



LIBERTY MEDIA CORPORATION

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Englewood, Colorado 80112
(720) 875-5400



LIBERTY MEDIA CORPORATION

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October 19, 2009

Dear Stockholder:

You are cordially invited to a special meeting of stockholders of Liberty Media Corporation's (**Liberty Media**) Series A Liberty Entertainment common stock (**LMDIA**) and Series B Liberty Entertainment common stock (**LMDIB**) to be held at 9:30 a.m., New York City time, on November 19, 2009, at Sheraton New York Hotel & Towers, 811 7th Avenue (53rd Street), New York, NY 10019, telephone (212) 581-1000. A notice of the special meeting, a proxy card, and a proxy statement/prospectus containing important information about the matters to be acted on at the special meeting accompany this letter.

At the special meeting, you will be asked to consider and vote on a proposal (the ~~SEC Form 144~~ **SEC**), which would allow Liberty Media to redeem 0.9 of each outstanding share of Liberty Entertainment common stock for 0.9 of a share of the corresponding series of common stock of a newly formed, wholly owned subsidiary of Liberty Media, Liberty Entertainment, Inc. (**LEI**). LEI would hold Liberty Media's Cit s



[Table of Contents](#)

complete the Split-Off as soon as practical after the date of such termination, assuming all other conditions to the Split-Off have been satisfied or waived. The Split-Off and the DTV Business Combination are referred to as the **Tran**



TABLE OF CONTENTS

QUESTIONS AND ANSWERS	1
SUMMARY	9
The Companies	9
Recent Developments	11
The Split-Off	12
DTV Business Combination	23



[Table of Contents](#)

Malones will receive shares of Holdings Class B common stock in exchange for their shares of LEI 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 sua



[Table of Contents](#)

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. As the Malones will be the only holders of Holdings Class B common stock, these consent rights coupled with the approximately 24.2% aggregate voting power of Holdings common stock held by the Malones will provide them with significant influence over the business and affairs of Holdings.

Q: Why are the Malones the only holders of LEI Series B common stock to receive shares of high-vote Holdings common stock in the DTV Business Combination?

A: Mr. Malone, in his capacity as a stockholder and on behalf of the other Malones, was willing to enter into the Malone Agreement described above if he and the other Malones received high-vote stock in the DTV Business Combination. Although DIRECTV was willing to issue high-vote stock in the DTV Business Combination, it required that all recipients of Holdings high-vote stock in the LEI Merger be subject to significant restrictions on their shares similar to those to which the Malones agreed to be subject in the DTV Business Combination.

[Table of Contents](#)

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 (all holders of Liberty Entertainment common stock other than such excluded persons, the **disinterested holders of Liberty Entertainment common stock**). The approval of the transaction proposals is not required by either the terms of Liberty Media's charter or by Delaware law, but is a contractual obligation under the terms of the Merger Agreement and is intended by Liberty Media to have certain effects under Delaware law as described in the following two questions-and-answers and elsewhere in this proxy statement/prospectus. If any of the three transaction proposals is not approved, then the DTV Business Combination will not be completed. The receipt of the requisite approvals of each of the redemption proposal and each of the transaction proposals, as described above, are collectively referred to as the **Liberty Stockholder Approval**.

As of 5:00 p.m., New York City time, on October 9, 2009, the **record date** for the special meeting, Liberty Media's directors and executive officers beneficially owned approximately 36.0% of the total voting power of the Liberty Entertainment common stock. Liberty Media has been informed that all of its executive officers and directors (including Mr. Malone) beneficially owning shares of Liberty Entertainment common stock representing in the aggregate approximately 36.0% of the aggregate voting power of the Liberty Entertainment common stock, as of September 30, 2009, will vote **"FOR"** each of the redemption proposal and the adjournment proposal. These persons are not entitled to vote on any of the transaction proposals.

Q: Why is Liberty Media asking for only certain holders of Liberty Entertainment common stock to vote on the transaction proposals?

