of stockholders or at any special meeting of the stockholders called by the board for that purpose, by the affirmative vote of not less than a majority of the voting power of all outstanding shares of all classes and series of capital stock of the corporation entitled to vote thereon, voting as a single class. The provision in the Holdings by-laws that requires that a majority of the Holdings board and at least 50% of the audit committee, compensation committee and any special transaction committee established by the Holdings board for the purpose of evaluating a change of control transaction proposal received by Holdings should consist of Qualifying Directors will not be amended until the third anniversary of the Mergers unless such amendment is approved by a majority of the holders of Holdings Class A common stock, and thereafter, will be amended only by either (i) the approval of a majority of the Holdings board (which must include a unanimous vote of the Qualifying Directors), or (ii) a majority of the holders of Holdings Class A common stock. The requirement described in the immediately preceding sentence was included pursuant to the terms of the proposed stipulation of settlement and will terminate if the stipulation of settlement has not received final approval of the court by June 30, 2010 and upon the occurrence of certain other events.

Prior to the first annual meeting of the stockholders of Holdings after the effective time of the Mergers any amendment made by the board of directors with respect to the super-majority voting provisions of the bylaws relating to the following requires the affirmative vote of not less than 80% of the directors then serving on the board (with any fractional number being rounded up to the next whole number):

- any increase to the number of directors of Holdings in excess of twelve (12) directors; and
- if the additional director to the Holdings board who is to be approved by Holdings and LEI prior to the Mergers is not serving as a member of the Holdings board of directors at the Merger Effective Time, then the first individual appointed by the board to serve as an independent director (for Nasdaq purposes) in that slot following the effective time of the Mergers.

Before the vacancy in the office of President and Chief Executive Officer of Holdings created by the resignation of Mr. Carey (and without regard to the appointment of Mr. Hunter as interim Chief Executive Officer) has been filled, any amendment made by the board of directors with respect to the following super-majority voting provisions of the bylaws requires the affirmative vote of not less than 80% of the directors then serving on the board (with any fractional number being rounded up to the next whole number):

- filling the vacancy in the office of President and Chief Executive Officer of Holdings created by the resignation of Mr. Carey (and without regard to the appointment of Mr. Hunter as interim Chief Executive Officer).

### *Section 203 of the General Corporation Law of the S o*

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## MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

Subject to the limitations and qualifications described herein, the following discussion constitutes the opinion of Skadden, Arps, Slate, Meagher & Flom LLP, tax counsel to Liberty Media, insofar as it summarizes U.S. Federal income tax law as to the material U.S. federal income tax consequences to holders of Liberty Entertainment common stock as a result of the Split-Off and the LEI Merger and Malone Contribution. The LEI Merger and Malone Contribution are collectively referred to in the remainder of this section as the **LEI Transactions**. This discussion is based on the Code, the Treasury regulations promulgated under the Code and interpretations of such authorities by the

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tax-free transaction under Sections 355 and 368(a)(1)(D) of the Code. Opinions of counsel are not binding upon the IRS or the courts, and the conclusions in the tax opinion pertaining to the Split-Off could be challenged by the IRS and a court could sustain such a challenge. The opinion of counsel will be based upon the Code, Treasury Regulations, administrative rulings and court decisions, all as in effect as of the date on which the opinion is issued and all of which are subject to change, possibly with retroactive effect. In addition, the opinion of counsel will be based upon certain assumptions and factual representations made by the officers of Liberty Media and LEI (and Holdings as successor to LEI) and certain stockholders of Liberty Media and LEI, as well as certain undertakings made by Liberty Media and LEI (and Holdings as successor to LEI) and certain stockholders of Liberty Media and LEI. If any of those factual representations or assumptions is incorrect or untrue in any material respect, any undertaking is not complied with, or the facts upon which the opinion is based are materially different from the facts at the time of the Split-Off, the Split-Off may not qualify for tax-free treatment.

If the Split-Off does not qualify for tax-free treatment, then Liberty Media would recognize taxable gain in an amount equal to the excess of the fair market value of the LEI common stock held by it immediately before the Split-Off over Liberty Media's tax basis therein. In addition, the exchange by the holders of Liberty Entertainment common stock in the Split-Off would be a taxable exchange, and each U.S. holder that participated in the Split-Off would recognize either (i) a capital gain or loss equal to the difference between the fair market value of the shares of LEI common stock received and the holder's tax basis in Liberty Entertainment common stock surrendered in exchange therefor; or, (ii) in certain circumstances (including where a holder did not experience any decrease in its percentage ownership of Liberty Media common stock (directly or by attribution) as a result of the Split-Off and certain related transactions), a taxable distribution equal to the fair market value of the shares of LEI common stock received which would be taxed (a) as a dividend to the extent of the holder's share of Liberty Media's current and accumulated earnings and profits (including the gain to Liberty Media described above), then (b) as a non-taxable return of capital to the extent of the holder's tax basis in Liberty Entertainment common stock with respect to which the distribution was made (although there may be certain other alternatives for determining the amount of such non-taxable return of capital if such stockholder owns shares of Liberty Media common stock other than those upon which the distribution was made), and thereafter (c) as a capital gain with respect to the remaining value. An individual U.S. holder would generally be subject to U.S. federal income tax at a preferential rate with respect to the portion of the Split-Off that was treated as a dividend or capital gain, subject to certain exceptions for certain short term and hedged positions (including positions held for one year or less, in the case of a capital gain), which could instead cause the distribution to be taxed in whole or in part at higher ordinary income rates.

Even if the Split-Off otherwise qualifies for tax-free treatment under Sections 355 and 368(a)(1)(D) of the Code, the Split-Off would result in a significant U.S. federal income tax liability to Liberty Media (but not holders of Liberty Entertainment common stock) under Section 355(e) of the Code if one or more persons acquire a 50-percent or greater interest (measured by vote or value) in the stock of Liberty Media or LEI as part of a plan or series of related transactions that includes the Split-Off. Current tax law generally creates a presumption that any acquisition of the stock of Liberty Media or LEI within two years before or after the Split-Off is part of a plan that includes the Split-Off, although the parties may be able to rebut that presumption. The process for determining whether an acquisition is part of a plan under these rules is complex, inherently factual and subject to interpretation of the facts and circumstances of a particular case. Liberty Media does not expect that the DTV Business Combination, by itself, will cause Section 355(e) of the Code to apply to the Split-Off and as part of the private letter ruling process, will seek certain rulings from the IRS regarding the manner in which certain other transactions are taken into account for these purposes. However, notwithstanding the opinion of counsel described above or any IRS rulings that may be obtained, Liberty Media, LEI or Holdings might inadvertently cause or permit a prohibited change in



U.S. federal income tax purposes as an exchange described in Section 351 of the Code. It is the opinion of Skadden, Arps, Slate, Meagher & Flom LLP that, for U.S. federal income tax purposes:

- no gain or loss will be recognized by, and no amount will be included in the income of, holders of LEI common stock upon the receipt of (i) shares of Holdings Class A common stock by holders of LEI Series A common stock and holders of LEI Series B common stock in the LEI Merger and (ii) shares of Holdings Class B common stock by holders of LEI Series B common stock in the Malone Contribution;
- a holder of LEI common stock who receives cash in lieu of a fractional share of Holdings common stock in the LEI Transactions will recognize gain or loss measured by the difference between the basis of the fractional share deemed received and the amount of cash received, which gain or loss will be treated as capital gain or loss;
- the tax basis of (i) the shares of Holdings Class A common stock received by holders of LEI Series A common stock and holders of LEI Series B common stock in the LEI Merger and (ii) the shares of Holdings Class B common stock received by holders of LEI Series B common stock in the Malone Contribution will equal the basis of the shares of LEI common stock surrendered in exchange therefor, provided either that such LEI common stock does not have a tax basis that exceeds its fair market value or, if it does, that a certain election to reduce the tax basis of such Holdings common stock to its fair market value is not made; and
- the holding period of (i) the shares of Holdings Class A common stock received by holders of LEI Series A common stock and holders of LEI Series B common stock in the LEI Merger and (ii) the shares of Holdings Class B common stock received by holders of LEI Series B common stock in the Malone Contribution will include the holding period, as determined for U.S. federal income tax purposes, of the LEI common stock surrendered in exchange therefor.

Opinions of counsel are not binding upon the IRS or the courts, and the conclusions in the tax opinion pertaining to the LEI Transactions could be challenged by the IRS and a court could sustain such a challenge. The opinion of counsel will be based upon the Code, Treasury Regulations, administrative rulings and court decisions, all as in effect as of the date on which the opinion is issued and all of which are subject to change, possibly with retroactive effect. In addition, the opinion of counsel will be based upon certain assumptions and factual representations made by the officers of LEI and DIRECTV and certain stockholders of LEI, as well as certain undertakings made by LEI and DIRECTV and certain stockholders of LEI. If any of those factual representations or assumptions is incorrect or untrue in any material respect, any undertaking is not complied with, or the facts upon which the opinion is based are materially different from the facts at the time of the LEI Transactions, the LEI Transactions may not qualify for tax-free treatment.

If the LEI Transactions do not qualify for tax-free treatment, then the exchange by the holders of LEI common stock in the LEI Transactions would be a taxable exchange, and each U.S. holder that participated in the LEI Transactions would recognize a capital gain or loss equal to the difference between (i) the sum of the fair market value of Holdings common stock received and any cash received in lieu of a fractional share and (ii) the holder's tax basis in LEI common stock surrendered in exchange therefor. The tax basis of such Holdings common stock would generally be its fair market value, and the holding period for such Holdings common stock would generally commence at the effective time of the LEI Transactions.

#### ***Backup Withholding***

Payments of cash in lieu of a fractional share of any class of Holdings common stock made in connection with the LEI Transactions may, under certain circumstances, be subject to backup withholding, unless a holder provides proof of an applicable exemption or a correct taxpayer

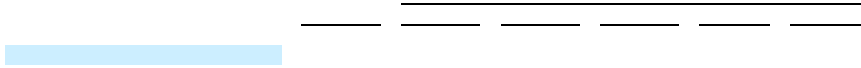
identification number, and otherwise complies with the applicable requirements of the backup withholding rules. Any amounts withheld under the backup withholding rules are not additional tax and may be refunded or credited against the holder's U.S. federal income tax liability, provided that the holder furnishes the required information to the IRS.

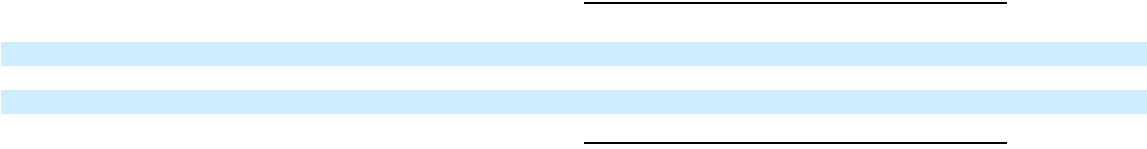
***Stockholder Information Reporting***

A holder of LEI common stock who receives Holdings common stock and who owns at least 5% (by vote or value) of the total outstanding LEI common stock immediately before the effective time of the LEI Transactions and/or at least 5% (by vote or value) of the total outstanding Holdings common stock immediately following the effective time of the LEI Transactions generally will be required to attach to such holder's federal income tax return for the year in which the LEI Transactions are consummated a statement or statements setting forth certain information relating to the LEI Transactions, as prescribed by applicable Treasury regulations.

**Holders of Liberty Entertainment common stock are urged to consult their tax advisors as to the particular tax consequences to them as a result of the Split-Off and the LEI Transactions, including applicable state, local and foreign laws and any changes in federal tax laws that occur after the date of this proxy statement/prospectus.**













**Selected Unaudited Historical Attributed Financial Data of the Entertainment Group**

The following tables present selected historical attributed financial information of the Entertainment Group for the sixp







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## SELECTED FINANCIAL DATA FOR DIRECTV AND HOLDINGS

### How the Financial Data was Prepared

The following selected financial data have been derived from, and should be read in conjunction with, DIRECTV's consolidated financial statements. The consolidated statements of operations data for each of the three years in the period ended December 31, 2008 and the consolidated balance sheet data as of December 31, 2007 and 2008 have been derived from DIRECTV's consolidated financial statements which are incorporated by reference into this proxy statement/prospectus, and have been audited by Deloitte & Touche LLP, DIRECTV's independent registered public accountants. The consolidated statement of operations data for the year ended December 31, 2004 and 2005 and the consolidated balance sheet data as of December 31, 2004, 2005 and 2006 have been derived from DIRECTV's audited consolidated financial statements which have not been incorporated into this proxy statement/prospectus. The consolidated statements of operations data for the six months ended June 30, 2008 and 2009, and the consolidated balance sheet data as of June 30, 2009 have been derived from DIRECTV's unaudited consolidated financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring items, necessary to present fairly such data. The unaudited consolidated financial statements and notes thereto as of and for the six months ended June 30, 2008 and 2009 are incorporated by reference into this proxy statement/prospectus. The results of operations for the six months ended June 30, 2009 are not necessarily indicative of the results of operations which may be expected for the full 2009 fiscal year.

You should read the following financial information in conjunction with the sections entitled "Management's Discussion and Analysis of Results of Operations and Financial Condition" and "Business," and the audited and unaudited consolidated financial statements set forth in DIRECTV's Current Report on Form 8-K filed with the SEC on June 1, 2009 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, each included in *Annex D* of this proxy/statement prospectus. See "Additional Information—Where You Can Find More Information" for reference to the financial statements and other information incorporated by reference into this proxy statement/prospectus.



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the assumptions made in determining the pro forma data, see the notes to "Holdings Unaudited Pro Forma Condensed Combined Financial Statements" appearing in *Annex D*.

	As of and for the six months ended June 30, 2009	For the year ended December 31, 2008
	Pro Forma Giving Effect to the merger transactions involving The DIRECTV Group and LEI	Pro Forma Giving Effect to the merger transactions involving The DIRECTV Group and LEI
	(Dollars in Millions, Except Per Share Amounts)	
<b>Statement of Operating Data:</b>		
Revenues	\$ 10,224	\$ 19,905
Total operating costs and expenses	9,084	17,179
Operating profit	\$ 1,140	\$ 2,726
Income from continuing operations	\$ 540	\$ 1,671
Income from continuing operations attributable to common shareholders	\$ 518	\$ 1,579
Basic and diluted income from continuing operations attributable to common shareholders per common share	\$ 0.53	\$ 1.46
<b>Balance Sheet Data:</b>		
Total assets	\$ 17,473	
Long-term debt	7,007	
Stockholders' equity	3,395	



**UNAUDITED C**

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multiplying the pro forma combined amounts for Holdings by the exchange ratio of about 1.11111 shares of Holdings Class A or B common stock for each share of LEI common stock.

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**MANAGEMENT OF LEI**

**Executive Officers and Directors**

The following sets forth certain information concerning persons who will be the executive officers and directors of LEI if the Merger Agreement is terminated and the Split-Off is completed, including their birth dates, directorships held and a description of their business experience, including positions held with Liberty Media. The following persons will not be the executive officers and directors of LEI immediately following the completion of the Split-Off if the DTV Business Combination is completed.

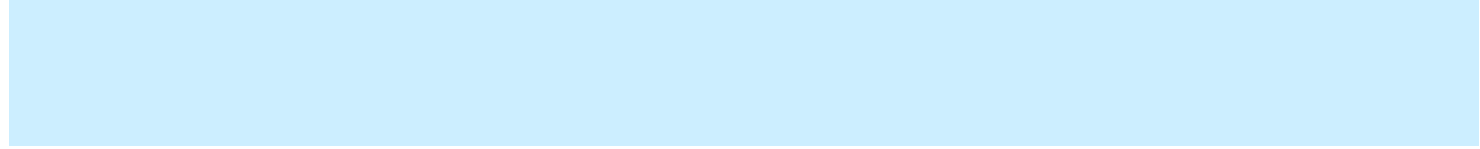
Name	Positions
<b>John C. Malone</b> Age: 68	Chairman of the Board and a director of LEI.  Chairman of the Board and a director of Liberty Media since March 2006. Chairman of the Board and a director of Liberty Media's predecessor ( <b>Old Liberty</b> ) from 1994 to May 2006. Chief Executive Officer of Old Liberty from August 2005 to February 2006. Mr. Malone served as Chairman of the Board of TCI from November 1996 to March 1999 and Chief Executive Officer of TCI from January 1994 to March 1997. Mr. Malone is Chairman of the Board of LGI, Chairman of the Board of DIRECTV and a director of Discovery Communications, Inc. ( <b>Discovery</b> ), IAC, Expedia, Inc. and Sirius XM Radio Inc. ( <b>Sirius</b> ).
<b>Gregory B. Maffei</b> Age: 49	Chief Executive Officer, President and a director of LEI.  Chief Executive Officer, President and a director of Liberty Media since March 2006. Chief Executive Officer and President of Old Liberty since February 2006 and a director of Old Liberty from November 2005 to May 2006. CEO-Elect of Old Liberty from November 2005 through February 2006. Mr. Maffei served as President and Chief Financial Officer of Oracle Corporation from June 2005 until November 2005. Mr. Maffei served as Chairman and Chief Executive Officer of 360networks Corporation from January 2000 until June 2005. Previously, Mr. Maffei was Chief Financial Officer of Microsoft Corporation and Chairman of the Board of Expedia, Inc. Mr. Maffei serves as a director of Electronic Arts, Inc., DIRECTV and Sirius.
<b>Charles Y. Tanabe</b> Age: 57	Executive Vice President and General Counsel of LEI.  Executive Vice President of Liberty Media since January 2007, a Senior Vice President of Liberty Media from March 2006 to December 2006, the General Counsel of Liberty Media since March 2006 and the Secretary of Liberty Media from March 2006 to December 2007. Executive Vice President of Old Liberty since January 2007, a Senior Vice President of Old Liberty from January 1999 to December 2006, the Secretary of Old Liberty from April 2001 to March 2008 and the General Counsel of Old Liberty since January 1999.



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<u>Name</u>	<u>Positions</u>
<b>Evan D. Malone</b> Age: 39	A director of LEI.  A director of Liberty Media since August 2008. Dr. Malone has been an engineering consultant for more than the past five years. Since January 2008, Dr. Malone has served as the owner and manager of a real estate property and management company, 1525 South Street LLC. During 2008, Dr. Malone also served as a post-doctoral research assistant at Cornell University and an engineering consultant with Rich Food Products, a food processing company. Dr. Malone has served as co-owner and director of Drive Passion PC Services, CC, an Internet café, telecommunications and document services company, in South Africa since 2007 and served as an applied physics technician for Fermi National Accelerator Laboratory, part of the national laboratory system of the Office of Science, U.S. Department of Energy, from 1999 until 2001.

<b>David E. Rapley</b> Age: 68	A director of LEI.  A director of Liberty Media since May 2006. A director of Old Liberty from July 2002 to May 2006, having previously served as a director of Old Liberty during 1994. Mr. Rapley has served as President of Rapley Consulting, since 2002, Mr. Rapley served as Executive Vice President and Managing Director of
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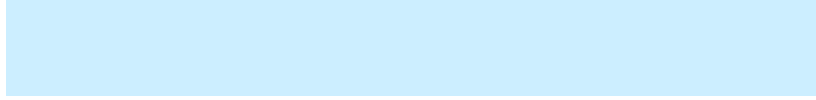
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LEI Series A common stock



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So far as is known to Liberty Media, the persons indicated below would have sole voting power with respect to the shares estimated to be owned by them, except as otherwise stated in the notes to the table.

Name	Title of Series	Amount and Nature of Beneficial Ownership (in thousands)	Percent of Series (%)	Voting Power (%)
John C. Malone Chairman of the Board	Series A	3,041(1)	*	32.6
	Series B	22,016(2)	92.8	
Gregory B. Maffei Director, President and Chief Executive Officer	Series A	2,146(3)	*	*
	Series B	—		
Robert R. Bennett. Director	Series A	851(4)	*	4.6
	Series B	3,002(5)	12.3	
Donne F. Fisher Director	Series A	74(6)	*	*
	Series B	100	*	
Paul A. Gould Director	Series A	266(7)	*	*
	Series B	108	*	
Evan D. Malone Director	Series A	2(6)	*	*
	Series B	—		
David E. Rapley Director	Series A	23(6)	*	*
	Series B	—		
M. LaVoy Robison Director	Series A	23(6)	*	*
	Series B	—		
Larry E. Romrell Director	Series A	21(6)	*	*
	Series B	1	*	
Charles Y. Tanabe Executive Vice President and General Counsel	Series A	722(8)	*	*
	Series B	—		
David J.A. Flowers Senior Vice President and Treasurer	Series A	619(3)	*	*
	Series B	—		
Albert E. Rosenthaler Senior Vice President	Series A	246(3)	*	*
	Series B	—		
Christopher W. Shean Senior Vice President and Controller	Series A	323(3)	*	*
	Series B	—		
All directors and executive officers as a group (13 persons)	Series A	8,360(9)	1.9	36.3
	Series B	25,228(10)	94.4	

\* Less than one percent

- (1) See footnotes (1), (2), (3), (4), (5), (6) and (7) to the table included under "Security Ownership of Certain Beneficial Owners and Management of Liberty Media—Security Ownership of Management" below.
- (2) See footnotes (1), (5), (6) and (8) to the table included under "Security Ownership of Certain Beneficial Owners and Management of Liberty Media—Security Ownership of Management" below.

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- (3) See footnotes (2), (4) and (5) to the table included under "Security Ownership of Certain Beneficial Owners and Management of Liberty Media—Security Ownership of Management" below.
  - (4) See footnotes (2), (5) and (9) to the table included under "Security Ownership of Certain Beneficial Owners and Management of Liberty Media—Security Ownership of Management" below.
  - (5) See footnote (5) and (9) to the table included under "Security Ownership of Certain Beneficial Owners and Management of Liberty Media—Security Ownership of Management" below.
  - (6) See footnote (5) to the table included under "Security Ownership of Certain Beneficial Owners and Management of Liberty Media—Security Ownership of Management" below.
  - (7) Includes beneficial ownership of 21,996 shares of LEI Series A common stock that may be acquired upon exercise of, or which relate to, stock options and stock appreciation rights exercisable within 60 days after August 31, 2009.
  - (8) See footnotes (2), (4), (5) and (10) to the table included under "Security Ownership of Certain Beneficial Owners and Management of Liberty Media—Security Ownership of Management" below.
  - (9) See footnotes (2), (3), (4), (5), (6), (7), (9) and (11) to the table included under "Security Ownership of Certain Beneficial Owners and Management of Liberty Media—Security Ownership of Management" below.
  - (10)
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**MANAGEMENT OF HOLDINGS**

**Executive Off**

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Name

Positions

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from 1991 until 1997. From January 2004 to November 2006, he was the U.S. Member of the Geneva-based Committee on the Elimination of All Forms of Racial Discrimination, a United Nations Treaty body. He currently serves as a Trustee, Audit Committee Chair and member of the Investment Committee of the National Housing Partnership Foundation.

**Chase Carey**  
Age: 55

A director of Holdings.

Mr. Carey has served as the Deputy Chairman and Chief Operating Officer of News Corporation since July 2009. Mr. Carey served as President and Chief Executive Officer of DIRECTV from December 2003 to July 2009 and has served as a director of DIRECTV since December 2003. Mr. Carey served as a director of News Corporation from November 2004 until December 2007, and as Executive Director of The News Corporation Limited (the prior parent of the News Corporation group of companies), or TNCL, from 1996 until November 2004. Mr. Carey served as a consultant to y7, and as m c,





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Name

Positions

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**Charles R. Lee**  
Age: 69

A director of Holdings.

Mr. Lee has served as a director and a member of the Compensation Committee and Nominating and Corporate Governance Committee of DIRECTV since December 2003 and Chair of the Compensation Committee of DIRECTV since February 2006. From April 2002 to December 2003, Mr. Lee served as the non-executive Chairman of Verizon Communications, Inc., or Verizon. From 2000 through 2002, Mr. Lee served as Chairman and Co-Chief Executive Officer of Verizon. Previously, Mr. Lee served as Chairman of the Board of Directors and Chief Executive Officer of GTE Corporation. Mr. Lee is also a director of The Procter & Gamble Company, United Technologies Corporation, United States Steel Corporation and Marathon Oil Corporation. Mr. Lee is a Trustee Emeritus and Presidential Councilor of Cornell University. He serves on the Board of Overseers for The Weill Cornell Medical College and is a member of the Board of Directors of the American Chemical Society.

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<u>Name</u>	<u>Positions</u>
<b>Gregory B. Maffei</b> Age: 49	<p>A director of Holdings.</p> <p>Mr. Maffei has served as a director of DIRECTV since February 2008. Mr. Maffei has served as Chief Executive Officer, President and a director of Liberty Media since March 2006. Previously, he served as Chief Executive Officer and President of Old Liberty from February 2006 to March 2006, a director of Old Liberty from November 2005 to May 2006 and CEO-Elect of Old Liberty from November 2005 through February 2006. Mr. Maffei served as President and Chief Financial Officer of Oracle Corporation from June 2005 until November 2005. Mr. Maffei served as Chairman and Chief Executive Officer of 360networks Corporation from January 2000 until June 2005. Previously, Mr. Maffei was Chief Financial Officer of Microsoft Corporation and Chairman of the Board of Expedia, Inc. Mr. Maffei serves as a director of Electronic Arts, Inc., DIRECTV and Sirius.</p>
<b>Nancy S. Newcomb</b> Age: 64	<p>A director of Holdings.</p> <p>Ms. Newcomb has served as a director of DIRECTV and a member of the Audit Committee of DIRECTV since February 2006. Since April, 2008, Ms. Newcomb has also served on the Nominating and Corporate Governance Committee of DIRECTV. Ms. Newcomb served as a senior corporate officer, risk management, of Citigroup from May 1998 until April 2004. She served as a customer group executive of Citicorp (the predecessor corporation) from December 1995 to April 1998, as a division executive, Latin America, from September 1993 to December 1995 and as the principal financial officer responsible for liquidity, funding and capital management from January 1988 to August 1993. Ms. Newcomb currently serves as a director of Moody's Corporation and Sysco Corporation. Ms. Newcomb is also a member of the Governing Council of the Van Leer Group Foundation, the Netherlands.</p>
<b>Haim Saban</b> Age: 64	<p>A director of Holdings.</p> <p>Mr. Saban has served as a dire</p>

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**Director Independenc**



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For information concerning the compensation policy for directors of DIRECTV, see the "Executive and Director Compensation" section of the DIRECTV annual proxy statement. A copy of the DIRECTV annual proxy statement is available free of charge as described under "Additional Information—Where You Can Find More Information"

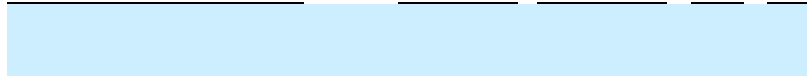
**Pro Forma Security Ownership of Certain Beneficial Owners**

The following table sets forth information, to the extent known by Liberty Media or ascertainable from public filings of Liberty Media and DIRECTV, with respect to the estimated beneficial ownership of each person or entity (other than persons who will serve as directors or executive officers of Holdings, whose pro forma ownership information follows) who is expected to beneficially own more than five percent of the outstanding shares of any class of Holdings common stock.

The security ownership information for Holdings common stock has been estimated based upon pro forma outstanding stock information for LEI common stock as of August 31, 2009 (which is based on outstanding stock information for Liberty Entertainment common stock as of such date), and outstanding stock information for DIRECTV common stock as of August 31, 2009. The percentage ownership information, has been estimated based upon 916,628,522 shares of Holdings Class A common stock, and 21,806,138 shares of Holdings Class B common stock estimated to have been issued in the DTV Business Combination (assuming an LEI Exchange Ratio of 1.11111 and a DIRECTV Exchange Ratio of 1).

So far as is known to Liberty Media, the persons indicated below would have sole voting power with respect to the shares estimated to be owned by them, except as otherwise stated in the notes to the table.

Name and Address of Beneficial Owner



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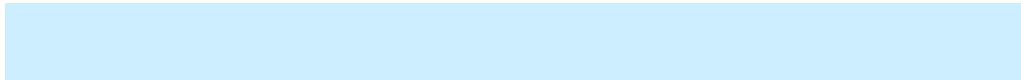
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days of August 31, 2009, are deemed to be outstanding and to be beneficially owned by the person holding the options, warrants or convertible securities for the purpose of computing the percentage ownership of the person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

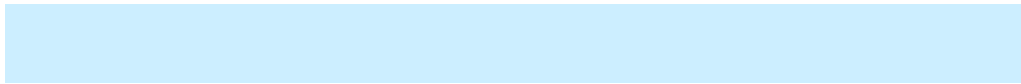
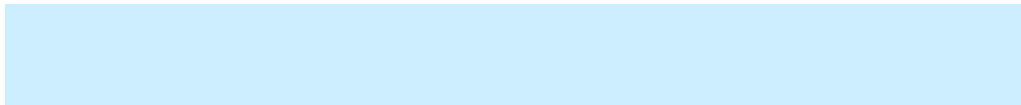
So far as is known to Liberty Media, the persons indicated below would have sole voting power with respect to the shares estimated to be owned by them, except as otherwise stated in the notes to the table.

Name	Title of Class	Amount and Nature of Beneficial Ownership (in thousands)	Percent of Class (%)	Voting Power (%)
John C. Malone Chairman of the Board	Class A	6,041(2)	*	24.2(1)
	Class B	21,806(3)	100	
Chase Carey Director and Former Chief Executive Officer of DIRECTV	Class A	1,244(4)	*	*
	Class B	—		
Neil R. Austrian Director	Class A	24(5)	*	*
	Class B	—		
Ralph F. Boyd, Jr. Director	Class A	10(6)	*	*
	Class B	—		
Paul A. Gould Director	Class A	415(7)	*	*
	Class B	—		
Charles R. Lee Director	Class A	64(8)	*	*
	Class B	—		
Peter A. Lund Director	Class A	36(9)(10)	*	*
	Class B	—		
Gregory B. Maffei Director	Class A	2,243(11)	*	*
	Class B	—		
Nancy S. Newcomb	Class A	18	*	*

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- (1) Immediately after the Mergers, it is estimated that the Malones will own approximately 2.9 million shares of Holdings Class A common stock and approximately 21.8 million shares of Holdings Class B common stock. The shares of Holdings Class A common stock that are anticipated to be owned by the Malones would represent



**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS  
AND MANAGEMENT OF LIBERTY MEDIA**

**Security Ownership of Certain Beneficial Owners**

The following table sets forth:

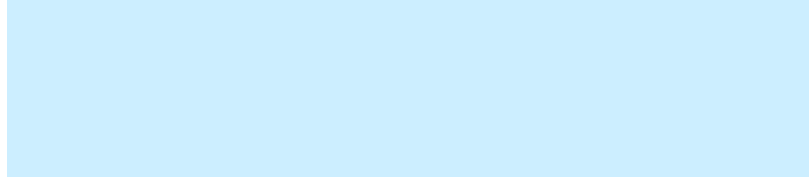
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Southeastern. Mr. Hawkins could be deemed to be a controlling person of Southeastern but disclaims the existence of such control. Mr. Hawkins does not own directly or indirectly any securities covered by the Schedule 13G/A. Southeastern and Mr. Hawkins disclaim beneficial ownership of the shares covered by the Schedule 13G/A pursuant to Rule 13d-4. The Schedule 13G/A states that Southeastern has sole voting power over 32,831,693 shares of LMDIA, shared voting power over 20,395,715 shares of LMDIA and no voting power over 6,744,879 shares of LMDIA. Longleaf has shared voting power over 20,395,715 shares of LMDIA.

- (4) The number of shares of LINTA is based upon the Schedule 13G/A, dated December 10, 2007, filed by The Growth Fund of America, an investment company, with respect to shares of LINTA. The Schedule 13G/A states that The Growth Fund has sole voting power over 38,167,500 shares of LINTA. The Schedule 13G/A also states that The Growth Fund is advised by CRMC and an agreement between The Growth Fund and CRMC on the joint filing of Schedule 13G is filed as an exhibit.
- (5) The number of shares of LCAPA is based on the Schedule 13G/A filed on February 13, 2009 by ClearBridge Advisors, LLC, an investment advisor (**ClearBridge**). The Schedule 13G states that ClearBridge has sole voting power over 7,195,192 shares of LCAPA.
- (6) The number of shares of LINTA is based upon the Schedule 13G/A, dated February 10, 2009, filed by ClearBridge with respect to shares of LINTA. The Schedule 13G/A states that ClearBridge has sole voting power over 19,600,089 shares of LINTA.
- (7) The number of shares of LINTA is based upon the Schedule 13G/A, dated February 10, 2009, filed by Dodge & Cox respect to shares of LINTA. The Schedule 13G states that the aggregate amount of shares of LINTA beneficially owned by Dodge & Cox is 57,920,441. Dodge & Cox has sole voting power over 54,304,016 shares of LINTA and shared voting power over 168,275 shares of LINTA.
- (8) The number of shares of LCAPA is based upon the Schedule 13G, dated February 17, 2009, filed by Comcast QVC, Inc. (**Comcast QVC**), Comcast Programming Holdings, Inc. (**Comcast Programming**), Comcast Holdings Corporation (**Comcast Holdings**) and Comcast Corporation (**Comcast**) with respect to shares of LCAPA. The Schedule 13G states each of Comcast QVC, Comcast Programming, Comcast Holdings and Comcast have shared voting power over 5,000,000 shares of LCAPA. The Schedule 13G states that Comcast QVC is a direct wholly owned subsidiary of Comcast Programming, which is a direct, wholly owned subsidiary of Comcast Holdings, which is a direct, wholly owned subsidiary of Comcast.

## **Security Ownership of Management**

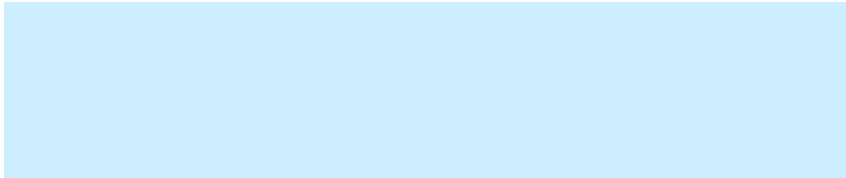
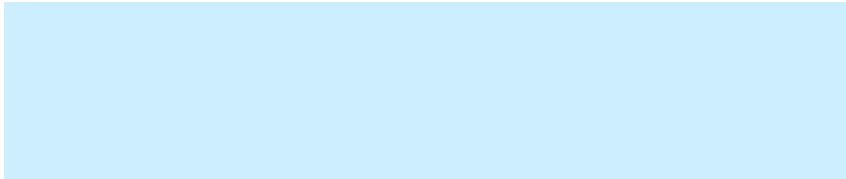
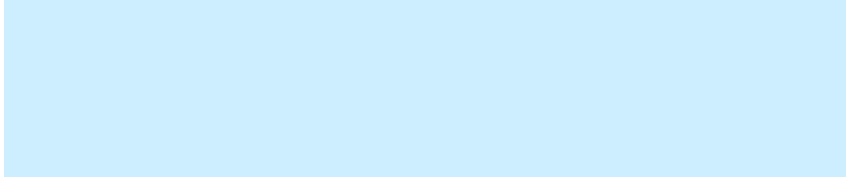
The following table sets forth information with respect to the ownership by each of Liberty Media's directors and each of Liberty Media's named executive officers and by all of Liberty Media's directors and named executive officers as a group of shares of LCAPA, LCAPB, LINTA, LINTB, LMDIA and LMDIB. The security ownership information is given as of August 31, 2009, and, in the case of percentage ownership information, is based upon (1) 89,930,201 LCAPA shares, (2) 6,024,724 LCAPB shares, (3) 566,894,688 LINTA shares, (4) 29,360,618 LINTB shares, (5) 496,164,668 LMDIA shares and (6) 23,697,987 LMDIB shares, in each case, outstanding on that date.

Shares of restricted stock that have been granted pursuant to Liberty Media's incentive plans are included in the outstanding share numbers provided throughout this proxy statement/prospectus. 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 August 31, 2009, are deemed to be outstanding and to be beneficially owned by the person holding the options, warrants or convertible securities for the purpose of computing the percentage ownership of the person, but are not treated as

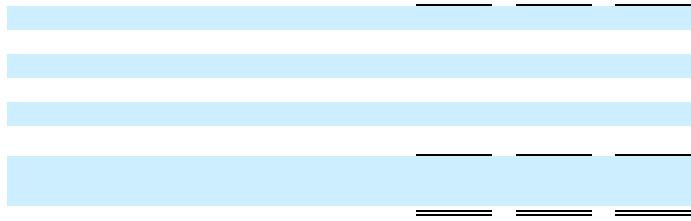


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<u>Name</u>	<u>Title of Series</u>	<u>Amount and Nature of Beneficial Ownership</u> (In thousands)	<u>Percent of Series (%)</u>	<u>Voting Power (%)</u>
Evan D				







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LCAPB shares, LINTB shares and LMDIB shares, except for certain exempt transfers (such as transfers to related parties or public sales of up to an aggregate of 5% of their shares of LCAPB, LINTB or LMDIB after conversion to shares of LCAPA, LINTA or LMDIA, respectively) and except for a transfer made in compliance with Liberty Media's call rights. The call agreement does not apply to any shares of LEI common stock that the Malones acquire in the Split-Off or otherwise. However, the Holdings charter includes a redemption right in favor of Holdings with respect to the shares of Holdings Class B common stock owned by the Malones and certain of their transferees upon Mr. Malone's death.

- (9) Includes 212,329 LCAPA shares, 20 LCAPB shares, 299,567 LINTA shares, 100 LINTB shares, and 80 LMDIB shares owned by Hilltop Investments, LLC which is jointly owned by Mr. Bennett and his wife, Mrs. Deborah Bennett.
- (10) Includes 153 LCAPA shares, 767 LINTA shares and 612 LMDIA shares held by Mr. Tanabe's wife, Arlene Bobrow, as to which shares Mr. Tanabe has disclaimed beneficial ownership.
- (11) Includes 75,405 LCAPA shares, 170,471 LCAPB shares, 377,027 LINTA shares, 852,358 LINTB shares, 301,620 LMDIA shares and 681,884 LMDIB shares held by relatives of certain directors and executive officers, as to which shares beneficial ownership by such directors and executive officers has been disclaimed.

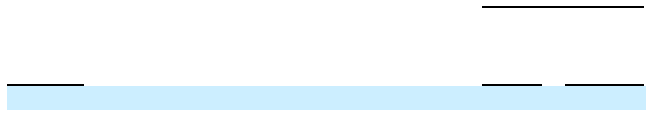
***Ownership of Subsidiary Securities***

To Liberty Media's knowledge, none of Liberty Media's executive officers or directors beneficially owns any equity securities of any of its subsidiaries.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**Relationships Between LEI and Liberty Media Following the Split-Off**

Following the Split-Off, Liberty Media and LEI will operate independently (except that if the DTV Business Combination is completed, LEI will operate as a wholly owned







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***DIRECTV***

The consolidated balance sheets of The DIRECTV Group, Inc. as of December 31, 2008 and 2007, and the related consolidated statements of operations, changes in stockholders' equity, comprehensive income, and cash flows for each of the three years in the period ended December 31, 2008 included in this proxy statement/prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report dated February 26, 2009 (May 29, 2009 as to the effects of Statement of Financial Accounting Standards No. 160 "Noncontrolling Interests in Consolidated Financial Statements—an amendment to ARB No. 51," as described in Note 2 of the Notes to the Consolidated Financial Statements) appearing herein. Such financial statements are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

***Expedia, Inc.***

The consolidated financial statements of Expedia, Inc. at December 31, 2008 and December 31, 2007 and for each of the three years in the period ended December 31, 2008, appearing in Liberty Media's Annual Report (Form 10-K) for the year ended December 31, 2008 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

**Stockholder Proposals**

***Liberty Media***

Liberty Media currently expects that its annual meeting of stockholders for the calendar year 2010 will be held during the second quarter of 2010. In order to be eligible to vote at the meeting, you must be a registered shareholder of Liberty Media as of the record date for the meeting.



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business on [ ], or such later date as LEI may determine and announce in connection with the actual scheduling of the annual meeting.

All stockholder proposals for inclusion in LEI's proxy materials will be subject to the requirements of the proxy rules adopted under the Exchange Act and, as with any stockholder proposal (regardless of whether it is included in LEI's proxy materials), LEI's restated charter, bylaws and Delaware law.

**Where You Can Find More Information**

LEI has filed with the Securities and Exchange Commission a registration statement on Form S-4 under the Securities Act with respect to the shares of common stock of LEI to be offered by this proxy statement/prospectus in the Split-Off. This proxy statement/prospectus, which forms a part of the LEI registration statement, does not contain all the information that will be included in the LEI registration statement and the exhibits thereto. You should refer to the LEI registration statement, including its exhibits and schedules, for further information about LEI and the securities being offered in the Split-Off.

~~gside Holdings has filed with the Securities and Exchange Commission a registration statement on Form S-4 under the Securities Act with respect to the shares of common stock of Holdings to be offered by this proxy statement/prospectus and DIRECTV's proxy statement/prospectus in the DTV Business Combination. This proxy statement/prospectus, which forms a part of the Holdings registration statement, does not contain all the information that will be included in the Holdings registration statement and the exhibits thereto. You should refer to the Holdings registration statement, including its exhibits and schedules, for further information about Holdings and the securities being offered in the DTV Business Combination.~~

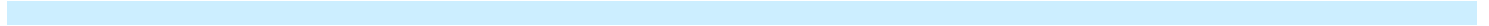
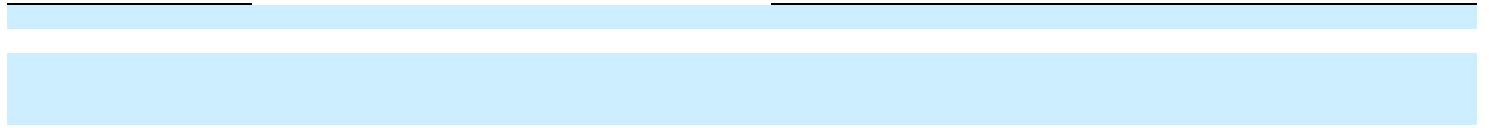
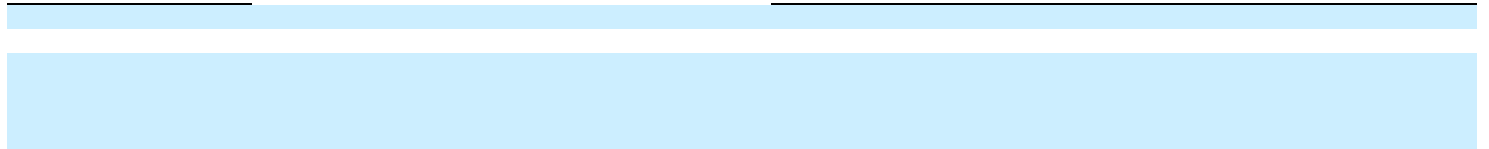


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and Exchange Commission are also available by contacting DIRECTV by writing or telephoning the office of Investor Relations:

The DIRECTV Group, Inc.  
2230 East Imperial Highway  
El Segundo, California 90245  
(310) 964-0808

Any statement, including financial statements, contained in Liberty Media's or DIRECTV's Annual Report on Form 10-K for the year ended December 31, 2008 will be deemed to be modified or superseded to the extent that a statement, including financial statements, contained in this proxy statement/prospectus or in any other later incorporated document modifies or supersedes that statement. The following filings are incorporated herein by reference:











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a new satellite; (3) compliance with the terms and conditions of assignments and authorizations, including required timetables for construction and operation of satellites; and (4) avoidance of interference with the operations of other entities that use the radio spectrum.