A: The approval of the transaction proposals is not required by either the terms of Liberty Media's charter or by Delaware law. Liberty Media has decided, however, that it is appropriate to seek the approval of the transaction proposals, and has contractually agreed to seek the approval in the Merger Agreement, in order to ensure that the disinterested holders of Liberty Entertainment common stock have the power to determine whether the various transactions contemplated by the transaction proposals are acceptable to them. In addition, Liberty Media believes the ratification of the Transactions by the disinterested holders of Liberty Entertainment common stock will have certain substantive and procedural effects under Delaware law, as described below.

Q: What is the effect of the approval of the transaction proposals by the disinterested holders of Liberty Entertainment common stock?

A: Liberty Media believes that the approval of each of the transaction proposals by a majority of the voting power of the disinterested holders of Liberty Entertainment common stock should constitute ratification of the transactions contemplated by the transaction proposals. Ratification is an expression of approval by the stockholders of one or more matters for which their approval is not necessarily required as a matter of law. In general, ratification by stockholders may be effective to approve actions taken by a corporation and its board of directors, even if the actions are challenged by some of the stockholders, provided that such actions are not against public policy (such as actions involving waste, fraud, or similar egregious conduct). The Delaware case law relating to the legal effect of stockholder ratification and whether the doctrine of stockholder ratification will be applicable to the transaction proposals is not entirely clear. Recent Delaware case law suggests that the ability of stockholder ratification to validate the actions of the board of directors is not automatic, and that the Delaware courts may not enforce the ratification of actions that are not in the best interests of the corporation. The Delaware courts have generally held that the ability of stockholders to ratify the actions of the board of directors is limited to actions that are not in the best interests of the corporation. The Delaware courts have also held that the ratification of actions that are not in the best interests of the corporation is not binding on the corporation.



[Table of Contents](#)

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[Table of Contents](#)

Broker non-votes are counted as present and entitled to vote for purposes of determining a quorum but will have no effect (if a quorum is present) 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.

Q: What if I do not vote on the proposals?

A: 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). If you fail to respond with a vote, your shares will count as a vote "**AGAINST**" each of the transaction proposals. If you respond but do not indicate how you want to vote, your proxy will be counted as a vote "**FOR**" each of the proposals.

Q: What if I respond and indicate that I am abstaining from voting?

A: If you respond and indicate that you are abstaining from voting, your proxy will have the same effect as a vote "**AGAINST**" each of the redemption proposal and the adjournment proposal and each of the transaction proposals.

Q: May stockholders change their vote after returning a proxy card or voting by telephone or over the Internet?

A: Yes. Before the start of the special meeting, stockholders who want to change their vote on any proposal may do so by telephone or over the Internet (if they originally voted by telephone or over the Internet), by voting in person at the 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. If your shares are held in an account by a broker, bank or other nominee who you previously contacted with voting instructions, you should contact your broker, bank or other nominee to change your vote.

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

A: If you have any questions prior to the special meeting or if you would like copies of any document referred to or incorporated by reference in this document, you should contact:

D.F. King & Co., Inc.
48 Wall Street, 22nd Floor
New York, New York 10005
Toll-Free: 1-800-628-8532
Banks and Brokerage Firms Please Call: 1-212-269-5550

SUMMARY

The following summary includes information contained elsewhere in this proxy statement/prospectus. This summary does not contain all of the important information that you should consider before voting on the proposals. You should read the entire proxy statement/prospectus, including the Annexes and the documents incorporated by reference herein, carefully.