DBS operators also must comply with Communications Act and FCC requirements, including the following:

- *Carriage of Local Broadcast Stations.* The Satellite Home Viewer Improvement Act of 1999 (**SHVIA**) allows satellite carriers to retransmit the signals of local broadcast television stations in the stations' local markets without obtaining authorization from the holders of copyrights in the individual programs carried by those stations. However, SHVIA also imposes a must carry obligation on satellite carriers. This must carry obligation requires satellite carriers that choose to take advantage of the statutory copyright license in a local market to carry upon request the signals of all qualifying television broadcast stations within that local market, subject to certain limited exceptions. In addition, the FCC issued an order requiring mandatory carriage of HD digital signals in an increasing number of markets each year, requiring so-called "HD carry-one, carry-all" in all local markets served by 2013. Moreover, Congress may amend the must carry rules when it considers SHVERA (as defined below) reauthorization this year.
  - *Limitations On the Retransmission of Distant Television Signals.* Another portion of SHVIA, as amended by the Satellite Home Viewer Extension and Reauthorization Act of 2004 (**SHVERA**) permits satellite retransmission of distant network stations (those that originate outside of a satellite subscriber's local television market) only to "unserved households." The distant-signal provisions of SHVERA will expire at the end of 2009. Congress may decline to renew those provisions, which could severely restrict DIRECTV U.S.'s ability to retransmit distant signals. Congress could also adopt amendments to SHVERA, including those suggested by the Copyright Office, that would limit the provision of distant signals.
  - *Public Interest Requirements.* The FCC has imposed certain public interest obligations on DBS operators, including a requirement that such providers set aside four percent of channel capacity exclusively for noncommercial programming of an educational or informational nature, for which DIRECTV U.S. must charge programmers below-market rates and for which it may not impose additional charges on subscribers. FCC rules also require DIRECTV U.S. to comply with a number of political broadcasting requirements to which broadcasters are subject under the Communications Act, as well as limits on the commercialization of children's programming applicable to cable operators.
  - *National Emergency Alert System.* The Emergency Alert System (**EAS**) requires participants to interrupt programming during nationally-declared emergencies and to pass through emergency-related information. FCC rules require satellite carriers to participate in the "national" portion of EAS.
  - *Spectrum Allocation and License Assignment.* DBS frequencies and available DBS orbital locations capable of supporting DIRECTV's business have become increasingly scarce. While DIRECTV has obtained additional DTH service capacity and continues to explore new sources of DBS/DTH capacity, there can be no assurance that DIRECTV will obtain further capacity. In 2007, the FCC adopted new service and licensing rules for the Broadcasting Satellite Service (**BSS**) in the 17.3-17.8 GHz and 24.75-25.25 GHz bands, or 17/24 GHz BSS. This spectrum, also known as the "reverse band" (in that transmissions from these satellites to consumers would occur in spectrum currently used for uplinking programming to traditional DBS satellites), could provide a new source of additional DTH capacity. The FCC recently has approved DIRECTV's applications for authority to use this capacity to the extent it becomes available.
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developed than in the United States



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*A-La-Carte-Proceeding.* In 2004, the FCC's Media Bureau conducted a notice of inquiry







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Relationships and Related Transactions—Relationships between LEI and Liberty Media—Services Agreement."

As of June 30, 2009 (and assuming the internal restructuring had been effected on that date), LEI's consolidated subsidiaries had an aggregate of approximately 150 full-time and part-time employees. Except for certain employees of Liberty Sports Holdings, none of these employees is represented by a labor union or covered by a collective bargaining agreement. LEI believes that these employee relations are good.

*Holdings*

Holdings currently has no corporate employees. Holdings anticipates that, subsequent to the completion of the DTV Business Combination, the directors and executive officers of DIRECTV will be the initial directors and executive officers of Holdings. See "Management of Holdings."

As of June 30, 2009 (and assuming the DTV Business Combination had been effected on that date), Holdings' consolidated subsidiaries had an aggregate of approximately 22,009 full-time and part-time employees. Except for certain employees of Liberty Sports Holdings, none of these employees is represented by a labor union or covered by a collective bargaining agreement. LEI believes that these employee relations are good.







**ARTICLE IV**





Trading Days preceding and ending on the Trading Day immediately prior to the date of determination. For purposes of the foregoing, a market in which trading is sporadic and the ask quotations generally exceed the bid quotations by more than 15% shall not be deemed to be a "regular, active public market," or

(3) if, at the date of determination, neither clause (1) nor clause (2) of this definition applies, then the Market Price shall be deemed to be the fair market value of the security as determined in the good faith, sole discretion of the Board, whose determination shall be conclusive and binding.

"*Merger Agreement*" means the Agreement and Plan of Merger, dated as of May 3, 2009, as it may be amended from time to time, by and among the Corporation, Liberty, The DIRECTV Group, Inc., Holdings, DTVG One, Inc. and DTVG Two, Inc.

"*Non-Transfer Event*" means an event (other than a purported Transfer) occurring after the Split-Off Effective Time that would cause or result in a direct or indirect increase in the percentage of any Person's ownership of the outstanding shares of Equity Stock (as determined by reference to Section 355(e) of the Code, taking into account applicable constructive ownership rules and any Treasury regulations promulgated thereunder); *provided* that the consummation of the transactions, including the Restructuring and the Split-Off, specifically contemplated by the Transaction Agreements (and the receipt of, or transfer of, shares of Equity Stock in connection therewith) shall not result in or constitute a "*Non-Transfer Event*"; and *provided, further*, that the redemption, purchase or other acquisition by the Corporation or any of its Subsidiaries of shares of Equity Stock shall not result in or constitute a "*Non-Transfer Event*."

"*Permitted Transferees*" means any Person designated as a Permitted Transferee in accordance with the provisions of Article IV, Section C.10.

"*Person*" means (a) an individual or any corporation, partnership, limited liability company, estate, trust, association, private foundation, joint stock company or any other entity, (b) a "group" as the term is used for purposes of Section 13(d)(3) of the Exchange Act; but shall not include an underwriter that participates in a public offering of stock (including Equity Stock) for a period of 90 days following purchase by such underwriter of such stock, and (c) a "person" as such term is used in Section 355(e) of the Code.

"*Prohibited Owner*" means, with respect to any purported Transfer or Non-Transfer Event, any Person who is prevented from becoming or remaining the owner of record title to shares of Equity Stock by the provisions of Article IV, Section C.

"*Prohibited Party*" means collectively, (x) any Person that had a









Preferred Stock Designation (as defined in Article IV, Section D), the holders of outstanding shares of Series A Common Stock, the holders of outstanding shares of Series B Common Stock and the holders of outstanding shares of each series of Series Preferred Stock that is designated as a Voting Security and is entitled to vote thereon in accordance with the terms of the applicable Series Preferred Stock Designation will vote as one class with respect to the election of directors and with respect to all other matters to be voted on by stockholders of the Corporation (including, without limitation, and irrespective of the provisions of Section 242(b)(2) of the DGCL, any proposed amendment to this Restated Certificate that would (x) increase (i) the number of authorized shares of Common Stock or any series thereof, (ii) the number of authorized shares of Preferred Stock or any series thereof, or (iii) the number of authorized shares of any class of stock that is not a Voting Security, and (y) amend, alter, change, modify, repeal, or otherwise affect the rights, preferences, or powers of any class of stock that is not a Voting Security).

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such shares, including, with





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indemnify the Corporation for any obligation which it incurs as a result of the indemnification provisions of this Article V, Section E; and (ii) to indemnify or insure directors and officers against liability in instances in which they may not otherwise be indemnified by the Corporation under the provisions of this Article V, Section E.

(f) *Other Indemnification.* The Corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity will be reduced by any amount such person may collect as indemnification from such other corporation, partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity.

3. *Amendment or Repeal.*

Any amendment, modification or repeal of the foregoing provisions of this Article V, Section E will not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such amendment, modification or repeal or any proceeding relating to any such act or omission, whether such proceeding is commenced before or after the time of such amendment, modification or repeal.

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**SECTION F**

**AMENDMENT OF BYLAWS**

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Corporation by the possible service as directors or officers of the Corporation and i





**ARTICLE X**

**STOCK NOT ASSESSABLE**

The capital stock of this Corporation shall not be assessable. It shall be issued as fully paid, and the private property of the stockholders shall not be liable for the debts, obligations or liabilities of this Corporation.

**IN WITNESS WHEREOF**, the undersigned has signed this Restated Certificate of Incorporation this            day of            , 2009.

**LIBERTY ENTERTAINMENT, INC.**

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

Charles Y. Tanabe  
*Executive Vice President*

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	<b>Page number</b>
<a href="#">Pro Forma Attributed Balance Sheet Information, June 30, 2009</a>	<a href="#">C-78</a>
<a href="#">Pro Forma Attributed Balance Sheet Information, December 31, 2008</a>	<a href="#">C-79</a>
<a href="#">Pro Forma Attributed Balance Sheet Information, December 31, 2007</a>	<a href="#">C-80</a>
<a href="#">Pro Forma Attributed Statement of Operations Information, Six months ended June 30, 2009</a>	<a href="#">C-81</a>
<a href="#">Pro Forma Attributed Statement of Operations Information, Six months ended June 30, 2008</a>	<a href="#">C-82</a>
<a href="#">Pro Forma Attributed Statement of Operations Information, Year ended December 31, 2008</a>	<a href="#">C-83</a>
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<a href="#">Pro Forma Attributed Statement of Operations Information, Year ended December 31, 2006</a>	<a href="#">C-85</a>
<a href="#">Notes to Pro Forma Attributed Financial Information for Tracking Stock Groups, June 30, 2009</a>	<a href="#">C-86</a>



third party acquisition proposal, LEI may become obligated to pay DIRECTV a termination fee of \$450 million and an expense reimbursement of up to \$10 million.

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**Results of Operations—Six Months Ended June 30, 2009 and 2008**

We acquired a 100% interest in Liberty Sports Group in February 2008. As more fully described below, many of the changes in our results of operations in 2009 are due to the Liberty Sports Group acquisition, as well as our deconsolidation of FUN. While Liberty Sports Group recognizes the majority of its revenue evenly over the course of the year, it amortizes its sports rights over the respective sports season (e.g. baseball rights are primarily amortized during the second and third quarters of the year). Therefore, Liberty Sports Group is expected to have lower Adjusted OIBDA and operating income in the second and third quarters of the year.

Our financial condition and results of operations may be impacted by various trends, demands and uncertainties in consumer spending and in the industries in which we operate. We depend on a limited number of potential customers for carriage of our Liberty Sports Group and GSN programming due to consolidation within the cable television industry. In this more concentrated market, there can be no assurance that we will be able to obtain or maintain carriage of our video programming by cable and DTH satellite providers on commercially reasonable terms or at all. Additionally, entertainment content production is an inherently risky business because the revenue derived from the production and distribution of a cable program depends primarily upon its acceptance by the public, which is difficult to predict. Consequently, low public acceptance of cable programs could adversely affect (i) the rates which affiliates are willing to pay us for carrying our programming and (ii) the rates we can charge for advertising on our networks. In general, our subsidiaries and business affiliates could be sensitive to trends and events that are outside their control. For example, adverse trends in consumer spending and adverse economic conditions could have a negative impact on our revenue and the revenue of our affiliates.

The success of GSN's casual skill games websites depends not only on audience acceptance of games and events on such websites, along with advertising revenue earned on these websites, but on the integrity of the systems and infrastructure. If security measures of any of our subsidiaries or business affiliates engaged in online communications were to be compromised, it could have a detrimental effect on their reputation and adversely affect their ability to attract web traffic.

If the Merger Agreement is terminated and the Split Off is completed, we expect to incur costs and expense<sup>nes</sup>penan sed, intil h<sup>exped</sup>Me<sup>1</sup>

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The ongoing financial crisis affecting the banking system and financial markets has resulted in, among other things, a severe tightening in the credit markets, extreme volatility in the equity markets, doubts as to the ability of financial institutions to continue operating and fulfilling their contractual obligations and rapid deterioration of the U.S. economy. While this financial crisis has reduci





account for all acquisitions of companies such as these pursuant to Statement of Financial Accounting Standards No. 141, "*Business Combinations*," which prescribes the purchase method of accounting for business combinations. Pursuant to Statement 141, the purchase price is allocated to all of the assets and liabilities of the acquired company, based on their respective fair values. Any excess purchase price over the estimated fair value of the net assets is recorded as goodwill. In addition, for equity method investments in which our investment exceeds our share of the investee's equity, we allocate such excess using the guidance in Statement 141.

In determining fair value, we are required to make estimates and assumptions that affect the recorded amounts. Estimates used in these valuations may include expected future cash flows (including timing thereof), market rate assumptions for contractual obligations, expected useful lives of tangible and intangible assets and appropriate discount rates. Our estimates of fair value are based on assumptions believed to be reasonable, but which are inherently uncertain.

The allocation of the purchase price to tangible and intangible assets, whether for a consolidated subsidiary or for the excess basis related to an equity method investment, impacts our statement of operations due to the amortization of these assets. With respect to the News Exchange, our excess basis has been allocated within memo accounts based on the estimated fair values of DIRECTV's assets using a combination of discounted cash flows and market comparisons. DIRECTV's more significant intangible assets include subscriber lists and orbital slots, which are amortized over their respective useful lives, and trade names, which have an indefinite useful life and are not amortized. We also allocated a portion of our excess basis to goodwill, which is not amortized. Similarly, we allocated the purchase price for Liberty Sports Group to its intangible assets, including affiliation agreements, advertising relationships and goodwill. Estimates of fair value for these intangible assets require a high degree of judgment and any value ultimately realized from such assets may differ from these estimates.

***Carrying Value of Investments.*** Our cost and equity method investments comprise a significant portion of our total assets at June 30, 2009 and at December 31, 2008.

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**Liberty Entertainment, Inc.**

**Condensed Pro Forma Combined Financial Statements**

**December 31, 2008**

**(unaudited)**

Effective February 27, 2008, Liberty Entertainment, Inc. ("LEI") and N<sup>TM</sup>N<sup>TM</sup>N<sup>TM</sup> Tr<sup>OC</sup>

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**LMC ENTERTAINMENT**  
**CONDENSED COMBINED STATEMENTS OF COMPREHENSIVE EARNINGS**  
**(unaudited)**

	<u>Six months ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
	<u>amounts in thousands</u>	
Net earnings	\$123,194	5,464,970
<b>Other comprehensive earnings (loss), net of taxes:</b>		
Unrealized holding gains (losses) arising during the period	1,603	(315,430)
Foreign currency translation adjustments	<del>1,464,406</del>	<del>(1,464,406)</del>
Recognition of previously unrealized gains on available-for-sale securities, net	-a	o (2,273,228)
Disposition of subsidiaries	z,2	
	_____	_____
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**LMC ENTERTAINMENT**

**Notes to Condensed Combined Financial Statements**

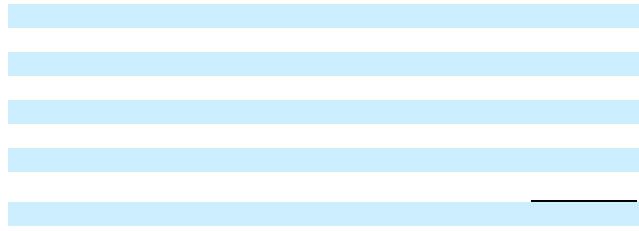
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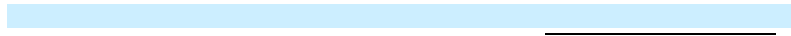




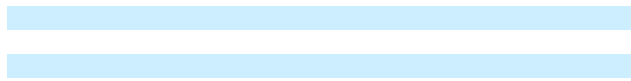












**LMC ENTERTAINMENT**

**Notes to Condensed Combined Financial Statements (Continued)**

**June 30, 2009**

**(unaudited)**

**(8) Stock Options and Stock Appreciation Rights (Continued)**

In connection with the Split Off, Awards with respect to Liberty Series A and Series B Entertainment Group tracking stock will be converted, in part, to Awards with respect to LEI common stock.

If the Split Off had been effective as of June 30, 2009, approximately 14.3 million LEI Series A Awards and 5.4 million LEI Series B Awards would have been issued.

**(9) Transactions with Related Parties**

During the six months ended June 30, 2009 and during the period from February 27, 2008 to June 30, 2008, subsidiaries of LMC Entertainment recognized \$18,852,000 and \$4,899,000, respectively, in revenue from DIRECTV for distribution of their programming.

The accompanying condensed combined statements of operations include certain general and administrative employee salary expenses allocated by Liberty to LMC Entertainment, as well as third-party direct costs primarily for legal and accounting services incurred by Liberty related to LMC Entertainment's businesses. Such overhead expenses are intended to reflect the historical cost to Liberty of managing the assets and businesses of LMC Entertainment and may not be reflective of costs that LMC Entertainment would incur on an arm's length basis. Such expenses aggregated \$4,916,000 and \$2,409,000 for the six months ended June 30, 2009 and 2008, respectively.

**(10) Commitments and Contingencies**

*Program Rights*

Liberty Sports GaLiber<sup>b</sup>


**LMC ENTERTAINMENT**

**Notes to Condensed Combined Financial Statements (Continued)**

**June 30, 2009**

**(unaudited)**

**(10) Commitments and Contingencies (Continued)**

the DIRECTV board of directors breached their fiduciary duties in approving the Merger Agreement. In October 2009, DIRECTV and Liberty Media reached an agreement in principle relating to a settlement with the plaintiffs in the Delaware action. The terms of the agreement in principle include certain additional disclosures in New DIRECTV's registration statement filed to effect the Merger Transaction and certain changes to New DIRECTV's organizational documents. Pursuant to the terms of the agreement in principle, Liberty and LEI will not be required to make any payments to the plaintiffs. The settlement, however, remains subject to the execution of a stipulation of settlement among the parties and the approval of the Delaware Chancery Court.

In addition, LMC Entertainment has contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible LMC Entertainment may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying condensed combined financial statements.

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders  
Liberty Media Corporation:

We have audited the accompanying combined balance sheets of LMC Entertainment (the Company) (as defined in note 1) as of December 31, 2008 and 2007, and the related combined statements of operations, comprehensive earnings (loss), cash flows, and parent's investment for each of the years in the three-year period ended December 31, 2008. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits. We did not audit the financial statements of The DIRECTV Group, Inc. (a 54 percent owned investee company as of December 31, 2008). The Company's investment in The DIRECTV Group, Inc. at December 31, 2008 included \$2,601,350,000 and its equity in earnings of The DIRECTV Group, Inc. included \$627,756,000 for the year ended December 31, 2008 that we did not audit. The financial statements of The DIRECTV Group, Inc. were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the portion of the amounts included for The DIRECTV Group, Inc. referred to above, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of LMC Entertainment as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in note 3 to the accompanying combined financial statements, effective January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 141, which requires the use of the fair value method for the recognition and measurement of intangible assets. The fair value method requires the use of the fair value method for the recognition and measurement of intangible assets. The fair value method requires the use of the fair value method for the recognition and measurement of intangible assets.

Interpretation No. 141















**LMC ENTERTAINMENT**

**Notes to Combined Financial Statements**

**December 31, 2008, 2007 and 2006**

**(1) Basis of Presentation**

The accompanying combined financial statements of LMC Entertainment or the "Company" represent a combination of the historical financial information of certain video programming and direct-to-home satellite distribution subsidiaries and assets of Liberty Media Corporation ("Liberty"). Upon consummation of the Redemption and the resulting separation of Liberty Entertainment, Inc. ("LEI") from Liberty (the "Split Off") (see note 2), LEI will own the assets ~~from~~

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**LMC ENTERTAINMENT**

**Notes to Combined Financial Statements (Continued)**

**December 31, 2008, 2007 and 2006**

12-31-08

**(3) Summary of Significant Accounting Policies**

***Cash and Cash Equivalents***

Cash equivalents consist of investments which are readily convertible into cash and have maturities of three months or less at the time of acquisition.

***Receivables***

Receivables are reflected net of an allowance for doubtful accounts. Such allowance aggregated \$1,220,000 and \$10,000 at December 31, 2008 and 2007, respectively.

***Investments***

All marketable equity and debt securities held by the Company are classified as available-for-sale ("AFS") and are carried at fair value generally based on quoted market prices. Effective January 1, 2008, for certain investment securities, LMC Entertainment adopted the provisions of Statement of Financial Accounting Standards No. 159 *The Fair Value Measurements and Disclosures*.



LMC ENTERTAINMENT

Notes to Combined Financial Statements (Continued)

December 31, 2008, 2007 and 2006

(3) Summary of Significant Accounting Policies (Continued)

Writedowns for cost investments and AFS securities are included in the combined statements of operations as other than temporary declines in fair values of investments. Writedowns for equity method investments are included in share of earnings (losses) of affiliates.

**Property and Equipment**

Property and equipment, including significant improvements, is stated at cost. Depreciation is computed using the straight-line method using estimated useful lives of 3 to 5 years for support equipment and leasehold improvements.

**Goodwill and Intangible Assets**

The Company accounts for its goodwill and other intangible assets pursuant to Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("Statement 142"). Statement 142 requires that goodwill and other intangible assets with indefinite useful lives (collectively, "indefinite lived intangible assets") not be amortized, but instead be tested for impairment at least annually. Statement 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("Statement 144").

Statement 142 requires the Company to consider equity method affiliates as separate reporting units. As a result, \$17,000,000 of LMC Entertainment's goodwill balance has been allocated to a separate reporting unit which includes only the investment in GSN. This allocation is performed for goodwill impairment testing purposes only and does not change the reported carrying value of the investment. However, to the extent that all or a portion of an equity method investment which is part of a reporting unit containing allocated goodwill is disposed of in the future, the allocated portion of goodwill will be relieved and included in the calculation of the gain or loss on disposal.

Statement 142 requires the Company to perform an annual assessment of whether there is an indication that goodwill is impaired. To accomplish this, the Company identifies its reporting units and determines the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units.

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

**Impairment of Long-lived Assets**

Statement 144 requires that the Company periodically review the carrying amounts of its property and equipment and its intangible assets (other than goodwill) to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. If the carrying amount of

**LMC ENTERTAINMENT**

**Notes to Combined Financial Statements (Continued)**

**December 31, 2008, 2007 and 2006**

**(3) Summary of Significant Accounting Policies (Continued)**

the asset is greater than the expected undiscounted cash flows to be generated by such asset, an impairment adjustment is to be recognized. Such adjustment is measured by the amount that the carrying value of such assets exceeds their fair value. The Company generally measures fair value by considering sale prices for similar assets or by discounting

**LMC ENTERTAINMENT**

**Notes to Combined Financial Statements (Continued)**

**December 31, 2008, 2007 and 2006**

**(3) Summary of Significant Accounting Policies (Continued)**

***Software Development Expenditures***

Costs related to the development of software, including games, websites and support platforms, are expensed as incurred unless such costs meet the criteria for deferral and amortization. To date, no software development costs have been capitalized.

***Income Taxes***

The Company is included in the consolidated tax returns of Liberty. However, for purposes of the accompanying combined financial statements, the Company has accounted for income taxes as though it were a separate tax paying entity using the asset and liability method. Taxes payable to Liberty are included in parent's investment. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value amounts and income tax bases of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards. The deferred tax assets and liabilities and current tax expense have been calculated using Liberty's effective tax rate, which is different than the expected effective tax rate for the Company for periods after the Split Off occurs. Had the Company's effective tax rate been used for all periods presented, the Company's deferred tax liability at December 31, 2008 would have been approximately \$87.9 million higher and income tax expense would have been \$81.0 million lower for the year ended December 31, 2008, and not significantly different than the amounts reported for the

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**LMC ENTERTAINMENT**

**Notes to Combined Financial Statements (Continued)**

**December 31, 2008, 2007 and 2006**

**(5) Investment in The DIRECTV Group, Inc. (Continued)**

On April 3, 2008, LMC Entertainment purchased 78.3 million additional shares of DIRECTV common stock in a private transaction for cash consideration of approximately \$1,977 million. LMC Entertainment funded the purchase with borrowings against a newly executed equity collar on 110 million DIRECTV common shares. As of May 5, 2008, LMC Entertainment's ownership in DIRECTV was approximately 47.9%, and LMC Entertainment and DIRECTV entered into a standstill agreement. Pursuant to the standstill agreement, in the event LMC Entertainment's ownership interest goes above 47.9%, LMC Entertainment has agreed to vote its shares of DIRECTV which represent the excess ownership interest above 47.9% in the same proportion as all DIRECTV shareholders other than LMC Entertainment. Accordingly, although LMC Entertainment's economic ownership in DIRECTV reached 54% at December 31, 2008 due to stock repurchases by DIRECTV, LMC Entertainment continues to account for such investment using the equity method of accounting. LMC Entertainment records its share of DIRECTV's earnings based on its economic interest in DIRECTV.

The market value of the Comaa


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**LMC ENTERTAINMENT**

**Notes to Combined Financial Statements (Continued)**

**December 31, 2008, 2007 and 2006**

**(12) Income Taxes (Continued)**

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities are presented below:

	December 31,	
	2008	2007
	amounts in thousands	
<b>Deferred tax assets:</b>		
Net operating and capital loss carryforwards	\$ 33,399	19,131
Intangible assets	—	4,266
Other future deductible amounts	1,672	—
Deferred tax assets	35,071	23,397
Valuation allowance	(31,957)	(21,495)
Net deferred tax assets	3,114	1,902
<b>Deferred tax liabilities:</b>		
Investments	1,704,786	3,412,158
Intangible assets	52,950	11,198
Deferred tax liabilities	1,757,736	3,423,356
Net deferred tax liabilities	\$1,754,622	3,421,454

The Company's valuation allowance increased \$10,462,000 in 2008. Such increase is due to a \$15,204,000 increase related to discontinued operations, partially offset by a \$4,742,000 decrease that affected tax expense.

As of December 31, 2008, the Company had U.S., UK and Canadian net operating loss and capital loss carryforwards of approximately \$70 million, \$121,100



**LMC ENTERTAINMENT**

**Notes to Combined Financial Statements (Continued)**

**December 31, 2008, 2007 and 2006**

**(15) Commitments and Contingencies (Continued)**

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**Liberty Media Corporation and Subsidiaries**  
**Condensed Pro Forma Consolidated Financial Statements**  
**June 30, 2009**  
**(unaudited)**

The Board of Directors of Liberty Media Corporation ("Liberty Media") has approved a plan to redeem a portion of the outstanding shares of Liberty Media's Entea

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**Liberty Media Corporation and Subsidiaries**  
**Condensed Pro Forma Consolidated Balance Sheet**  
**December 31, 2007**  
**(unaudited)**

	Liberty Media historical	Less:		Add:	Liberty Media pro forma
		LEI historical(2)	LEI discontinued operations(4)	FUN Sports(3)	
	amounts in millions				
<i>Assets</i>					
Cash	\$ 3,135	7	—	—	3,128
Other current assets	3,174	6	—	2	3,170
Cost investments	17,2 y		£		



**Liberty Media Corporation and Subsidiaries**  
**Condensed Pro Forma Consolidated Statement of Operations**  
**Six Months Ended June 30, 2009**  
**(unaudited)**

	Liberty Media historical	<u>Less:</u> LEI historical(2)	Liberty Media pro forma
	amounts in millions, except per share amounts		
Revenue	\$ 4,827	140	4,687
Cost of sales	(2,391)	—	(2,391)
Operating, selling, general and administrative expenses	(1,553)	(118)	(1,435)
Depreciation and amortization	(344)	(8)	(336)
Operating income	539	14	525
Interest expense	(315)	(35)	(280)
Share of earnings (losses) of affiliates, net	105	196	(91)
Realized and unrealized gains (losses) on financial instruments, net	(81)	(83)	2
Gain on dispositions	164	53	111
Other income (expense), net	62	(30)	92
Earnings from continuing operations before income taxes	474	115	359
Income tax benefit (expense)	(115)	5	(120)
Earnings from continuing operations	<u>\$ 359</u>	<u>120</u>	<u>239</u>
Basic earnings from continuing operations per common share:			
Series A and Series B Liberty Entertainment common stock	\$ 0.44		2.12
Series A and Series B Liberty Capital common stock	\$ 0.43		0.43
Series A and Series B Liberty Interactive common stock	\$ 0.15		0.15
Diluted earnings from continuing operations per common share:			
Series A and Series B Liberty Entertainment common stock	\$ 0.44		2.12
Series A and Series B Liberty Capital common stock	\$ 0.42		0.42
Series A and Series B Liberty Interactive common stock	\$ 0.15		0.15
Basic weighted average outstanding common shares (in millions):			
Series A and Series B Liberty Entertainment common stock	517		52
Series A and Series B Liberty Capital common stock	96		96
Series A and Series B Liberty Interactive common stock	594		594
Diluted weighted average outstanding common shares (in millions):			

**Liberty Media Corporation and Subsidiaries**  
**Condensed Pro Forma Consolidated Statement of Operations**  
**Six Months Ended June 30, 2008**  
**(unaudited)**

	Liberty Media historical	Less:		Liberty Media pro forma
		LEI historical(2)	LEI discontinued operations(4)	
	amounts in millions, except per share amounts			
Revenue	\$ 4,838	116	2	4,720
Cost of sales	(2,466)	—	—	(2,466)
Operating, selling, general and administrative expenses	(1,560)	(113)	(2)	(1,445)
Depreciation and amortization	(353)	(11)	(1)	(341)
Operating income (loss)	459	(8)	(1)	468
Interest expense	(35)pen	(16)	—	(337)
Share of earnings of affiliates, net	210	201	—	(

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**Liberty Media Corporation and Subsidiaries**  
**Condensed Pro Forma Consolidated Statement of Operations**  
**Year Ended December 31, 2007**  
**(unaudited)**

	Liberty Media historical	Less:		Liberty Media pro forma
		LEI historical(2)	LEI discontinued operations(4)	
		amounts in millions		
Revenue	\$ 9,423	45	10	9,368
Cost of sales	(4,925)	—	—	(4,925)
Operating, selling, general and administrative expenses	(2,862)	(53)	(4)	(2,805)
Depreciation and amortization	(675)	(12)	1	(664)
Impairment of long-lived assets	(223)	—	(31)	(192)
Operating income (loss)	738	(20)	(24)	782
Interest expense	(641)	—	—	(641)
Realized and unrealized gains on financial instruments, net	1,269	—	—	1,269
Gains on dispositions, net	646	—	—	646
Other income (expense), net	309	62	(1)	248
Earnings (loss) from continuing operations before income taxes	2,321	42	(25)	2,304
Income tax benefit (expense)	(321)	(4)	3	(320)
Earnings (loss) from continuing operations	<u>\$ 2,000</u>	<u>38</u>	<u>(22)</u>	<u>1,984</u>

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**Liberty Media Corporation and Subsidiaries**  
**Notes to Condensed Pro Forma Consolidated Financial Statements**  
**June 30, 2009**  
**(unaudited)**

(1) The Board of Directors of Liberty Media LTI

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**Liberty Media Corporation and Subsidiaries**

**Pro Forma Attributed Financial Statement Information for Tracking Stock Groups (Continued)**

**June 30, 2009**

**(unaudited)**

Effective April 9, 2009, Liberty Media completed a series of transactions whereby FUN was contributed to GSN, and Liberty Media increased its ownership in GSN from 50% to 65%.

Subsequent to the Split Off, the assets of Liberty Media that would continue to be attributed to Liberty Media's Entertainment Group would be principally cash and a 100% interest in Starz Entertainment, LLC.

Following the Split Off, Liberty Media will report the results of operations of LEI as discontinued operations. The following unaudited pro forma tables present Liberty Media's assets, liabilities, revenue and expenses as of June 30, 2009, December 31, 2008 and December 31, 2007, for the six months ended June 30, 2009 and 2008 and for the years ended December 31, 2008, 2007 and 2006. The pro forma tables further present Liberty Media's assets, liabilities, revenue and expenses that are attributed to the Entertainment Group, the Interactive Group and the Capital Group, respectively. The pro forma tables assume that the Split Off, the sale of FUN Sports and the capital distribution had been completed as of January 1, 2006. The unaudited pro forma results do not purport to be indicative of the results that would have been obtained if such transactions had been completed as of such dates.

Due to the exchange of the New DIRECTV common stock for the common stock of Liberty Media, if the Merger Agreement is terminated, the split-off will be recorded at fair value and Liberty Media will recognize a gain on such transaction equal to the excess of fair value of the New DIRECTV common stock exchanged for LEI common stock over the carrying value of the net assets of LEI. As of June 30, 2009, had the pro forma gain would have been approximately \$2,275 million. Liberty Media will include this gain as a component of earnings from discontinued operations in its consolidated results of operations for the period in which the Split Off and subsequent Merger Transaction are consummated. The following unaudited pro forma consolidated statements of operations of Liberty Media do not reflect such gain.

If the Merger Agreement has been terminated but if it is











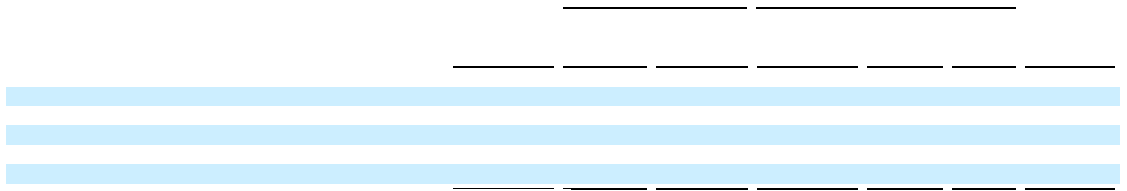
**Liberty Media Corporation and Subsidiaries**  
**Pro Forma Attributed Statement of Operations Information**  
**Six Months Ended June 30, 2009**

(unaudited)

	Attributed Entertainment Group historical	Less: LEI historical(2)	Attributed			Consolidated Liberty Media pro forma
			Entertainment Group pro forma	Interactive Group historical	Capital Group historical	
	amounts in millions					
Revenue	\$ 736	140	596	3,767	324	4,687
Cost of sales				(2,391)		(2,391)
Operating, selling, general and administrative expenses	(555)	(118)	(437)	(644)	(354)	(1,435)
Depreciation and amortization	(20)	(8)	(12)	(282)	(42)	(336)
Operating income (loss)	161	14	147	450	(72)	525
Interest expense	(36)	(35)	(1)	(206)	(73)	(280)
Share of earnings (losses) of affiliates, net	192	196	(4)	(83)	(4)	(91)
Realized and unrealized gains (losses) on financial instruments, net	(74)	(83)	9	(47)	40	2
Gain (loss) on dispositions, net	54	53	1	(3)	113	111
Other income (expense), net	(35)	(30)	(5)	31	66	92
Earnings (loss) from continuing operations before income taxes	262	115	147	142	70	359
Income tax benefit (expense)	(32)	5	(37)	(54)	(29)	(120)
Earnings (loss) from continuing operations	\$2					

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**Liberty Media Corporation and Subsidiaries**  
**Pro Forma Attributed Statement of Operations Information**  
**Year Ended December 31, 2006**

(unaudited)

	Attributed Entertainment Group historical	Less:		Attributed			Consolidated Liberty Media pro forma
		LEI historical(2)	LEI discontinued operations(4)	Entertainment Group pro forma	Interactive Group historical	Capital Group historical	
	amounts in millions						
Revenue	\$ 1,075	21	10	1,044	7,326	212	8,582
Cost of sales	—	—	—	—	(4,565)	—	(4,565)
Operating, selling, general and administrative expenses	(909)	(37)	(4)	(868)	(1,140)	(283)	(2,291)
Depreciation and amortization	(41)	(10)	(4)	(27)	(491)	(50)	(568)
Impairment of long-lived assets	(113)	(76)	(10)	(27)	—	—	(27)
Operating income (loss)	12	(102)	(8)	122	1,130	(121)	1,131
Interest expense	(31)	(8)	—	(23)	(417)	(232)	(672)
Realized and unrealized gains (losses) on financial instruments, net	(31)	—	—	(31)	20	(268)	(279)
Gains on dispositions, net	—	—	—	—	—	607	607
Other income, net	70	60	—	10	110	139	259
Earnings (loss) from continuing operations before income taxes	20	(50)	(8)	78	843	125	1,046
Income tax benefit (expense)	(43)	(1)	—	(42)	(210)	1	(251)
Earnings (loss) from continuing operations	\$ (23)	(51)	(8)	36	633	126	795

**Liberty Media Corporation and Subsidiaries**

**Notes to Pro Forma Attributed Financial Statement Information for Tracking Stock Groups**

**June 30, 2009**

**(unaudited)**

- (1) The Board of Directors of Liberty Media Corporation ("Liberty Media") has approved a plan to redeem a portion of the outstanding
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**HOLDINGS PRO FORMA CON**



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*News/Liberty Transaction.* On February 27, 2008, Liberty and News Corporation completed the News/Liberty Transaction, in which Liberty acquired News Corporation's approximately 41% interest in DIRECTV and three regional sports television networks (RSNs), and certain other assets

*GSN/FUN Transactions.* In March 2009, LMC Entertainment sold the fantasy sports subsidiary of FUN, FUN Sports, to Liberty and in April 2009 Liberty completed transactions which resulted in FUN becoming





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**HOLDINGS**  
**PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

(Unaudited)

	The DIRECTV Group <u>Historical</u>	LMC <u>Entertainment</u>	News/Liberty <u>Transaction(g)</u>	GSN/FUN <u>Transaction(b)</u>	Pro Forma Merger <u>Adjustments(a)</u>	<u>Holdings</u>
	(Dollars in Millions)					
Revenues	\$ 19,693	\$ 267	\$ 36	\$ (59)	\$ (32(c))	\$19,905
Operating costs and expenses						
Costs of revenues, exclusive of depreciation and amortization expense	9,948	181	19	(32)	(32(c))	10,084
Selling, general and administrative expenses, exclusive of depreciation and amortization expense	4,730	53	3	(22)	—	4,764
Depreciation and amortization expense	2,320	23	1	(13)	—	2,331
Total operating costs and expenses	16,998	257	23	(67)	(32)	17,179
Operating profit	2,695	10	13	8	—	2,726
Interest income	81	—	—	—	—	81
Interest expense	(360)	(52)	—	—	—	(412)
Other, net	55	4,320	(3,665)	7	(404(d))	(13(e))
						300
Income before income taxes	2,471	4,278	(3,652)	15	(417)	2,695
Income tax (expense) benefit	(864)	1,543	(1,797)	(3)	97(f)	(1,024)
Income from continuing operations	<u>\$ 1,607</u>	<u>\$ 5,821</u>				





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As an incentive to the LEI stockholders to enter into the mergers, the exchange ratio described elsewhere in this document was determined in a manner such that LEI stockholders as a group will receive a premium in the form of a slightly larger economic interest in Holdings than would have been otherwise determined based on the relative fair values of DIRECTV and LEI. This premium, calculated as the fair value of the economic interest

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(l) Adjusted to reflect the following:

	(Dollars in Millions)
Fair value of net reduction in shares outstanding as consideration for the acquisition of the net liability	
	_____
	_____
	_____
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**THE DIRECTV GROUP, INC.**

**SUMMARY DATA—(continued)**

**(Unaudited)**

assets, potential variations in expected useful lives when compared to other companies and periodic changes to estimated useful lives.

Operating profit before depreciation and amortization margin is calculated by dividing operating profit before depreciation and amortization by revenues.

- (2) Free cash flow, which is a financial measure that is not determined in accordance with GAAP, can be calculated by deducting amounts under the captions "Cash paid for property and equipment" and "Cash paid for satellites" from "Net cash provided by operating activities" from the Consolidated Statements of Cash Flows. This financial measure should be used in conjunction with other GAAP financial measures and is not presented as an alternative measure of cash flows from operating activities, as determined in accordance with GAAP. Our management and our Board of Directors use free cash flow to evaluate the cash generated by our current subscriber base, net of capital expenditures, for the purpose of allocating resources to activities such as adding new subscribers, retaining and upgrading existing subscribers, for additional capital expenditures, for share repurchase programs and other capital investments or transactions and as a measure of performance for incentive compensation purposes. We believe this measure is useful to investors, along with other GAAP measures (such as cash flows from operating and investing activities), to compare our operating performance to other communications, entertainment and media companies. We believe that investors also use current and projected free cash flow to determine the ability of revenues from our current and projected subscriber base to fund required and discretionary spending and to help determine our financial value.

**THE DIRECTV GROUP, INC.**  
**SUMMARY DATA—(continued)**  
**(Unaudited)**

**Selected Segment Data**

	<u>DIRECTV U.S.</u>	<u>DIRECTV Latin America</u>	<u>Corporate and Other</u>	<u>Total</u>
	(Dollars in Millions)			
<b>Three Months Ended:</b>				
<b>June 30, 2009</b>				
Revenues	\$ 4,539	\$ 680	\$ (1)	\$ 5,218
% of total revenue	87.0%	13.0%	—	100.0%
Operating profit (loss)	\$ 652	\$ 73	\$ (23)	\$ 702
Add: Depreciation and amortization expense	593	87	(1)	679
Operating profit (loss) before depreciation and amortization	<u>\$ 1,245</u>	<u>\$ 160</u>	<u>\$ (24)</u>	<u>\$ 1,381</u>
Operating profit before depreciation and amortization margin	27.4%	23.5%	N/A	26.5%
Capital expenditures	\$ 350	\$ 144	\$ —	\$ 494
<b>June 30, 2008</b>				
Revenues	\$ 4,196	\$ 611	\$ —	\$ 4,807
% of total revenue	87.3%	12.7%	—	100.0%
Operating profit (loss)	\$ 717	\$ 102	\$ (18)	\$ 801
Add: Depreciation and amortization expense	501	59	(3)	557
Operating profit (loss) before depreciation and amortization	<u>\$ 1,218</u>	<u>\$ 161</u>	<u>\$ (21)</u>	<u>\$ 1,358</u>
Operating profit before depreciation and amortization margin	29.0%	26.4%	N/A	28.3%
Capital expenditures	\$ 353	\$ 115	\$ 2	\$ 470



## THE DIRECTV GROUP, INC.

### BUSINESS OVERVIEW

The DIRECTV Group, Inc. is a leading provider of digital television entertainment in the United States and Latin America. Our two business segments, DIRECTV U.S. and DIRECTV Latin America, which are differentiated by their geographic location, acquire, promote, sell and distribute digital entertainment programming via satellite to residential and commercial subscribers.

**DIRECTV U.S.** DIRECTV Holdings LLC and its subsidiaries, or DIRECTV U.S., is the largest provider of direct-to-home, or DTH, digital television services and the second largest provider in the multi-channel video programming distribution industry in the United States. As of June 30, 2009, DIRECTV U.S. had approximately 18.3 million subscribers.

DIRECTV U.S. currently broadcasts from a fleet of eleven geosynchronous satellites, including ten owned satellites and one leased satellite. DIRECTV 12 is under construction and is expected to be ready for launch in the second half of 2009.

**DIRECTV Latin America.** DIRECTV Latin America is a leading provider of DTH digital television services throughout Latin America. DTVLA is comprised of PanAmericana, which provides services in Venezuela, Argentina, Chile, Colombia, Puerto Rico and certain other countries in the region through our wholly-owned subsidiary, DIRECTV Latin America, LLC, or DLA LLC, our 74% owned subsidiary Sky Brasil Servicos Ltda., which we refer to as Sky Brazil, and our 41% equity method investment in Innova, S. de R.L. de C.V., or Sky Mexico. As of June 30, 2009, PanAmericana had approximately 2.4 million subscribers, Sky Brazil had approximately 1.7 million subscribers and Sky Mexico had approximately 1.8 million subscribers.

### SIGNIFICANT TRANSACTIONS

#### Venezuela Exchange Controls

We are required to obtain Venezuelan government approval to exchange Venezuelan bolivars into U.S. dollars at the official rate of 2.15 Venezuelan bolivars per U.S. dollar. Alternatively, a legal parallel exchange process exists, however the rates implied by transactions in the parallel market are significantly higher than the official rate (recently 5 to 7 bolivars per U.S. dollar). The official approval process has been delayed in recent periods and our Venezuelan subsidiary has relied on the parallel exchange process to settle U.S. dollar obligations and to repatriate accumulated cash balances during 2009. As a result, we recognized a \$48 million charge for the three months ended June 30, 2009 and a \$120 million charge for the six months ended June 30, 2009 to "General and administrative expense" in the Consolidated Statements of Operations in connection with the exchange of accumulated Venezuelan cash balances to U.S. dollars in the parallel exchange process. See "Liquidity and Capital Resources" below for additional information.