The Companies

Liberty Media Corporation

Liberty Media owns interests in a broad range of electronic retailing, media communications and entertainment businesses. Those interests are attributed to three tracking stock groups: (1) the Liberty Interactive Group, which includes Liberty Media's interests in QVC, Inc., Provide Commerce, Inc., Backcountry.com, Inc., BuySeasons, Inc., Bodybuilding.com, LLC, IAC/InterActiveCorp (**IAC**), Expedia, Inc., HSN, Inc., Interval Leisure Group, Inc., Ticketmaster and Tree.com, Inc., (2) the Liberty Entertainment Group, which includes Liberty Media's interests in DIRECTV, Starz Entertainment, LLC, Game Show Network, LLC (**GSN**) (and its subsidiary FUN Technologies ULC (**FUN**)), WildBlue Communications, Inc. (**WildBlue**), Liberty Sports Holdings LLC (**Liberty Sports**), FUN's sports related businesses (**FUN Sports**) and PicksPal, Inc., and (3) the Liberty Capital Group, which includes all businesses, assets and liabilities not attributed to the Liberty Interactive Group or the Liberty Entertainment Group including subsidiaries Starz Media, LLC, Atlanta National League Baseball Club, Inc. and TruePosition, Inc., and minority equity investments in Time Warner Inc. and Sprint Nextel Corporation.

Liberty Media has three tracking stocks: the Liberty Entertainment common stock, the Liberty Capital common stock and the Liberty Interactive common stock, which track the Entertainment Group, the Capital Group and the Interactive Group, respectively. A tracking stock is a type of common stock that is designed to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. Each group has a separate collection of businesses, assets and liabilities attributed to it, but no group is a separate legal entity and, therefore, no group can own assets² §.



Media's charter, holders of Liberty Entertainment common stock are being asked to approve the redemption of a portion of the outstanding shares of Liberty Entertainment common stock for all of the outstanding shares of common stock of LEI. At the time of the Split-Off, LEI would hold Liberty Media's 57% interest in DIRECTV, a 100% interest in Liberty Sports, a 65% interest in GSN and approximately \$80 million in cash and cash equivalents, together with approximately \$2 billion of indebtedness. (The foregoing cash amount increased from the previously disclosed \$50 million to \$80 million as a result of recent exercises of LMDIA options, a portion of the aggregate exercise prices of which will be retained for the benefit of LEI pursuant to the Merger Agreement.) All of the businesses, assets and liabilities currently attributed to Liberty Media's Entertainment Group that are not held by LEI at the time of the Split-Off would remain with Liberty Media and continue to be attributed to the Entertainment Group. These assets consist primarily of a 100% interest in Starz Entertainment LLC and cash and cash equivalents.

The Split-Off will be completed immediately prior to the completion of the DTV Business Combination, unless the Merger Agreement has been terminated, in which case the Split-Off will be completed as soon as practical after all of the conditions to the Split-Off have been satisfied or waived (other than those related to the DTV Business Combination). We expect to complete the Split-Off and the DTV Business Combination as soon as practical after the special meeting, assuming all other conditions to such transactions have been satisfied or waived. If the Merger Agreement is terminated, we expect to complete the Split-Off as soon as practical after the date of such termination, assuming all other conditions to the Split-Off have been satisfied or waived.

In connection with the Split-Off, Liberty Media expects to redesignate LMDIA as Series A Liberty Starz common stock and LMDIB as Series B Liberty Starz common stock and to list these shares on the Nasdaq Global Select Market under the symbols "LSTZA" and "LSTZB", respectively, immediately following the Split-Off. The businesses, assets and liabilities that are currently attributed to each of Liberty Media's other two tracking stock groups, the Capital Group and the Interactive Group, would not change as a result of the Split-Off.

The following summarizes selected terms of the Split-Off, generally, without giving effect to the DTV Business Combination. For more information about the Split-Off, please see "Special Factors" and "The Split-Off" below. For information about the DTV Business Combination, see "Special Factors" and "DTV Business Combination" below.

Redemption Ratio

If the Split-Off is effected, Liberty Media will redeem, on a pro rata basis, 90% of the shares of each series of Liberty Entertainment common stock outstanding on the redemption date for 100% of the outstanding shares of LEI. On the redemption date, (i) 0.9 of each outstanding share of LMDIA will be redeemed for 0.9 of a share of LEI Series A common stock, and 0.1 of each share of LMDIA will remain outstanding as Liberty Entertainment common stock; and (ii) 0.9 of each outstanding share 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 stock, subject, in each case, to the payment of cash in lieu of any fractional shares. By way of example, a holder of 100 shares of LMDIA would receive 90 shares of LEI Series A common stock in redemption for 90 shares of LMDIA and would retain the remaining 10 shares of

[Table of Contents](#)

LMDIA, while a holder of 100 shares of LMDIB would receive 90 shares of LEI Series B common stock in redemption for 90 shares of LMDIB and would retain the remaining 10 shares of LMDIB.