#### Sky Brazil Functional Currency

Based on cumulatively significant changes in economic facts and circumstances, we have determined that the local Brazilian currency should be the functional currency of Sky Brazil for purposes of financial statement translation beginning in the second quarter of 2009. As a result of this change in functional currency, changes in exchange rates will result in gains or losses, which will be recorded in "Other, net" in the Consolidated Statements of Operations related to the revaluation of U.S. dollar denominated monetary assets and liabilities, such as cash deposits, notes payable and capital lease obligations held by Sky Brazil. During the second quarter of 2009, we recorded a net foreign currency transaction bely and b0f 20 a

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**THE DIRECTV GROUP, INC.**

**Liberty Entertainment Inc. Merger Transaction**

On May 3, 2009, The DIRECTV Group, Liberty Media Corporation, or Liberty Media, Liberty Entertainment, Inc., or LEI and certain subsidiaries of The DIRECTV Group entered into an agreement and plan of merger at



**THE DIRECTV GROUP, INC.**

**Lease Program**

The following table sets forth the amount of DIRECTV U.S. set-top receivers we capitalized, and depreciation expense we recorded, under the lease program implemented in M







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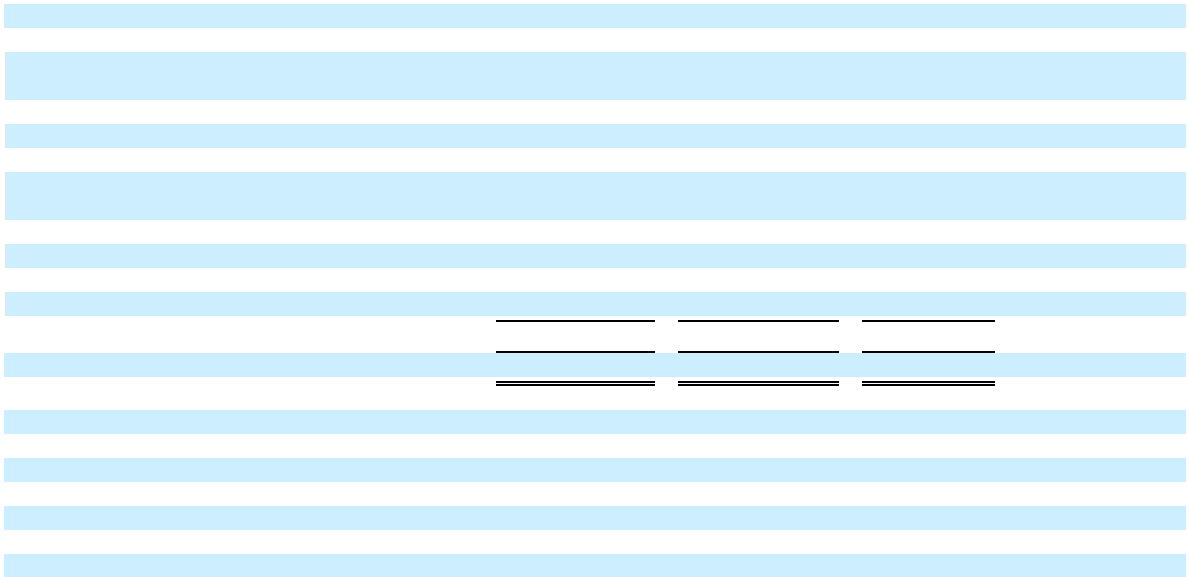








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**THE DIRECTV GROUP, INC.**

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**THE DIRECTV GROUP, INC.**

Currently, DIRECTV U.S. has the following security ratings:

	<u>Senior Secured</u>	<u>Senior Unsecured</u>	<u>Corporate</u>	<u>Outlook</u>
Standard & Poor's	BBB-	BB	BB	Stable
Moody's	Baa2	~		

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**THE DIRECTV GROUP, INC.**

**CONTINGENCIES**

For a discussion of "Contingencies," see Note 6 of the Notes to the Consolidated Financial Statements included elsewhere in this Annex D.

**CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS**

For a discussion of "Certain Relationships and Related-Party Transactions," see Note 7 of the Notes to the Consolidated Financial Statements included elsewhere in this Annex D.

**ACCOUNTING CHANGES**

For a discussion of "Accounting Changes," see Note 3 of the Notes to the Consolidated Financial Statements included elsewhere in this Annex D.

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**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes in our market risk during the three months ended June 30, 2009. For additional information, see Item 7A. Quantitative and Qualitative Disclosures About Market Risk in Part II of our Annual Report on Form 10-K.

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**THE DIRECTV GROUP, INC.**

**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	June 30, 2009	December 31, 2008
	(Dollars in Millions, Except Per Share Amounts)	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 2,272	\$ 2,005
Accounts receivable, net of allowances of \$77 and \$50	1,377	1,423
Inventories	222	192
Deferred income taxes	83	68
Prepaid expenses and other	328	356
Total current assets	4,282	4,044
Satellites, net	2,388	2,476
Property and equipment, net	4,117	4,171
Goodwill	3,774	3,753
Intangible assets, net	1,014	1,172
Investments and other assets	836	923
Total assets	\$ 16,411	\$ 16,539
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,093	\$ 3,115
Unearned subscriber revenues and deferred credits	393	362
Current portion of long-term debt	183	108
Total current liabilities	3,669	3,585
Long-term debt	5,604	5,725



**THE DIRECTV GROUP, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1: Basis of Presentation**

The DIRECTV Group, Inc., which we sometimes refer to as The DIRECTV Group, company, we or us, is a leading provider of digital television entertainment in the United States and Latin America through our DIRECTV U.S. and DIRECTV Latin America, or DTVLA, business units. DIRECTV U.S. is comprised of DIRECTV Holdings LLC and its subsidiaries. DTVLA is comprised of PanAmericana, which provides services in Venezuela, Argentina, Chile, Colombia, Puerto Rico and certain other countries in the region through our wholly-owned subsidiary, DIRECTV Latin America, LLC, or DLA LLC; our 74% owned subsidiary Sky Brasil Servicos Ltda., which we refer to as Sky Brazil; and our 41% equity method investment in Innova, S. de R.L. de C.V., or Sky Mexico.

On February 27, 2008, Liberty Media Corporation, or Liberty Media and News Corporation completed a transaction in which Liberty Media acquired News Corporation's approximately 41% interest in us. Currently, Liberty Media owns approximately 56% of our outstanding common stock, however Liberty Media has agreed generally to limit its ~~voting~~ rights to approximately 47.9%.

We have prepared the accompanying unaudited consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, or GAAP, for interim financial reporting. In the opinion of management, all adjustments (consisting only of normal recurring items) that are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. For further information, refer to the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended Decem2er

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**THE DIRECTV GROUP, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)**

**(Unaudited)**

of Holdings Class A common stock for each share of common stock of The DIRECTV Group that they own. In the LEI merger, holders of outstanding shares of LEI Series A common stock and LEI Series B common stock (other than LEI or Holdings) will receive a number of shares of Holdings Class A common stock equal to the LEI exchange ratio for each share of LEI common stock that they own. The LEI exchange ratio is a fixed exchange ratio equal to 1.11111 shares of Holdings common stock for each share of LEI common stock, subject to certain adjustments as provided in the merger agreement.

After completion of the split-off, John C. Malone (the Chairman of The DIRECTV Group and Liberty Media), his wife and certain trusts for the benefit of their children, collectively (the "Malones"), own 12.00% of the Series B common stock. Immediately prior to the mergers, the Malones, pursuant to a voting and right of first refusal agreement, will exchange each of their shares of LEI Series B common stock for a number of shares of Holdings Class B common stock equal to the number of shares of LEI Series B common stock multiplied by the LEI exchange ratio. Holdings C f shares scharvide His wife com

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**THE DIRECTV GROUP, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)**  
**(Unaudited)**

of the stock based awards. However, we anticipate the actual amounts to be recorded will change as they will be determined based on acquisition date fair values.

Since many of the LEI replacement stock based awards are held by individuals who will remain employees of Liberty Media and not become employees of Holdings, they will be reported as a liability at fair value by Holdings in accordance with accounting standards for non-employee awards. Also, Holdings will continue to account for derivative financial instruments of the equity collar acquired as a result of the mergers as a net asset or liability at fair value. Adjustments to the fair values of the stock based awards and the equity collar each reporting period will be recorded in non-operating earnings in the consolidated statements of operations of Holdings.

The financial and other information regarding The DIRECTV Group contained in this Annex D does not give effect to or make any adjustment for these transactions.

For additional information regarding the proposed merger transactions, refer to Amendment No. 2 to Holdings' Registration Statement on Form S-4 filed with the SEC on August 27, 2009, which has not been declared effective.

**Note 3: Accounting Changes**

On January 1, 2009 we adopted Statement of Financial Accounting Standards, or SFAS, No. 160 "Noncontrolling Interests in Consolidated Financial Statements—an amendment to SFAS No. 157, which establishes standards for accounting and reporting for noncontrolling interests in a subsidiary, and reporting of minority interest in consolidated financial statements, provides guidance on accounting for changes in the parent's ownership interest in a subsidiary and as an

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**THE DIRECTV GROUP, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)**  
**(Unaudited)**

in the Consolidated Balance for each period presented. See Note 9 of the Notes to the Consolidated Financial Statements for additional information.

The following tables present the changes to previously reported amounts in our Consolidated Balance Sheets as a result of the adoption of Topic D-98:

<u>December 31, 2008</u>	<u>As Originally Reported</u>	<u>As Adjusted</u>	<u>Effect of Change</u>
	(Dollars in Millions)		
Redeemable noncontrolling interest	\$ 103	\$ 325	\$ 222
Common stock and additional paid in capital	8,540	8,318	(222)
Total stockholders' equity	4,853	4,631	(222)

<u>June 30, 2008</u>	<u>As Originally Reported</u>	<u>As Adjusted</u>	<u>Effect of Change</u>
	(Dollars in Millions)		
Redeemable noncontrolling interest	\$ 36	\$ 300	\$ 264
Common stock and additional paid in capital	9,329	9,065	(264)
Total stockholders' equity	6,578	6,314	(264)

<u>December 31, 2007</u>	<u>As Originally Reported</u>	<u>As Adjusted</u>	<u>Effect of Change</u>
	(Dollars in Millions)		
Redeemable noncontrolling interest	\$ 11	\$ 300	\$ 289
Common stock and additional paid in capital			

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**THE DIRECTV GROUP, INC.**













**THE DIRECTV GROUP, INC.**

**Other Developments**

In addition to the items described above, the following items had a significant effect on the comparability of our operating results and financial position as of and for the years ended December 31, 2008, 2007 and 2006:

*Lease Program.* On March 1, 2006, DIRECTV U.S. introduced a new set-top receiver lease program. Prior to March 1, 2006, we expensed most set-top receivers provided to new and existing DIRECTV U.S. subscribers upon activation as a subscriber acquisition or upgrade and retention cost in the Consolidated Statements of Operations. Subsequent to the introduction of our lease program, we lease most set-top receivers provided to new and existing subscribers, and therefore capitalize the set-top receivers in "Property and equipment, net" in the Consolidated Balance Sheets.

The following table sets forth the amount of DIRECTV U.S. set-top receivers we capitalized, and depreciation expense we recorded, under the lease program for the years ended December 31:

<b>Capitalized subscriber leased equipment:</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>(Dollars in Millions)</b>		
Subscriber leased equipment—subscriber acquisitions	\$ 599	\$ 762	\$ 599
Subscriber leased equipment—upgrade and retention	537	774	473
<b>Total subscriber leased equipment capitalized</b>	<b>\$1,136</b>	<b>\$1,536</b>	<b>\$1,072</b>
Depreciation expense—subscriber leased equipment	\$1,100	\$ 645	\$ 147

*Financing Transactions.* In May 2008, DIRECTV U.S. issued \$1.5 billion in senior notes and amended its senior secured credit facility to include a new \$1.0 billion Term Loan C. The senior notes bear interest at a rate of 7.625% and the principal balance is due in May 2016. The Term Loan C currently bears interest at a rate of 5.25% and was issued at a 1% discount. Principal payments on the Term Loan C began on September 30, 2008. The principal is payable in installments with the final installment due in April 2013.

*Share Repurchase Program.* During 2006, 2007 and 2008 our Board of Directors approved multiple authorizations for the repurchase of a total of \$8.2 billion of our common stock, including a \$3 billion authorization in May 2008 that was completed in December 2008. Subsequent to December 31, 2008, our Board of Directors authorized the repurchase of an additional \$2 billion of our common stock.

The following table sets forth information regarding shares repurchased and retired for the years ended December 31:

	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>(Amounts in Millions, Except Per Share Amounts)</b>		
Total cost of repurchased and retired shares	\$ 3,174	\$ 2,025	\$ 2,977
Average price per share	24.12	23.48	16.16
Number of shares repurchased and retired	131	86	184

**KEY TERMINOLOGY**

*Revenues.* We earn revenues mostly from monthly fees we charge subscribers for subscriptions to basic and premium channel programming, HD programming and access fees, pay-per-view programming, and seasonal and live sporting events. We also earn revenues from monthly fees that we charge subscribers with multiple non-leased set-top receivers (which we refer to as mirroring fees), monthly fees we charge subscribers for leased set-top receivers, monthly fees we charge subscribers for



















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**THE DIRECTV GROUP, INC.**

The increase in net subscriber additions, excluding the Sky Brazil acquisition in 2006, was primarily due to subscriber growth in Brazil, Argentina, Venezuela and Colombia, as well as a decrease in churn in Brazil and Venezuela.

The increase in revenues primarily resulted from a \$527 million increase in revenue in Brazil primarily due to the acquisition of Sky Brazil in August 2006, higher ARPU and favorable exchange rates, as well as subscriber and ARPU growth in PanAmericana.

The higher operating profit before depreciation and amortization is primarily due to the gross profit generated by the increase in revenues, partially offset by gains totaling \$118 million for the completion of the Sky Mexico and Sky Brazil transactions in 2006 and the increase in costs from the addition of Sky Brazil.

The higher operating profit was primarily due to the increase in operating profit before depreciation and amortization partially offset by higher depreciation and amortization expense resulting from the Darlene and Sky Brazil transactions.

*Corporate and Other*

Operating loss from Corporate and Other increased to \$75 million in 2007 from \$70 million in 2006.

**LIQUIDITY AND CAPITAL RESOURCES**

Our principal sources of liquidity are our cash, cash equivalents and the cash flow that we generate from our operations. From 2006 to 2008 we experienced significant growth in net cash provided by operating activities and free cash flow. We expect net cash provided by operating activities and free cash flow to continue to grow and believe that our existing cash balances and cash provided by operations will be sufficient to fund our existing business plan. Additionally, as of December 31, 2008, DIRECTV U.S. had the ability to borrow up to \$500 million under its existing credit facility, which is available until 2011. Borrowings under this facility may be required to fund strategic investment opportunities should they arise.

At December 31, 2008, our cash and cash equivalents totaled \$2.0 billion compared with \$1.1 billion at December 31, 2007.

As a measure of liquidity, the current ratio (current assets to current liabilities) was 1.13 at December 31, 2008 and 0.92 at December 31, 2007. Working capital increased by \$740 million from 2007 to 2008.

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**THE DIRECTV GROUP, INC.**

**CONTINGENCIES**

For a discussion of "Contingencies", see Note 19 of the Notes to the Consolidated Financial Statements included elsewhere in this Annex D.

**CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS**

For a discussion of "Certain Relationships and Related-Party Transactions," see Note 16 of the Notes to the Consolidated Financial Statements included elsewhere in this Annex D.

**CRITICAL ACCOUNTING ESTIMATES**

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates, judgments and assumptions that affect amounts reported. Management bases its estimates, judgments and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results reported for future periods may be affected by changes in those estimates. The following represents what we believe are the critical accounting policies that may involve a higher degree of estimation, judgment and complexity. For a further discussion of these critical accounting policies, see Note 15 of the Notes to the Consolidated Financial Statements included elsewhere in this Annex D.

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**THE DIRECTV GROUP, INC.**

consequences of events that have been recognized in our financial statements or tax returns. We provide for taxes for uncertain tax positions where assessments have not been received in accordance with Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB No. 109," or FIN 48. We believe such tax reserves are adequate in relation to the potential for additional assessments. Once established, we adjust these amounts only when more information is available or when an event occurs necessitating a change to the reserves. Future events such as changes in the facts or law, judicial deci sci sci beli actshangceec

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**THE DIRECTV GROUP, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1: Description of Business**

The DIRECTV Group, Inc., which we sometimes refer to as the company, we, or us, is a leading provider of digital television entertainment in the United States and Latin America. Our two business segments, DIRECTV U.S. and DIRECTV Latin America, which are differentiated by their geographic location, are engaged in acquiring, promoting, selling and/or distributing digital entertainment programming via satellite to residential and commercial subscribers.

- **DIRECTV U.S.** DIRECTV Holdings LLC and its subsidiaries, which we refer to as DIRECTV U.S., is the largest provider of direct-to-home, or DTH, digital television services and the second largest provider in the multi-channel video programming distribution, or MVPD, industry in the United States.
- **DIRECTV Latin America.** DIRECTV Latin America, or DTVLA, is a leading provider of DTH digital television services through its services provided by direct-to-home satellite.



**THE DIRECTV GROUP, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)**

for a season or tournament to expense using the straight-line method over the course of the season or tournament. However, we recognize the costs for live sporting events with



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**THE DIRECTV GROUP, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)**

during the year. We record the resulting translation adjustment as part of accumulated other comprehensive income (loss), which we refer to as OCI, a separate component of stockholders' equity.

*Investments and Financial Instruments*

We maintain investments in equity securities of unaffiliated companies. We carry non-marketable equity securities at cost. We consider marketable equity securities available-for-sale and they are carried at current fair value based on quoted market prices with unrealized gains or losses (excluding other-than-temporary losses), net of taxes, reported as part of OCI. We continually review our investments to determine whether a decline in fair value below the cost basis is "other-than-temporary." We consider, among other factors: the magnitude and duration of the decline; the financial health and business outlook of the investee, including industry and sector performance, changes in technology, and operational and financing cash flow factors; and our intent and ability to hold the investment. If we judge the decline in fair value to be other-than-temporary, we write-down the cost basis of the security to fair value and recognize the amount in the Consolidated Statements of Operations as part of "Other, net" and record it as a reclassification adjustment from OCI.

We account for investments in which we own at least 20% of the voting securities or have significant influence under the equity method of accounting. We record equity method investments at cost and adjust for the appropriate share of the net earnings or losses of the investee. We record investee losses up to the amount of the investment plus advances and loans made to the investee, and financial guarantees made on behalf of the investee.

The carrying value of cash and cash equivalents, accounts receivable, investments and other assets, accounts payable, and amounts included in accrued liabilities and other components of financial statements approximated their fair values at December 31, 2008 and 2007.

*Debt Issuance Costs*

We defer costs we incur to issue debt and amortize these costs to interest expense using the straight-line method over the term of the respective obligation.

*Share-Based Payment*

We grant restricted stock units and common stock options to our employees and directors.

We record compensation expense equal to the fair value of stock-based awards at the date approved on a straight-line basis over the requisite service period of up to three years, reduced for estimated forfeitures and adjusted for anticipated payout percentages related to the achievement of performance targets.

*Income Taxes*

We determine deferred tax assets and liabilities based on the difference between the financial statement carrying amount and the tax basis of the asset or liability.





**THE DIRECTV GROUP, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)**

Statements of Operations for uncertain tax positions that are more-likely-than-not to be sustained upon examination, measured at the largest amount that has a greater than 50% likelihood of being realized upon settlement. Unrecognized tax benefits represent tax benefits taken or expected to be taken in income tax returns, for which the benefit has not yet been recognized in "Income tax expense" in the Consolidated Statements of Operations due to the uncertainty of whether such benefits will be ultimately realized. We recognize interest and penalties accrued related to unrecognized tax benefits in "Income tax expense" in the Consolidated Statements of Operations. Unrecognized tax benefits are recorded in "Income tax expense" in the Consolidated Statement of Operations at such time that the benefit is effectively settled.

*Advertising Costs*

We expense advertising costs primarily in "Subscriber acquisition costs" in the Consolidated Statements of Operations as incurred. Advertising expenses, net of payments received from programming content providers for marketing support, were \$301 million in 2008, \$261 million in 2007, and \$233 million in 2006.

*Market Concentrations and Credit Risk*

We sell programming services and extend credit, in amounts generally not exceeding \$200 each, to a large number of individual residential subscribers throughout the United States and most of Latin America. As applicable, we maintain allowances for anticipated losses.

*Accounting Changes*

On January 1, 2008 we adopted Statement of Financial Accounting Standards, or SFAS, No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115." SFAS No. 159 permits, but does not require, companies to report at fair value the majority of recognized financial assets, financial liabilities and firm commitments. Under this standard, unrealized gains and losses on items for which the fair value option is elected are reported in earnings at each subsequent reporting date. Our adoption of SFAS No. 159 did not have any effect on our consolidated financial statements, as we have not elected to report subject instruments at fair value.

On January 1, 2008 we adopted SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, sets out a framework for measuring fair value under accounting principles generally accepted in the United States of America, or GAAP, and expands disclosures about fair value measurements of assets and liabilities to include disclosure about inputs used in the determination of fair value using the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

SFAS No. 157 applies under other accounting pronouncements previously issued by the FASB that require or permit fair value measurements. Our adoption of SFAS No. 157 did not have any effect on our consolidated financial statements.

On January 1, 2008 we adopted Emerging Issues Task Force, or EITF, Issue No. 06-1, "Accounting for Consideration Given by a Service Provider to a Manufacturer or Reseller of Equipment Necessary



**THE DIRECTV GROUP, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)**

On January 1, 2009 we adopted the revisions made by the SEC Observer on March 12, 2008 to Emerging Issues Task Force, or EITF, Topic D-98 "Classification and Measurement of Redeemable Securities," which provides SEC registrants guidance on the financial statement classification and measurement of equity securities that are subject to mandatory redemption requirements or whose redemption is outside the control of the issuer. The revised Topic D-98 requires that redeemable noncontrolling interests, such as Globo Comunicacoes e Participacoes S.A.'s, or Globo's, redeemable noncontrolling interest in Sky Brazil described in Note 19 of the Notes to the Consolidated Financial Statements that are redeemable at the option of the holder be recorded outside of permanent equity at fair value, and the redeemable noncontrolling interests be adjusted to their fair value at each balance sheet date. Adjustments to the carrying amount of a redeemable noncontrolling interest from the application of Topic D-98 are recorded to retained earnings (or additional paid-in-capital in the absence of retained earnings). As a result of retrospectively adopting this standard, we have reported Globo's redeemable noncontrolling interest in Sky Brazil in "Redeemable noncontrolling interest" at fair value in the Consolidated Balance Sheets for each period presented.

The following tables present the changes to previously reported amounts in our Consolidated Balance Sheets as a result of the adoption of Topic D-98:

December 31, 2008	As Originally Reported	As Adjusted	Effect of Change
	(Dollars in Millions)		
<b>Redeemable noncontrolling interest</b>	\$ 103	\$ 325	\$ 222
<b>Common stock and additional paid-in-capital</b>	8,540	8,618	(222)
<b>Total stockholders' equity</b>	4,853	4,681	(222)

December 31, 2007	As Originally Reported	As Adjusted	Effect of Change



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**THE DIRECTV GROUP, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)**

Amortization expense of intangible assets was \$412 million in 2008 and \$419 million in 2007 and \$369 million in 2006.

Estimated amortization expense for intangible assets in each of the next five years and thereafter is as follows: \$350 million in 2009; \$152 million in 2010; \$97 million in 2011; \$55 million in 2012; \$17 million in 2013 and \$69 million thereafter.

We performed our annual impairment tests for goodwill and orbital slots in the fourth quarters of 2008, 2007, and 2006. The estimated fair values for each reporting unit and the orbital slots exceeded our carrying values, and accordingly, no impairment losses were recorded during 2008, 2007, or 2006.

**Note 6: Investments**

*Equity Method Investments*

We have investments in companies that we account for under the equity method of accounting totaling \$667 million as of December 31, 2008 and \$551 million as of December 31, 2007.

We paid cash of \$96 million in 2008, \$13 million in 2007 and \$381 million in 2006 to acquire interests in companies we account for under the equity method of accounting. As discussed in Note 17, we acquired a 41% interest in Sky Mexico in 2006. The book value of our investment in Sky Mexico was \$537 million at December 31, 2008 and \$505 million at December 31, 2007.

The following table sets forth equity in earnings of our 41% interest in Sky Mexico for the periods presented:

	<u>Years Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
	<u>(Dollars in Millions)</u>		
Equity in earnings of Sky Mexico	\$ 63	\$ 41	\$ 18

We received cash dividends of \$35 million in 2008 from companies we account for under the equity method.

In January 2006, we completed the sale of our 50% interest in HNS LLC to SkyTerra Communications, Inc. and resolved a working capital adjustment from a prior transaction with SkyTerra in exchange for \$110 million in cash, which resulted in our recording a gain of \$14 million related to the sale, in addition to equity earnings of HNS LLC of \$11 million in "Other, net" in the CoC in of



**THE DIRECTV GROUP, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)**

*2008 Financing Transactions*

In May 2008, DIRECTV U.S. completed financing transactions that included the issuance of senior notes and an amendment to its existing senior secured credit facility as discussed below. We incurred \$20 million of debt issuance costs in connection with these transactions.

DIRECTV U.S. issued \$1,500 million in senior notes due in 2016 in a private placement transaction. The eight-year notes bear interest at 7.625%. Principal on the senior notes is payable upon maturity, while interest is payable semi-annually commencing November 15, 2008. The senior notes have been fully and unconditionally guaranteed, jointly and severally, by substantially all of DIRECTV U.S.' current and certain of its future domestic subsidiaries on a senior unsecured basis. On November 11, 2008, we completed an exchange offer in which holders of substantially all of the outstanding principal amount of the senior notes exchanged the original senior notes for registered notes with identical terms, except that the registered notes are registered under the Securities Act of 1933, as amended, and do not bear the legends restricting their transfer.

DIRECTV U.S. also amended its senior secured credit facility to include a new \$1,000 million Term Loan C, which was issued at a 1% discount, resulting in \$990 million of proceeds. Initially, borrowings under Term Loan C bear interest at 5.25%, however the rate is variable based on changes in the London InterBank Offered Rate, or LIBOR. The interest rate may be increased or decreased under certain conditions. The Term Loan C has a final maturity of April 13, 2013, and we began making quarterly principal payments totaling 1% annually on September 30, 2008. The senior secured credit facility is secured by substantially all of DIRECTV U.S.' assets and the assets of its current and certain of its future domestic subsidiaries and is fully and unconditionally guaranteed, jointly and severally, by substantially all of DIRECTV U.S.' current and certain of its future domestic subsidiaries.

*Notes Payable.* All of our senior notes were issued by DIRECTV U.S. and have been registered under the Securities Act of 1933, as amended. The 8.375% senior notes, 6.375% senior notes and 7.625% senior notes are unsecured and have been fully and unconditionally guaranteed, jointly and severally, by substantially all of DIRECTV U.S.' assets. Principal on the senior notes is payable upon maturity, while interest is payable semi-annually.

The fair value of our 8.375% senior notes was approximately \$904 million at December 31, 2008 and approximately \$948 million at December 31, 2007. The fair value of our 6.375% senior notes was approximately \$911 million at December 31, 2008 and approximately \$962 million at December 31, 2007. The fair value of our 7.625% senior notes was approximately \$1,451 million at December 31, 2008. We calculated the fair values based on quoted market prices of our senior notes, which is a Level 1 input under SFAS No. 157, on those dates.

*Credit Facility.* At December 31, 2008, DIRECTV U.S.' senior secured credit facility consisted of a \$463 million six-year Term Loan A, a \$972 million eight-year Term Loan B, a \$986 million five-year Term Loan C and a \$500 million undrawn six-year revolving credit facility. The Term Loan A, Term Loan B and Term Loan C components of the senior secured credit facility currently bear interest at a rate equal to the London InterBank Offered Rate, or LIBOR, plus 0.75%, 1.50% and 2.25%, respectively. In addition, we pay a commitment fee of 0.175% per year for the unused commitment under the revolving credit facility. The interest rate and commitment fee may be increased or decreased under certain conditions. The senior secured credit facility is secured by substantially all of DIRECTV U.S.' assets and is fully and unconditionally guaranteed, jointly and severally by substantially all of DIRECTV U.S.' material domestic subsidiaries.



**THE DIRECTV GROUP, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)**

Our notes payable and credit facility mature as follows: \$108 million in 2009, \$308 million in 2010, \$108 million in 2011, \$20 million in 2012, \$2,796 million in 2013 and \$2,500 million thereafter. These amounts do not reflect potential prepayments that may be required under our senior secured credit facility, which could result from a computation of excess cash flows that we may be required to make at each year end under the credit agreement. We were not required to make a prepayment for the years ended December 31, 2008, 2007, or 2006. The amount of interest accrued related to our outstanding debt was \$45 million at December 31, 2008 and \$26 million at December 31, 2007.

*Sky Brazil Bank Loan.* As a result of our acquisition of Sky Brazil, we assumed Sky Brazil's \$210 million U.S. dollar denominated variable rate bank loan due in August 2007. In January 2007, we paid \$210 million to the lending banks, who in turn assigned the loan to a wholly-owned subsidiary of The DIRECTV Group of The DIRECTV Group.

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THE DIRECTV GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)

We estimate that the following amounts will be amortized from accumulated other comprehensive income into net periodic benefit cost during the year ending December 31, 2009:

	Pension Benefits	Other Postretirement Benefits
	(Dollars in millions)	
Expense resulting from changes in plan experience and actuarial assumptions	\$ 7	—
Expense (benefit) resulting from changes in plan provisions	1	\$ (1)

The accumulated benefit obligation for all pension plans was \$415 million as of December 31, 2008 and \$396 million as of December 31, 2007.

Information for pension plans with an accumulated benefit obligation in excess of assets

	2008	2007
Accumulated benefit obligation	\$ 415	\$ 396
Assets held in trust for plan	100	100
Unfunded liability	\$ 315	\$ 296
Accumulated benefit obligation	\$ 415	\$ 396
Assets held in trust for plan	100	100
Unfunded liability	\$ 315	\$ 296

**THE DIRECTV GROUP, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)**

Net periodic pension benefit costs for 2007 includes one month of expense that was recorded as an adjustment to "Accumulated deficit" in the Consolidated Balance Sheets (\$1 million after tax) related to the adoption of the measurement date provisions of SFAS No. 158 discussed in Note 2.

*Assumptions*

Weighted-average assumptions used to determine benefit obligations at December 31:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)

Estimated Future Benefit Payments

We expect the following benefit payments, which reflect expected future service, as appropriate, to be paid by the plans during the years ending December 31:

	Estimated Future Benefit Payments	
	Pension Benefits	Other Postretirement Benefits
	(Dollars in Millions)	
2009	\$ 43	\$ 3
2010	36	3
2011	31	2
2012	31	2
2013	31	2
2014-2017	179	10

We maintain 401(k) plans for qualified employees. We match a portion of our employee contributions and our match amounted to \$12 million in 2008, \$10 million in 2007 and \$8 million in 2006.

We have disclosed certain amounts associated with estimated future postretirement benefits other than pensions and characterized such amounts as "other postretirement benefit obligations." Notwithstanding the recording of such amounts and the use of these terms, we do not admit or otherwise acknowledge that such amounts or existing postretirement benefit plans of our company (other than pensions) represent legally enforceable liabilities of us.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS





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**THE DIRECTV GROUP, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)**

**Note 16: Related-Party Transactions**

In the ordinary course of our operations, we enter into transactions with related parties as discussed below.

*Liberty Media, Liberty Global and Discovery Communications*

As a result of the completion of the Liberty Transaction, beginning February 27, 2008, transactions with Liberty Media Corporation, or Liberty Media, and its affiliates, including its equity method investees, may be considered to be related party transactions. In addition, transactions with Liberty Media, or its affiliates, beginning February 27, 2008, may be considered to be related party transactions.





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**THE DIRECTV GROUP, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)**

operations: DIRECTV Puerto Rico and Liberty Cablevision of Puerto Rico Ltd. We refer to the FCC's requirements as the "Puerto Rico Condition". Because neither News Corporation nor Liberty Media could satisfy the Puerto Rico Condition, in connection with the close of the transaction a Special Committee of independent directors of our Board of Directors approved an agreement with News Corporation and Liberty Media in which we assumed responsibility for the satisfaction, modification or waiver of the Puerto Rico Condition within the one year period specified by the FCC. As part of this agreement, during the first quarter of 2008, we received a \$160 million cash capital contribution, which we recorded as "Additional paid-in-capital" in the Consolidated Balance Sheets.

In order to comply with terms of the FCC order, effective February 25, 2009, we placed the shares of DIRECTV Puerto Rico into a trust and appointed an independent trustee who will oversee the management and operation of DIRECTV Puerto Rico, and will have the authority, subject to certain conditions, to divest ownership of DIRECTV Puerto Rico. We will continue to consolidate the results of DIRECTV Puerto Rico following this transaction.

*Redeemable Noncontrolling Interest*

In connection with our acquisition of Sky Brazil in 2006, our partner, Globo, who holds the remaining 25.9% interest, was granted the right, until January 2014, to require us to purchase all or a portion (but not less than half) of its shares in Sky Brazil. Upon exercising this right, the fair value of Sky Brazil shares will be determined, by mutual agreement or by an outside valuation expert, and we have the option to elect to pay for the shares in cash or in 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100.





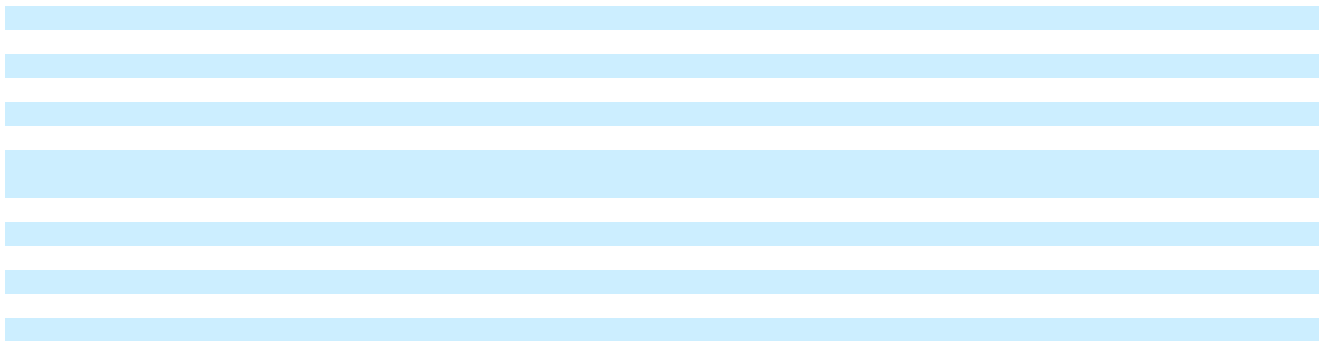
**THE DIRECTV GROUP, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(concluded)**

*Other*

In July 2008, we amended our agreement with Thomson such that the amount of the rebate we can earn from the purchase of the rebates is b

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AGREEMENT AND PLAN OF MERGER  
Dated as of May 3, 2009  
by and among  
LIBERTY MEDIA CORPORATION,  
LIBERTY ENTERTAINMENT, INC.,  
THE DIRECTV GROUP, INC.  
DIRECTV,  
DTVG ONE, INC.,  
and  
DTVG TWO, INC.

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## AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER, dated as of May 3, 2009 (this "Agreement"), is by and among LIBERTY MEDIA CORPORATION, a Delaware corporation ("*Liberty*"), LIBERTY ENTERTAINMENT, INC., a Delaware corporation and an indirect, wholly-owned Subsidiary of Liberty ("*Splitco*"), THE DIRECTV GROUP, INC., a Delaware corporation ("*DIRECTV*"), DIRECTV, a Delaware corporation and a direct, wholly-owned Subsidiary of DIRECTV ("*Holdings*"), DTVG ONE, INC., a Delaware corporation and a direct, wholly-owned Subsidiary of Holdings ("*Merger Sub One*"), and DTVG TWO, INC., a Delaware corporation and a direct, wholly-owned Subsidiary of Holdings ("*Merger Sub Two*"). Certain terms used in this Agreement are used as defined in Section 10.10.

WHEREAS, Liberty, directly and indirectly through its Subsidiaries, is engaged in the Splitco Business, which is part of Liberty's Entertainment tracking stock group ("*Liberty Entertainment*");

WHEREAS, subject to the receipt of the Liberty Stockholder Approval, prior to the Split-Off Effective Time, Liberty will (i) pursuant to the Reorganization Agreement, by and between Splitco and Liberty, in the form set forth in *Exhibit B* hereto (the "*Reorganization Agreement*"), complete the Restructuring and (ii) redeem, in accordance with the terms of the Reorganization Agreement and on a pro rata basis, a portion of the outstanding shares of its Liberty Entertainment Common Stock in exchange for all of the outstanding capital stock of Splitco (the "*Split-Off*");

WHEREAS, Dr. John C. Malone ("*Dr. Malone*") and certain related Persons named in the Malone Agreement, after the consummation of the Split-Off but prior to the Splitco Merger, will contribute, or cause to be contributed, all shares of Series B Splitco Common Stock that are owned by them (the "*Malone Splitco Shares*") to Holdings in exchange for Holdings Class B Common Stock in accordance with the terms and conditions of the Malone Agreement (the "*Malone Contribution*");

WHEREAS, in accordance with the terms and conditions hereof, following the consummation of the Split-Off and the Malone Contribution, the parties intend to effectuate the Splitco Merger and the DIRECTV Merger, resulting in both Splitco and DIRECTV becoming wholly-owned Subsidiaries of Holdings;

WHEREAS, the Board of Directors of Liberty has approved, and deems it advisable and in the best interests of Liberty and its stockholders (including the holders of Liberty Entertainment Common Stock) to consummate the Restructuring and the Split-Off;

WHEREAS, in the

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WHEREAS, in connection herewith, DIRECTV, Holdings, Splitco, Dr. Malone and the other Persons named therein have entered into a Voting- and Right of First Refusal Agreement dated as of the date hereof (the "*Malone A*

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(b) The officers of Merger Sub One immediately prior to the DIRECTV Effective Time shall be the initial officers of the DIRECTV Surviving Corporation. The officers of Merger Sub Two immediately prior to the Merger Effective Time shall be the initial officers of the Splitco Surviving Corporation.

(c) The directors of DIRECTV immediately prior to the Malone Contribution, plus one additional independent director to be designated by the Board of Directors of DIRECTV, shall be, from and after the time immediately prior to

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shares of DIRECTV Common Stock to be canceled pursuant to Section 2.1(a)(ii) and (B) the Liberty DIRECTV Shares, which shall remain issued and outstanding and are not affected by the DIRECTV Merger, shall be automatically converted into and become the right to receive one (the "*DIRECTV Exchange Ratio*") validly issued, fully paid and nonassessable share of Holdings Class A Common Stock (the "*DIRECTV Merger Consideration*"). At the DIRECTV Effective Time, except for the Liberty DIRECTV Shares and except as otherwise provided herein, all shares of DIRECTV Common Stock outstanding immediately prior to the DIRECTV Effective Time shall be canceled upon their conversion and shall cease to exist and each holder of a DIRECTV Certificate and each holder of uncertificated shares of DIRECTV Common Stock (other than any holder of Liberty DIRECTV Shares) shall cease to have any rights with respect thereto, except that such DIRECTV Certificate or uncertificated share shall represent only the right to receive (x) the DIRECTV Merger Consideration deliverable in respect of the shares of DIRECTV Common Stock represented by such DIRECTV Certificate or uncertificated share immediately prior to the DIRECTV Effective Time, (y) any cash in lieu of fractional shares payable pursuant to Section 2.1(c) and (z) any dividends or other distributions payable pursuant to Section 2.2(c), all to be issued or paid, without interest, in consideration therefor upon the surrender of such DIRECTV Certificate or uncertificated share in accordance with Section 2.2(b) (or, in the case of a lost, stolen or destroyed DIRECTV Certificate, Section 2.2(e)).

(ii) *Cancellation of Shares.* Each issued share of DIRECTV Common Stock that is owned by DIRECTV immediately prior to the DIRECTV Effective Time shall automatically be canceled and shall cease to exist, and no consideration shall be delivered in exchange therefor.

(iii) *Conversion of Merger Sub One Common Stock.* The shares of common stock, par value \$0.01 per share, of Merger Sub One ("*Merger Sub One Common Stock*") issued and outstanding immediately prior to the DIRECTV Effective Time shall be, in the aggregate, automatically converted into that number of shares of common stock of the DIRECTV Surviving Corporation equal to the number of shares of DIRECTV Common Stock that are outstanding immediately prior to the DIRECTV Effective Time, excluding the Liberty DIRECTV Shares and shares of DIRECTV Common Stock canceled pursuant to Section 2.1(a)(ii). Each share of Merger Sub One Common Stock converted into shares of common stock of the DIRECTV Surviving Corporation shall be duly authorized and validly issued, fully paid and nonassessable.

(b) At the Merger Effective Time, by virtue of the Splitco Merger and without any action on the part of the holder of any shares of capital stock of any party:

(i) *Conversion of Splitco Common Stock.* Subject to Sections 2.1(c) and 2.1(d), each share, other than shares to be canceled pursuant to Section 2.1(b)(ii), of Series A Splitco Common Stock and Series B Splitco Common Stock issued and outstanding immediately prior to the Merger Effective Time shall be automatically converted into and become the right to receive a number of shares of validly issued, fully paid and nonassessable shares of Holdings Class A Common Stock equal to the Splitco Exchange Ratio (the "*Splitco Merger Consideration*" and together with the DIRECTV Merger Consideration, the "*Merger Consideration*"). At the Merger Effective Time, except as otherwise provided herein, all shares of Splitco Common Stock outstanding immediately prior to the Merger Effective Time shall be canceled upon their conversion and shall cease to exist and each holder of a Splitco Certificate and each holder of uncertificated shares of Splitco Common Stock shall cease to have any rights with respect thereto, except that such Splitco Certificate or uncertificated share shall represent only the right to receive (x) the Splitco Merger Consideration deliverable in respect of the shares of Splitco Common Stock represented by such Splitco Certificate or uncertificated share immediately prior to the Merger Effective Time, (y) any cash in lieu of fractional shares payable pursuant to Section 2.1(c) and (z) any dividends or other distributions payable pursuant to Section 2.2(c), all to be issued or paid, without interest, in consideration therefor upon the surrender of such Splitco Certificate or uncertificated share in

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accordance with Section 2.2(b) (or, in the case of a lost, stolen or destroyed Splitco CeUlit ap





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the issuance of shares of Holdings Common Stock to a Person other than the registered holder of such Certificate or shall have established to the reasonable satisfaction of the Splitco Surviving Corporation or DIRECTV Surviving Corporation, as applicable, that such tax either has been paid or is not applicable. Until surrendered as contemplated by this Section 2.2(f), such Certificate shall be deemed at any time after the DIRECTV Effective Time or the Merger Effective Time, as applicable, to represent only the right to receive as applicable, the DIRECTV Merger Consideration or the Splitco Merger Consideration, any dividends or other distributions to which the holder of such Certificate is entitled pursuant to Section 2.2(c) and cash in lieu of any fractional shares of Holdings Common Stock to which he or she is entitled.

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**ARTICLE III**  
**Representations and Warranties of Liberty and Splitco Regarding Liberty**

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that have not had and could not reasonably be expected to have, individually or in the aggregate, a Splitco Material Adverse Effect.

SECTION 4.5 *Legal Proceedings*.

(a) Other than Actions of the type contemplated by Section 4.5(b) and judgments, decrees, written agreements, memoranda of understanding or orders of Governmental Authorities of the type contemplated by Section 4.5(c), (i) there are no Actions pending or, to the Knowledge of Liberty, threatened against Liberty (with respect to the Splitco Business only) or Splitco, or any of the

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transferee or successor, except for such liability arising from membership in a Liberty Affiliated Group or a Liberty Combined Group.

(f) None of Splitco or any of its Subsidiaries (other than GSN or any of its Subsidiaries) will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any (i) change in method of accounting for a taxable period (or portion thereof) ending on or prior to the Closing Date, (ii) "closing agreement" as described in Section 7121 of the Code (or any corresponding or similar provision of state, local or foreign income Tax Law) executed prior to the Closing, or (iii) installment sale or open transaction occurring prior to the Closing.

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(h) Each Splitco Employee Benefit Plan that is a nonqualified deferred compensation plan subject to Section 409A of the Code has been operated and administered in good faith compliance with Section 409A of the Code from the period beginning January 1, 2008 with respect to the Non-RSN Splitco Business, and February 27, 2008 with respect to the RSN Splitco Business, through the date hereof.

SECTION 4.10 *Labor Matte*

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Non-RSN Splitco Business has not disposed of, Released, transported, stored, or arranged for the disposal of any Hazardous Materials to, at or upon: (i) any location other than a site lawfully permitted to receive such Hazardous Materials; (ii) any premises currently or formerly owned or leased by Splitco or any of its Subsidiaries, except for the use of household cleaners and office products in the ordinary course of business in compliance with applicable Environmental Laws; or (iii) any site which has been placed on the National Priorities List, CERCLIS or their state equivalents.

(c) Since February 27, 2008, the operations of the RSN Splitco Business have not resulted in any Release of Hazardous Materials at or from any location currently owned or formerly owned or operated by Splitco or any of its Subsidiaries that requires cleanup that has not been completed to the satisfaction of the relevant Governmental Authority or would reasonably be expected to form the basis of any material Environmental Claim against the RSN Splitco Business. Since January 1, 2007, the operations of the Non-RSN Splitco Business have not resulted in any Release of Hazardous Materials at or from any location currently owned or formerly owned or operated by Splitco or any of its Subsidiaries that requires cleanup that has not been completed to the satisfaction of the relevant Governmental Authority or would reasonably be expected to form the basis of any material Environmental Claim against the Non-RSN Splitco Business.