As of September 30, 2009, the U.S.

[Table of Contents](#)

Accounts holding shares of Liberty Entertainment common stock in book-entry form will be debited as of the effective time of the Split-Off, and promptly thereafter credited with the applicable series and number of shares of LEI common stock. Holders of Liberty Entertainment shares held in book-entry form will not need to take any action to receive their LEI shares in the Split-Off.

Since the DTV Business Combination will be completed immediately following the Split-Off unless the Merger Agreement has been terminated, 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.

Treatment of Fractional Shares Any holder which would otherwise receive a fraction of a share of LEI common stock or retain a fraction of a share of Liberty Entertainment common stock will instead receive cash in an amount equal to the product of the applicable fraction multiplied by the average of the high and low reported sales prices on the Nasdaq Global Select Market for the applicable series of Liberty Entertainment common stock on the redemption date.

Conditions to the Split-Off The Split-Off will be completed immediately prior to the completion of the DTV Business Combination, unless the Merger Agreement has been terminated, in which case, the Split-Off will be completed as soon as practical after all of the conditions to the Split-Off have been satisfied or waived (other than those related to the DTV Business Combination). The completion of the Split-Off is subject to the following conditions:

- the receipt of the requisite stockholder approval of the redemption proposal at the special meeting;
- all of the conditions (other than those conditions that can only be satisfied at closing) to the DTV Business Combination having been satisfied or waived or the Merger Agreement having been terminated;
- the receipt of a private letter ruling from the Internal Revenue Service (**IRS**) (which ruling will not have been withdrawn, invalidated or modified in an adverse manner), and the opinion of Skadden, Arps, Slate, Meagher & Flom LLP, in form and substance reasonably acceptable to Liberty Media, in each case to the effect that the Split-Off will qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the **Code**), and that (i) no gain or loss will be recognized by Liberty Media upon the distribution of LEI

[Table of Contents](#)

common stock and (ii) no gain or loss will be recognized by, and no amount will be included in the income of, holders of Liberty Entertainment common stock upon the exchange of their shares of Liberty Entertainment common stock for shares of LEI common stock (except with respect to cash received in lieu of fractional shares);

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[Table of Contents](#)

Reasons for the Split-Off

The Liberty Media board of directors considered a variety of factors in reaching their determination that the Split-Off is advisable and in the best interests of Liberty Media and its stockholders. In coming to this conclusion, the Liberty Media board determined that this is the case whether or not the DTV Business Combination is consummated. Even if the DTV Business Combination is not completed, the Liberty Media board believes the Split-Off is advisable for the following reasons:

- The LEI common stock would more directly represent the primary business and assets currently
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- the LEI Series B common stock has consent rights with respect to (i) certain share distributions (including distributions of convertible securities of LEI) of voting securities on LEI Series C common stock and certain share distributions (including distributions of convertible securities of LEI) pursuant to which the holders of LEI Series B common stock would receive voting securities with lesser voting rights than those of the LEI Series B common stock; (ii) certain charter amendments, recapitalizations and reclassifications pursuant to which the holders of LEI Series C common stock would receive voting securities or the holders of LEI Series B common stock would receive voting securities with lesser voting rights than those of the LEI Series B common stock; and (iii) certain charter amendments, including amendments relating to the consent rights of the holders of the LEI Series B common stock; the voting rights of the LEI common stock; the terms for the conversion of LEI Series B common stock into LEI Series A common stock; the terms of distributions or dividends (including share distributions); the requirement that the corporation reclassify the LEI common stock on an equal per share basis; and the terms for any liquidation, dissolution or winding-up of the corporation; and
- each share of LEI Series B common stock is convertible, at the option of the holder, into one share of LEI Series A common stock. Shares of LEI Series A common stock and LEI Series C common stock are not convertible.