(d) The RSN Splitco Business is not subject to, and, since February 27, 2008, none of Splitco or its Subsidiaries has received written notice of, any existing, pending, or, to the Knowledge of Liberty, threatened material Action, by any Person under any Environmental Laws or involving the presence, Release or threatened Release of any Hazardous Material at any location currently or formerly owned or operated as part of the RSN Splitco Business. The Non-RSN Splitco Business is not subject to,reni

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(b) Each of the Contracts and other documents required to be listed in *Se*

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Liberty, Splitco nor any of their respective Subsidiaries, nor, to the Knowledge of Liberty, any other Person, currently is in material default under any such agreement.

(c) To the Knowledge of Liberty, as of the date hereof ~~no~~

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Section 1504 of the Code

which to file) in accordance with all applicable Laws; (ii) all such Tax Returns are accurate and complete in all respects and have been prepared in substantial compliance with all applicable Laws; (iii) all Taxes due and payable by DIRECTV or any of its Subsidiaries have been timely paid, or withheld and remitted to the appropriate Taxing Authority; (iv) no written claim has been made by any Taxing Authority in a jurisdiction where DIRECTV or any of its Subsidiaries is, or may be, subject to Tax by or required to file or be included in a Tax Return in that jurisdiction; and (v) there are no Liens on any of the assets of DIRECTV or any of its Subsidiaries that arose in connection with any failure (or alleged failure) to pay any Tax (except for Liens that arise by operation of Law for Taxes not yet due and payable);

(b) Each of DIRECTV and its Subsidiaries has complied with all applicable Laws relating to the payment and withholding of any amount of Taxes and have, within the time and the manner prescribed by applicable Law, withheld from and paid over to the proper Taxing Authorities all amounts required to be so withheld and paid over under all applicable Laws;

(c) (i) No outstanding written claim has been received by, and no audit, action, suit or proceeding is in progress, against or with respect to DIRECTV or any of its Subsidiaries in respect of any Tax; and (ii) all deficiencies, assessments or proposed adjustments asserted against DIRECTV or any of its Subsidiaries by any Taxing Authority have been paid or fully and finally settled;

(d) Except as set forth in Section 5.11(d) of the DIRECTV Disclosure Schedule, none of DIRECTV or any of its Subsidiaries (i) is or has been a member of an affiliated group (within the meaning of Section 1504 of the Code) filing a consolidated federal income Tax Return, other than an affiliated group the common parent of which is or was DIRECTV or any of its Subsidiaries; or (ii) is or has been a member of an affiliated group the common parent of which is or was DIRECTV or any of its Subsidiaries.





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amendment to the Splitco Form S-4, in which the Liberty Proxy Statement will be included as a prospectus. Each of Liberty and Splitco shall use its reasonable best efforts to have the Splitco Form S-4 declared effective under the Securities Act as promptly as practicable after such filing and keep the Splitco Form S-4 effective for so long as necessary to consummate the Split-Off. Splitco shall also take any action (other than qualifying to do business in any jurisdiction in which it is not now so qualified or filing a general consent to service of process) required to be taken under any applicable state securities Laws in connection with the issuance of shares of Splitco Common Stock in the Split-Off, and Liberty shall furnish all information concerning Liberty and the holders of shares of Liberty Entertainment Common Stock as may be reasonably requested by Splitco in connection with any such action. No filing of, or amendment or supplement to, the Splitco Form S-4 will be made without DIRECTV's consent (which may be oral or written and shall not be unreasonably withheld, delayed, or conditioned) and without providing DIRECTV a reasonable opportunity to review and comment thereon. If at any time prior to the Split-Off Effective Time any information relating to Liberty, Holdings, Splitco or DIRECTV, or any of their respective Affiliates, directors or officers, should be discovered by Liberty, Holdings, Splitco or DIRECTV which should be set forth in an amendment or supplement to the Splitco Form S-4, so that the Splitco Form S-4 would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the party which discovers such information shall promptly notify the other parties hereto and an appropriate amendment or supplement describing such information shall be promptly filed with the SEC and, to the extent required by law, disseminated to the holders of Liberty Entertainment Common Stock. The parties shall notify each other promptly of the receipt of any comments from the SEC or the staff of the SEC and of any request for amendments.

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Form S-4 declared effective under the Securities Act as promptly as practicable after such filing and kept the n





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1. ~~splitco directly or indirectly acquire by purchasing or consolidating with, or by purchasing all of or a substantial equity interest in, or by any other manner, any Person or division, business or equity interest of any Person;~~

(vii) make any investment (by contribution to capital, property transfers, purchase of securities or otherwise) in, or loan or advance (other than travel and similar advances to its employees in the ordinary course of business consistent with past practice) to, any Person (other than a wholly-owned Subsidiary of Splitco or, with respect to a partially-owned Subsidiary of Splitco, an investment, loan or advance that is made ~~jointly~~ with the other equity owners of such partially-owned Subsidiary);

(viii) (A) amend, modify or terminate any ~~wh~~ an to ee oh n t h

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Authority or (vi) make any change in any Tax practice or policy relating primarily to any member of the LEI Group, except, in each case, (A) as consented to or approved in advance by DIRECTV, which consent shall not be unreasonably withheld, conditioned or delayed, (B) as otherwise required because of a change in Tax Law or a Final Determination (as defined in the Tax





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(xxi) amend, modify or terminate the Share Exchange Agreement or any Ancillary Agreement (as defined in the Share Exchange Agreement) in a manner that would adversely affect the rights to be assigned pursuant to Section 6.6(f); or

(xxii) agree, in writing or otherwise, to take any of the foregoing actions.

(b) Notwithstanding the foregoing, Liberty, Splitco and DIRECTV agree it is their understanding and intention that:

(i) prior to the Split-Off Effective Time, Splitco will not conduct any business or operations other than in connection with the performance of its obligations hereunder and that after the Split-Off Effective Time and prior to the Merger Effective Time Splitco will be operated consistently with its status as a publicly traded holding company and will conduct substantially all of its business through its Subsidiaries;

(ii) during the period commencing on April 1, 2009 and ending at the Merger Effective Time (the *Pre-Closing Period*), except as set forth herein and in *Section 6.2(b)(ii) of the Liberty Disclosure Schedule*, each Subsidiary of Splitco has operated and will operate its business on a stand-alone basis to the extent reasonably practicable and in the ordinary course of business consistent with past practice, and each Subsidiary of Splitco has retained and will retain for its account all revenues attributable to its business and has been and will be responsible for all liabilities and expenses incurred in connection with its business and therefore has been and will be responsible for all expenses arising out of its operations (including items such as payroll and other employee benefits, insurance, distribution expenses, debt service on such Subsidiary's indebtedness, rights fees and similar items), but has not been and will not be responsible for corporate overhead and similar charges (other than customary allocations consistent with past practice);

(iii) consistent with the allocations referred to in clause (ii) above during the Pre-Closing Period no Subsidiary of Splitco has nor will any such Subsidiary dividend, distribute or advance funds or assets to either Liberty or Splitco, except that:

(A) prior to the Split-Off Effective Time, each Subsidiary of Splitco will be permitted to distribute, directly or indirectly, to Liberty:

(w) its customary allocation of: corporate overhead charges, group insurance, payroll and employee benefit expenses and fees, costs and expenses of legal and accounting professionals and other professional service providers (provided such fees, costs and expenses shall not include any such fees, costs and expenses payable by Liberty pursuant to Section 6.13);

(x) repayment of advances made to such Subsidiary in connection with cash management procedures;

(y) any payments due under the Liberty Revolving Credit Facility; and

(z) amounts described in *Section 6.2(b)(iii)(A) of the Liberty Disclosure Schedule*;

(B) during the period from the Split-Off Effective Time to the Merger Effective Time, the Subsidiaries of Splitco will not dividend or distribute cash or cash equivalents to Splitco other than such Subsidiaries' apæ

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to the equity collars associated with the Greenlady Debt not later than the Split-Off Effective Time and that a guarantee of Splitco may be substituted therefore.

SECTION 6.21 *Splitco Cash Amount.* Liberty shall cause Splitco to possess, direct

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as a whole, or (iv) impose damages on Holdings, Splitco or DIRECTV or any of their respective Subsidiaries as a result of the Transactions in amounts that are material in relation to Holdings or the Transactions;

(e) *No R*

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be recognized by, and no amount will be included in the income of, holders of Liberty Entertainment Common Stock upon the exchange of shares of Liberty Entertainment Common Stock for shares of Splitco Common Stock (except with respect to cash received in lieu of fractional shares); and, in the case of the IRS private letter ruling, such other rulings as set forth in *Section 7.2(i)(ii) of the Liberty Disclosure Schedule*; (x) Liberty or Splitco shall have received a private letter ruling from the IRS (which ruling shall not have been withdrawn, invalidated or modified in an adverse manner) or Splitco shall have received a tax o e beenave rece a

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5.6 shall be true and correct in all respects (other than clause (x) of the fourth sentence of Section 5.2, which shall be true and correct in all material respects) at and as of the Closing Date as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date). Liberty shall have received a certificate signed on behalf of DIRECTV by an authorized officer, dated as of the Closing Date, to such effect;

(b) *Performance of Obligations of DIRECTV and Holdings.* DIRECTV and Holdings each shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and each of Liberty and Splitco shall have received a certificate signed on behalf of DIRECTV by an authorized officer of DIRECTV to such effect;

(c) *No Litigation, Etc.* There shall not be any action, proceeding or litigation instituted, commenced or pending by any Governmental Authority that is reasonably likely to (i) restrain, enjoin, prevent, prohibit or make illegal, or impose material limitations on, Liberty's ownership or operation of any portion of any of the businesses or assets of Liberty or its Subsidiaries (excluding the Splitco Business), (ii) as a result of the Transactions, compel Liberty to dispose of or hold separate any portion of any of the businesses or assets of Liberty or its Subsidiaries (excluding the Splitco Business), or (iii) impose damages on Liberty or any of its Subsidiaries (excluding the Splitco Business) as a result of the Transactions;

(d) *No Restraint.* No Restraint that could reasonably be expected to result, directly or indirectly, in any of the effects referred to in Section 7.3(c) shall be in effect;

(e) *Joinder Agreement.* The Joinder Agreement shall be valid, binding and in full force and effect and shall not have been repudiated by any party thereto (provided that the right to assert this condition shall not be available to any party if the failure of such condition to be satisfied was due to any wrongful action or omission by such party);

(f) *Tax Matters.* (i) Liberty shall have received a private letter ruling from the IRS (which ruling shall not have been withdrawn, invalidated or modified in an adverse manner) and Liberty and Splitco shall have received a tax opinion from Skadden, Arps, Slate, Meagher & Flom LLP, dated the Redemption Date, (which opinion, such firm shall have confirmed in writing on the Closing Date, if the Redemption Date is not the same as the Closing Date, shall not have been withdrawn, invalidated or modified in an adverse manner) in each case, in form and substance reasonably acceptable to Liberty and Splitco, substantially to the effect that the Contribution and the Split-Off will qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Code; no gain or loss will be recognized by Liberty upon the distribution of Splitco Common Stock; no gain or loss will be recognized by, and no amount will be included in the income of, Liberty upon the distribution of Splitco Common Stock; no Splitco amount will be included in Liberty's income.

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Sections 355 and/or 368(a)(1)(D) of the Code of, and will not cause Section 355(e) of the Code to apply to, (I) the News Exchange or (II) any of the internal distributions of the









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SECTION 10.9 *Severability*. If any term or other provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other terms, provisions and conditions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by applicable Law in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

SECTION 10.10 *Definitions*.

(a) As used in this Agreement, the following terms have the meanings ascribed thereto below:

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

"*Affiliate*" means, as to any Person, any other Person that, directly or indirectly, controls, or is controlled by, or is under common control with, such Person. For this purpose, "control" (including, with its correlative meanings, "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of a Person, whether through the ownership of securities or partnership or other ownership interests, by contract or otherwise, and, solely with respect to Dr. Malone, Dr. Malone's immediate family members and any trust, partnership, limited liability company or similar vehicle established and maintained primarily for the benefit of such persons or Dr. Malone. Notwithstanding the foregoing, for purposes of this Agreement, (i) none of DIRECTV and its Subsidiaries shall be deemed to be Affiliates of any of Liberty or Splitco or any of their respective Subsidiaries and (ii) none of Liberty or Splitco or any of their respective Subsidiaries shall be deemed to be Affiliates of DIRECTV, Holdings or any of their respective Subsidiaries, in each case, for any periods prior to the Merger Effective Time. In addition, for purposes of this Agreement, (i) GSN and its Subsidiaries shall be deemed to be Affiliates of Liberty for all periods prior to the Split-Off Effective Time and Splitco for all periods prior to the Merger Effective Time, (ii) neither IAC/InteractiveCorp nor Expedia, Inc., nor any of their respective Affiliates, will be treated as Affiliates of Liberty or Splitco for any purpose, and (iii) none of Liberty and its Subsidiaries shall be deemed to be Affiliates of Splitco or any of its Subsidiaries following the Split-Off Effective Time.

"*Ancillary Agreements*" has the meaning given to such term in the Share Exchange Agreement.

"*Beneficially Own*," "*Beneficial Owner*" and "*Beneficial Ownership*" and words of similar import have the meanings assigned to such terms in Rule 13d-3 and Rule 13d-5 promulgated under the Exchange Act, and a Person's Beneficial Ownership of securities shall be calculated in accordance with the provisions of such rules.

"*Business Day*" means a day except a Saturday, a Sunday or other day on which the banks in New York City are authorized or required by Law to be closed.

"*CERCLIS*" means the Comprehensive Environmental Response







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"Losses" m





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"*Special Option Grant*" means the option to purchase 500,000 shares of Series A Liberty Entertainment Common Stock to be granted to Mr. Robert R. Bennett pursuant to the Letter Agreement.

"*Splitco 2009 Incentive Plan*" means the Liberty Entertainment, Inc.

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clause (c) in the event that any of such Splitco Stock Options have been exercised prior to the Merger Effective Time, but shall be reduced by the number of shares underlying such Splitco Stock Options and Splitco SARs that have been cancelled or forfeited as of the Merger Effective Time), *minus*

(d) the product obtained by multiplying (x) the aggregate number of shares of Liberty Entertainment Common Stock issued on or after March 1, 2009 and prior to the Split-Off Effective Time pursuant to the exercise or settlement of any Liberty Entertainment Stock Option or Liberty Entertainment SAR by (y) 0.90, *minus*

(e) the aggregate number of shares of Splitco Common Stock issued after the Split-Off Effective Time and prior to the Merger Effective Time pursuant to the exercise or settlement of any Splitco Stock Option or Splitco SAR.

Each of the foregoing calculations shall be subject to the adjustment provision set forth in Section 2.1(d).

"*Splitco Restricted Share*" has the meaning given to such term in *Section 2.4 of the Liberty Disclosure Schedule*.

"*Splitco RSN Network*" means each of the regional sports programming cable networks operated by the RSN Subsidiaries.

"*Splitco SAR*" has the meaning given to such term in *Section 2.4 of the Liberty Disclosure Schedule*.

"*Splitco Stock Option*" has the meaning given to such term in *Section 2.4 of the Liberty Disclosure Schedule*.

"*Splitco Stock Plans*" means the Splitco 2009 Incentive Plan, the Splitco Director Plan and the Splitco Transitional Plan.

"*Splitco Transitional Plan*" means the Liberty Entertainment

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The following terms are defined on the page of this Agreement set forth after such term below:

Agreement	E-1
Alternative Board	E-4
Antitrust Laws	E-50
Assigned Obligations	E-62
Assigned Rights	E-62
Audited Financial Statements	E-19
Bank of America	E-61
Bankruptcy and Equity Exception	E-12
Certificates	E-7
Class Approval	E-13
Closing	E-2
Closing Date	

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

LIBERTY MEDIA CORPORATION

By: /s/ CHARLES Y. TANABE

Name: Charles Y. Tanabe

Title: Executive Vice President

LIBERTY ENTERTAINMENT, INC.

By: /s/ CHARLES Y. TANABE

Name: Charles Y. Tanabe

Title: Executive Vice President

DIRECTV

By: /s/ LARRY D. HUNTER

Name: Larry D. Hunter

Title: Executive Vice President

DTVG ONE, INC.

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

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**AMENDMENT NO. 1 TO AGREEMENT AND PLAN OF MERGER**

THIS AMENDMENT NO. 1 TO THE AGREEMENT AND PLAN OF MERGER (this "*Amendment*"), dated as of July 29, 2009, is made by and among LIBERTY MEDIA CORPORATION, a Delaware corporation ("*Liberty*"), LIBERTY ENTERTAINMENT, INC., a Delaware corporation and an indirect, wholly-owned Subsidiary of Liberty ("*Splitco*"), THE DIRECTV GROUP, INC., a Delaware corporation ("*D*

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qualified, or until such person's earlier death, resignation or removal. In connection with the classification of the Board of Directors of Holdings required pursuant to the certificate of incorporation of Holdings, such directors shall be apportioned among the classes of directors in accordance with the certificate of incorporation of Holdings; *provided*, that, the three Splitco Designees shall be placed in separate classes and the assignment to different classes of the Splitco Designees will be in accordance with a resolution of the Board of Directors of Splitco to be delivered to Holdings prior to the Merger Effective Time. The officers of DIRECTV immediately prior to the DIRECTV Effective Time shall be, from and after the DIRECTV Effective Time, the officers of Holdings."

2.5 Section 1.6 of the Merger Agreement is hereby amended to add a new subsection 1.6(e) thereto:

"(e) Immediately prior to the Malone Contribution, the Board of Directors of Holdings shall appoint the initial members of each of the Nominating and Corporate Governance Committee and the Compensation Committee of the Board of Directors of Holdings, in accordance with Article III, Sections 4 and 5 of the bylaws of Holdings, which are set forth in Exhibit A-2 to the Merger Agreement (the "*Holdings Bylaws*")."

2.6 Section 5.3(d) of the Merger Agreement is hereby amended to read:







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resignation to be effective upon the appointment to the DIRECTV Board of Directors of the Successor Director (as defined below). In connection with his or her appointment to the DIRECTV Board of Directors, the Successor Director will, upon appointment to the DIRECTV Board, also be appointed to both the Nominating and Corporate Governance Committee and the Compensation Committee of the DIRECTV Board. The term "Successor Director" means (i) Mr. Paul Gould, in the event Mr. Gould qualifies as an independent director under NASDAQ rules and is duly appointed by the DIRECTV Board to fill the vacancy to be created by Mr. Carleton's resignation or (ii) in the event Mr. Gould is not so appointed, an individual appointed by the DIRECTV Board who qualifies as an independent director under NASDAQ rules and whose appointment has been approved by both DIRECTV and Splitco.

3.2 Attached as Exhibit A-4 hereto is a true, correct and complete copy of the Certificate of Amendment of the By-laws of DIRECTV, which has been duly approved and adopted by the DIRECTV Board on or prior to the date hereof and is in full force and effect as of the date hereof.

**SECTION 4. Amendments to Reorganization Agreement.** The Reorganization Agreement is hereby amended as follows:

4.1 Schedule 1.1 to the Reorganization Agreement is hereby amended and restated in its entirety to read as provided in *Schedule 4.1* attached hereto.

4.2 Schedule 3.3 to the Reorganization Agreement is hereby amended and restated in its entirety to read as provided in *Schedule 4.2* attached hereto.

**SECTION 5. Transaction Agreement.** The parties agree that for all purposes of the Merger Agreement, this Amendment will be deemed to be a Transaction Agreement.

**SECTION 6. Effect on Merger Agreement.** Other than as specifically set forth herein, all other terms and provisions

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EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF. Any suit, action or proceeding seeking to enforce any C ~

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered on this day of \_\_\_\_\_, 20\_\_.

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Sections 7.1(b) and 7.2(j) and those conditions precedent that by their nature are to be satisfied at Closing and (ii) the termination of this Agreement."

2.6 Section 7.1(c) of the Merger Agreement is hereby amended and restated in its entirety to read as follows:

"The DIRECTV Stockholder Approval shall have been obtained in accordance with applicable Law and the DIRECTV Charter Documents;*provided*, that this condition precedent may not be waived by DIRECTV;"

2.7 Section 9.1(b)(i) of the Merger Agreement is hereby amended and restated in its entirety to read as follows:

"if the Transactions shall not have been consummated on or before the Walk-Away Date;*provided, however*, that the right to terminate this Agreement under this Section 9.1(b)(i) shall not be available to any party whose action or failure to act has been the cause of or resulted in the failure of either o ableio ter uf to l



- 3.4 Schedule 3.3 to the Reorganization Agreement is hereby amended and restated in its entirety to read as provided in *Schedule 3.2* attached hereto.
- 3.5 Exhibit A to the Reorganization Agreement is hereby amended and restated in its entirety to read as provided in Exhibit I hereto.
- 3.6 A true, correct and complete copy of the Reorganization Agreement incorporating the above-referenced changes is attached hereto as Exhibit B.

**SECTION 4. Amendments to Services Agreement.** The Services Agreement is hereby amended as follows:

- 4.1 Section 1.2 of the Services Agreement is hereby amended to add a new subsection after Section 1.2(b) thereto:

"(c) The Services will also include, until December 31, 2009, for employees of the RSN Subsidiaries, as defined in the Merger Agreement (the *Covered Employees*"), the continued coverage under or enrollment in, each of Liberty Media LLC's employee welfare benefit plans listed on Schedule 1.2(c) hereof (the *Covered Plans*") to the same extent as similarly situated United States employees of Liberty Media LLC. In addition, the Provider will provide, or cause to be provided, all employee benefit administration for the Covered Plans and also will provide administration services limited to determinations of eligibility for (but shall not pay for any coverage under) the Liberty Sports Group Short Term Disability Plan through December 31, 2009."

- 4.2 Section 2.2 of the Services Agreement is hereby amended and restated in its entirety to read as follows:

"In addition to the Allocated Employee Expenses payable pursuant to Section 2.1, the Corporation also will reimburse the Provider for all reasonable, direct out-of-pocket costs (with no markup) incurred by the Provider, hereof, unless such costs are paid directly by the Corporation, for postage and out-of-town courier service charges, for any applicable software license fees attributable to desktop or laptop computers utilized by employees of the Corporation, and for expenses incurred by the Provider Employees related to Services performed on behalf of the Corporation, and including travel and meals and entertainment related to such Services, and for any other miscellaneous expenses that may be incurred by the Provider on behalf of the Corporation. Notwithstanding the preceding provisions of this Section 2.2, for the Services provided by the Provider under Section 1.2(c), the Corporation will pay the Provider an amount equal to \$948.34 per month (pro rated for any period of less than one month on a daily basis based on the actual number of days in such month) for each Covered Employee, determined as of the first day of each calendar month, for each month or partial month from the Effective Date through December 31, 2009."

- 4.3 Article II of the Services Agreement is hereby amended to add a new section after Section 2.3 thereto:

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

- 4.4 Section 3.3 of the Services Agreement is hereby amended by deleting the portion of the first sentence before the colon thereof and replacing it in its entirety to read as follows:

"This Agreement will terminate automatically upon consummation of the Mergers; provided, however, that if the Mergers are consummated prior to December 31, 2009 this Agreement will continue in full force and effect solely with respect to the Services to be

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PERMITTED BY APPLICABLE LAW, ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY ACTION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH OR RELATING TO THIS AMENDMENT. EACH PARTY HERETO CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF SUCH ACTION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D (

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**VOTING AND RIGHT O**



to Beneficially Own 20,520 shares of Splitco Series A Common Stock and 133eri a





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all voting securities of Holdings outstanding immediately prior to such transaction represent (by being converted into voting securities of such issuer) less than 50% of the voting power of the issuer outstanding immediately after such merger or consolidation); or

t (ii) in any share exchange, extraordinary dividend, acquisition, disposition or recapitalization (or series of related transactions of such nature) (other than a merger or consolidation) the holders of voting securities of Holdings immediately prior thereto continue to Beneficially Own voting securities representing less than 50% of the voting power of Holdings (or any successor entity) immediately thereafter (or if Holdings or the successor entity after giving effect to such transaction is a subsidiary of the issuer of securities in such transaction, then the voting power of all voting securities of Holdings outstanding immediately prior to such transaction represent (by being converted into voting securities of such issuer) less than 50% of the voting power of the issuer outstanding immediately after such transaction).

~~Beneficial Transferee~~ means, with respect to any Member, any private charitable foundation or donor advised fund established notwithstanding its ownership. <sup>1</sup>

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pursuant to one of the methods specified above, then the average of the bid and asked prices for such security on such day as furnished by any New York Stock Exchange member firm selected from time to time by the Board of Directors for that purpose.

"*Equity Security*" means (i) any common stock, preferred stock or other capital stock, (ii) any securities convertible into or exchangeable for common stock, preferred stock or other capital stock or (iii) any subscriptions, options, rights, warrants, calls, convertible or exchangeable securities (or any similar securities) or agreements of any character to acquire common stock, preferred stock or other capital stock.

"*Estate*" means, upon the death of Dr. Malone, the estate of Dr. Malone, through its personal representative

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(iv) to



"Malone Awards" means (i) any stock options for, and stock appreciation rights that may be settled in, (x) shares of Liberty Entertainment Comm

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conditions and which (prior to any default or foreclosure thereunder) does not (i) interfere with or limit such Person's rights or obligations hereunder to vote such Equity Securities or Convertible Securities, (ii) constitute a proxy in favor of a third party in respect of rights to vote such Equity Securities or Convertible Securities, and (iii) interfere with or limit such Person's or any Member's ability to vote in favor of

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"Splitco Common Stock" means the Splitco Series A Common Stock and the Splitco Series B Common Stock.

"Splitco Series A Common Stock" means the Series A common stock, par value \$.01 per share, of Splitco.

"Splitco Series B Common Stock" means the Series B common stock, par value \$.01 per share, of Splitco.

"Transfer" means to sell, transfer (including by operation of law), give, pledge, encumber, assign or otherwise dispose of, or enter into any agreement with respect to the sale, transfer, gift, pledge, encumbrance, assignment or other disposition of, any security.

The following terms are defined on the page of this Agreement set forth after such term below:

Bona Fide Offer	20	Malone Representatives	12
Closing	23	Offered Shares	20
Closing Date	23	Prospective Purchaser	20
Commencement Date	22	ROFR	20
Distributed Company	27	ROFR Notice	20
Election Notice	21	ROFR Price	20
Free to Sell Date	21	Third Appraiser	22
group	16	Transferor	20
Liens	25		

## 2. AGREEMENT TO VOTE MALONE LIBERTY SHARES AND RELATED MATTERS.

(a) *Voiting*. From the date hereof until the earlier of termination of this Agreement in accordance with its terms or the Split-Off Effective Time, at any meeting of the stockholders of Liberty however called (or any action by written consent in lieu of a meeting) or any adjournment or postponement thereof, each Member shall appear at such meeting of stockholders or otherwise cause his, her or its Malone Liberty Shares to be counted as present thereat for the purpose of establishing a quorum, and vote all of his, her or its Malone Liberty Shares (or cause them to be voted) or (as appropriate) execute written consents in respect thereof, (A) in favor of the approval of the Split-Off and any other proposals related to the Transactions contemplated by the Split-Off or the Mergers submitted with the recommendation of the Board of Directors of Liberty, (B) against any action or agreement (including any amendment of any agreement) that, to such Member's knowledge, would result in a breach by Liberty of its obligations under Section ~~6e~~by ~~6~~ amendment s

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adjournment or postponement thereof), or to execute one or more written consents in respect of such Malone Liberty Shares, (A) in favor of the approval of the Split-Off and any other proposals related to the Transactions contemplated by the Split-Off or the Mergers su

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any such Malone Child, or (y) enter into any agreement, understanding, arrangement or substantial negotiations (all within the meaning of Section 355(e) of the Code and Treasury Regulations Section 1.355-7) with respect to any Transfer of shares of Liberty Entertainment Series B Common Stock, Splitco Series B Common Stock or Holdings Class B Common Stock;

(D) no Member shall convert any Member Shares into shares of Liberty Entertainment Series A Common Stock, Splitco Series A Common Stock or Holdings Class A Common Stock, as the case may be;

(E) Dr. Malone and Mrs. Malone shall cause the Malone Children (other than any Malone Child who is a Member) not to convert any shares of Liberty Entertainment Series A Common Stock or Holdings Class A Common Stock;





**5. ACTIONS TAKEN BY DR. MALONE IN HIS CAPACITY AS DIRECTOR OR OFFICER.**

The parties hereto acknowledge that Dr. Malone is entering into this Agreement solely in his capacity as a stockholder, a ò

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Stock. At the ROFR Closing, each of the Member(s) (including any Permitted Transferee(s)) participating in the sale shall be required, as a condition to receiving payment, to deliver to Holdings (i) a stock certificate or certificates, duly endorsed for transfer or in blank, representing such Person's ROFR Shares, (ii) if applicable, copies of Letters Testamentary or other documentation evidencing the authority of such Person to transfer any of the xs of sfo

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(ii) will not violate or constitute a breach or default under any agreement by which such Malone or his, her or its Malone Liberty Shares may be bound, and (iii) except as set forth on *Schedule 10(a)*, will not require the consent of or any notice to or other filing with any third party, including any Governmental Authority. Such Malone, or the Person signing on the behalf of such Malone, has all requisite capacity, power and authority to enter into and perform this Agreement. This Agreement has been duly and validly executed and delivered by such Malone and, assuming it has been duly and validly authorized, executed and delivered by the other parties hereto, this Agreement constitutes a legal, valid and binding agreement of such Malone, enforceable against him, her or it in accordance with its terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws relating to or affecting enforcement of creditors' rights generally, and general principles of equity (regardless of whether enforcement is considered in a proceeding at law or in equity).

(ii) *Ownership of Shares.* Dr. Malone is the Beneficial Owner of the Dr. Malone Liberty Shares, Mrs. Malone is the Beneficial Owner of the Mrs. Malone Liberty Shares, the Tracy Trust is the Beneficial Owner of the Tracy Trust Liberty Shares and the Evan Trust is the Beneficial Owner of the Evan Trust Liberty Shares, ~~On a~~ each case, free and clear of all pledges, liens, proxies, claims, charges, security interests, preemptive rights, voting trusts, voting agreements, options, rights of first offer or refusal and any other encumbrances whatsoever with respect to the ownership, transfer or other voting of such Malone Liberty Shares (collectively, "*Liens*"), ~~other~~ than encumbrances created by this Agreement, Call Agreement, witt wiconveyancement, ncr ~wlf wstwl ro,

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consummation by DIRECTV of the transactions contemplated hereby (i) will not violate any order, writ, injunction, decree, statute, rule, regulation or law applicable to DIRECTV, (ii) will not violate or constitute a breach or default under any agreement by which DIRECTV may be bound, (iii) except as set forth on *Schedule 11*, will not require the consent of or any notice or other filing with any third party, including any Governmental Authority, and (iv) have been duly and validly authorized, and no other proceedings on the part of DIRECTV are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by DIRECTV and, assuming it has been duly and validly authorized, executed and delivered by the other parties hereto, constitutes a legal, valid and binding obligation of DIRECTV enforceable against DIRECTV in accordance with its terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws relating to or affecting enforcement of creditors' rights generally, and general principles of equity (regardless of whether enforcement is considered in a proceeding at Law or in equity).

## 12. TERM; TERMINATION.

This Agreement shall terminate automatically, without further action of the parties hereto, upon the termination of the Merger Agreement in accordance with its terms. Following the Merger Effective Time, this Agreement shall terminate automatically, without further action of the parties hereto, upon the first to occur of the following: (i) all of the Member Shares having been purchased by Holdings, (ii) all of the Member Shares having been sold to one or more Prospective Purchasers in compliance with Section 7(b) (i); (iii) the Redemption Right under Section 4.11 of the Holdings Charter having expired unexercised, or (iv) upon the completion of a Change of Control; *provided, however*, that in the case of clause (i) (to the extent Holdings issues shares of Holdings Class A Common Stock pursuant to the Redemption Right) or clause (iii), and absent the earlier termination of this Agreement in accordance with the first sentence of this Section 12, in no event shall Section 4 terminate prior to the day following the first anniversary of the Split-Off Effective Time. No party hereto will be relieved from any liability for breach of this Agreement by reason of such termination.

## 13. MISCELLANEOUS.

*Remedies.* The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in the Court of Chancery of the State of Delaware or any federal court sitting in the State of Delaware, without bond or other security being required, this being in addition to any other remedy to which they are entitled at law or in equity.

(a) *Further Assurances.* ~~Each party shall cooperate and take such actions as may be reasonably requested by another party if the latter so carries out the provisions of any of the purposes of this Agreement and the transactions contemplated hereby. For the avoidance of doubt, in the event Holdings, directly or indirectly, distributes securities of any Person (other than securities of Holdings) to the holders of Holdings Common Stock (whether through a dividend or otherwise).~~

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El Segundo, CA 90245  
Attention: Larry D. Hunter, General Counsel  
Facsimile: (310) 964-0838

with a copy (which shall not constitute notice) to:

Weil, Gotshal & Manges LLP  
767 Fifth Avenue  
New York, NY 10153  
Attention: Frederick S. Green  
Michael E. Lubowitz  
Facsimile: (212) 310-8007

with a copy (which shall not constitute notice) to:

Simpson Thacher & Bartlett LLP  
425 Lexington Avenue  
New York, NY 10017  
Attention: Richard I. Beattie  
Marni J. Lerner  
Kathryn King Sudol  
Facsimile: (212) 455-2502

If, prior to the Merger Effective Time, to Splitco, to:

Liberty Entertainment, Inc.  
12300 Liberty Boulevard  
Englewood, CO 80112  
Attention: Charles Y. Tanabe, General Counsel  
Facsimile: (720) 875-5382

with a copy (which shall not constitute notice) to:

Baker Botts L.L.P.  
30 Rockefeller Plaza  
New York, NY 10112  
Attention: Frederick H. McGrath  
Renee L. Wilm  
Facsimile: (212) 259-2530

or such other address or facsimile number as such party may hereafter specify by like notice to the other parties hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5 P.M. in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding business day in the place of receipt.

(i) *Severability.* If any term or other provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms, provisions and conditions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by applicable law in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.



IN WITNESS WHEREOF, each of the undersigned has executed this agreement as of the date first above written.

LIBERTY ENTERTAINMENT, INC.

By: /s/ CHARLES Y. TANABE

Name: Charles Y. Tanabe  
Title: Executive Vice President

DIRECTV

By: /s/ LARRY D. HUNTER

Name: Larry D. Hunter  
Title: Executive Vice President

THE DIRECTV GROUP, INC.

By: /s/ LARRY D. HUNTER

Name: Larry D. Hunter  
Title: Executive Vice President

/s/ JOHN C. MALONE

Dr. John C. Malone, individually

/s/ LESLIE MALONE

Mrs. Leslie Malone, individually

TRACY L. NEAL TRUST A

By: /s/ DAVID THOMAS

Name: David Thomas  
Title: Trustee

EVAN D. MALONE TRUST A

By: /s/ DAVID THOMAS

Name: David Thomas  
Title: Trustee

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delivered to DIRECTV the certificate (the "*Malone Certificate*")

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Agreement in accordance with the first sentence of this Section 12, in no event shall Section 4 terminate prior to the day following the ?ficé o









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Each share of Class A Common Stock, Class B Common Stock and Class C Common Stock will, except as otherwise provided in this Certificate of Incorporation, be identical in all respects and have equal rights, powers and privileges.

Section 4.2 *Increase or Decrease in Authorized Common or Preferred Stock.*

The number of authorized shares of Preferred Stock or any class of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding or then issuable pursuant to any Convertible Securities) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote thereon, irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), and no vote of the holders of any of the Preferred Stock or Common Stock, voting separately as a class or as a separate series, shall be required therefor.

Section 4.3 *Preferred Stock.*

(a) Subject to the other provisions of this Certificate of Incorporation, the Board of Directors of the Corporation (the "Board") is hereby expressly authorized to provide by resolution or resolutions from time to time out of the unissued shares of Preferred Stock for the issuance of one or more series of Preferred Stock, without further stockholder approval, by filing a certificate pursuant to the applicable law of the State of Delaware (hereinafter referred to as a "Preferred Stock Designation"), setting forth such resolution and, with respect to each such series, establishing the number of shares to be included in such series, and fixing the voting powers, full or limited, or no voting power of the shares of such series, and the designation, preferences and relative, participating, optional or other special rights, if any, of the shares of each such series and any qualifications, limitations or restrictions thereof.

(b) The authority of the Board with respect to each series of Preferred Stock shall include, but not be limited to, the determination of the following: (i) the designation of the series, which may be by distinguishing number, letter or title, (ii) the number of shares of the series, which number the Board may thereafter (except where otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares thereof then outstanding), (iii) the amounts or rates at which dividends will be payable on, and the preferences, if any, of shares of the series in respect of dividends, and whether such dividends, if any, shall be cumulative or noncumulative, (iv) the dates on which dividends, if any, shall be payable, (v) the redemption rights and price or prices, if any, for shares of the series, (vi) the terms and amount of any sinking fund, if any, provided for the purchase or redemption of shares of the series, (vii) the amounts payable on, and the preferences, if any, of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or

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automatically repealed without any action on the part of the Corporation or the stockholders of the Corporation and replaced with the words "Intentionally Omitted" (and the Corporation will issue a public announcement of such occurrence) upon the earliest to occur of (i) such time as the Malones in the aggregate do not own shares of Class B Common Stock entitling them to vote at least 10% of the combined voting power of all outstanding shares of Class A Common Stock and Class B Common Stock, (ii) the death of Mr. John C. Malone, and (iii) June 30, 2010, if the Judgment Effective Date has not occurred as of such date.

Section 4.5 *Automatic Conversion of Class B Common Stock into Class A Common Stock.*

Transfers of shares of Class B Common Stock shall be subject to the following provisions. A holder of shares of Class B Common Stock that wishes to effect a Transfer of shares of Class B Common Stock shall provide written notice thereof to the Corporation prior to the Close of Business on the business day prior to the proposed date of transfer (the "Transfer Notice"). The Transfer Notice shall (i) identify the proposed transferee, (ii) state whether or not the proposed transferee is an Affiliate of the transferor, and (iii) state whether or not the Transfer is being effected in a Public Transfer. The transferor shall provide such additional supporting information, opinions and documentation as may be reasonably requested by the Corporation. If the Transfer (y) is to a transferee that is not an Affiliate of the transferor and (z) is being effected pursuant to a Public Transfer, then immediately following such Transfer each such share of Class B Common Stock so Transferred will automatically convert into one (1) fully paid and ~~aprr nfr~~ ~~where:~~

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of a Non-Transfer Event, the Person holding record title to the shares of Equity Stock purportedly Beneficially Owned by such Beneficial Owner shall cease to own any right or interest) in such number of shares of Equity Stock (the "*Excess Shares*"), (II) the Excess Shares (rounded up to the nearest whole share) of Equity Stock shall be automatically transferred to a Trust, without any action on the part of the Corporation or any holder of shares of Equity Stock, in accordance with Section 4.9(f) below, and (III) such Purported Record Transferee (and such Purported Beneficial Transferee, if different) or, in the case of a Non-Transfer Event, the Person who, immediately prior to such automatic transfer, was the holder of record title to the shares of Equity Stock automatically transferred, shall submit the certificates representing such number of shares of Equity Stock to the Corporation, accompanied by all requisite and duly executed assignments of transfer thereof, for registration in the name of the Trustee of the Trust. Such transfer to a Trust shall be effective as of the close of trading on the Trading Day prior to the date of the purported Transfer or Non-Transfer Event, as the case may be, even though the certificates representing the shares of Equity Stock so transferred may be submitted to the Corporation at a later date. For purposes of this Section 4.9, (A) the number of shares of Equity Stock treated as acquired in the case of a Non-Transfer Event shall be equal to the number of shares which cause or result in an increase in the percentage of a Person's Beneficial Ownership of the outstanding shares of Equity Stock, and (B) in the case of a Person described in clause (x), but not in clause (y), of th ?

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of Excess Shares, except for claims arising out of the gross negligence or willful misconduct of, or any failure to ma







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Incorporation). For the avoidance of doubt, (1) this Section 10.1 is not intended to and shall not limit the ability of the Corporation to enter into an agreement of merger or consolidation in connection with an a can emen





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"Market Price" of any class or series of Equity Stock (or SplitCo Equity Stock) means, on any date of determination:

(1) if, at the date of determination, the security is reported on the NASDAQ—Global Select Market or listed on a national securities exchange in the United States, then the Market Price shall be deemed to be the Volume Weighted Average Trading Price of the daily sales prices as reported on the NASDAQ—Global Select Market, and, if not so listed, shall be deemed to be the Volume Weighted Average Trading Price of the daily sales prices as reported on such national securities exchange other than the NASDAQ—Global Select Market or on the New York Stock Exchange, as applicable, in each case for the five (5) consecutive Trading Days preceding and ending on the Trading Day immediately prior to the date of determination.

(2) if, at the date of determination, the security is not so listed or reported, but a "*regular, active public market*" exists for such security (as determined in the good faith, sole discretion of the Board, whose decision shall be conclusive and binding), then the Market Price shall be deemed to be the Volume Weighted Average Trading Price of the daily bid and ask quotations in the over-the-counter market for the security for the five (5) consecutive Trading Days preceding and ending on the Trading Day immediately prior to the date of determination. For purposes of the foregoing, a market in which trading is sporadic and the ask quotations generally exceed the bid quotations by more than 15% shall not be deemed to be a "*regular, active public market*;" or

(3) if, at the date of determination, neither clause (1) nor clause (2) of this definition applies, then the Market Price shall be deemed to be the fair market value of the security as determined in the good faith, sole discretion of the Board, whose determination shall be conclusive and binding.

~~during the five (5) Trading Days preceding and ending on the Trading Day immediately prior to the date of determination.~~

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Malone's death occurs prior to the date of issuance of the Class A Common Stock or if the Class A Common Stock is not traded regular way on any date within such 30 consecutive trading day period, then references in this definition to "

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national securities exchange, any day other than a Saturday, a Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

*"Transaction Agreements"* shall have the meaning set forth in the M

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IN WITNESS WHEREOF, the Corporation has caused this Amended and Restated Certificate of Incorporation to be executed on its behalf by the undersigned authorized officer on [ • ], 2009.

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

Name:

Title:

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**FAIRN**



and Liberty Sports Holdings LLC (which holds all interests in Fox Sports Net Rocky Mountain, LLC, Fox Sports Net Northwest, LLC and Fox Sports Net Pittsburgh, LLC (the "RSNs")) (the "Restructuring") whereupon LMC will effect the separation of Splitco (the "Split-Off") by redeeming (i) 0.9 of each outstanding LMDIA Share for 0.9 shares of Series A Splitco Common Stock, with 0.1 of each LMDIA Share remaining outstanding (the "LMDIA Redemption"), and (ii) 0.9 of each outstanding LMDIB Share for 0.9 shares of Series B Splitco Common Stock, with 0.1 of each LMDIB Share remaining outstanding (together with the LMDIA Redemption, the "Redemption").

You have also informed us that, pursuant to the Voting and Right of First Refusal Agreement, dated as of May 3, 2009 (the "Voting Agreement"), by and among Splitco, DTV, Holdings and the Malone Persons, following the consummation of the Split-Off and immediately prior to the consummation of the Merger, the Malone Persons will contribute all shares of Series B Splitco Common Stock that are beneficially owned by them (the "Malone Shares") to Holdings in exchange for a number of shares of 1 share i i mc

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limitation, the fairness of the Merger to, or any consideration received in connection therewith by, the holders of any other class of securities, creditors, or other constituencies of LMC, Splitco, Holdings or DTV; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of LMC, Splitco, Holdings or DTV, or class of such persons in connection with the Merger, whether relative to the Splitco Exchange Ratio pursuant to the Merger Agreement or otherwise. In addition, we do not express any view on, and our opinion does not address any aspect of the Restructuring, the Split-Off, the Malo

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If you have any questions with respect to the foregoing or require further information, please contact the undersigned at (212) 408-2503.

Very truly yours,

/s/ RENEE L. WILM

Renee L. Wilm

cc: *Securities and Exchange Commission*  
Paul Monsour, Accountant  
Ivette Leon, Assistant Chief Accountant

*Liberty Media Corporation*  
Charles Y. Tanabe