The holders of each series of LEI 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 LEI 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." The LEI charter will also include certain enhanced supermajority voting rights.

No shares of LEI Series C common stock will be issued in connection with or will be outstanding immediately following the Split-Off.

[Table of Contents](#)

*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 a tracking stock and would not typically apply to regular common stock, such as conversion at the option of the company, redemption for stock of a subsidiary and mandatory conversion, redemption or dividend provisions upon an asset disposition. None of these tracking stock-specific terms will apply to the LEI common stock.

The LEI restated charter provides for the treatment of certain shares in accordance with an excess share provision. The excess share provision is designed to prevent transfers of stock or certain non-transfer events that could cause potential adverse tax effects relating to the Split-Off. The excess share provision was included in the LEI restated charter in order to induce DIRECTV to enter into the agreements relating to the DTV Business Combination and to address certain tax issues. Any LEI excess shares will be held by a trust for the exclusive benefit of a charitable beneficiary and the stockholder whose acquisition caused the LEI shares to be transferred to a trust and treated as excess shares will have no rights in such shares, except as to certain proceeds upon the sale by the trust of the LEI excess shares. The LEI excess share provision will not apply to shares of LEI common stock received by the Malones in the Split-Off and certain of their transferees who received shares



[Table of Contents](#)

Effect on Management

No changes in management at Liberty Media are currently planned as a result of the Split-Off. The board of directors of LEI is substantially similar to the board of directors of Liberty Media except that Paul Gould is a director of LEI and not a director of Liberty Media and Ian Gilchrist is a director of Liberty Media and not a director of LEI, and the management team of LEI is comprised of persons who are part of the Liberty Media management team. Unless the DTV Business Combination is completed (in which case these persons will thereupon cease to serve as the directors and officers of LEI), LEI will compensate Liberty Media for the use of those persons pursuant to a services agreement to be entered into between Liberty Media and LEI for all periods following the Split-Off. Please see "Transaction Agreements—Agreements Relating to the Split-Off—Services Agreement" for more information.

Interests of Certain Persons

In considering the recommendation of the Liberty Media board to vote to approve the redemption proposal, holders of Liberty Entertainment common stock should be aware that, as noted above, the executive officers and directors of Liberty Media will receive stock incentive awards with respect to LEI common stock in exchange for a portion of their existing Liberty Entertainment stock incentives as a result of the Split-Off.

Holders of Liberty Entertainment common stock should also be aware that the executive officers and directors of Liberty Media also serve as the executive officers and directors of LEI and will continue to do so until the DTV Business Combination is completed (or their successors are chosen or elected following the termination of the Merger Agreement). See "Risk Factors—Factors Relating to LEI—LEI has overlapping directors and management with Liberty Media and Liberty Global, Inc., which may lead to conflicting interests" and "—LEI may compete with Liberty Media and LGI for business opportunities" for a discussion of the conflicts that could arise as a result of their positions with Liberty Media and LEI.

In addition, the shares of LEI Series B common stock to be acquired by John C. Malone, Chairman of the Boards of Liberty Media and LEI, will not be subject to any call right or any similarly restrictive agreements in favor of LEI, such as the call right in favor of Liberty Media with respect to Mr. Malone's Series B shares of Liberty Media common stock. For more information on this call right, see "Special Factors—Background of the Transactions—Background of the Split-Off." In addition, holders of LEI Series B common stock, which include certain members of the Liberty Media board of directors, will have certain consent rights with respect to certain share distributions, charter amendments, recapitalizations and reclassifications. The LEI charter will also include certain enhanced supermajority voting rights.

Furthermore, 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 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. Pursuant to the Reorganization Agreement, LEI has agreed to assume Liberty Media's indemnification obligation with respect to such matters after the Split-Off. They are further entitled to certain indemnification from Holdings pursuant to the Merger Agreement (as described under "—DTV Business Combination—Interests of Certain Persons" below).

As of September 30, 2009, Liberty Media's executive officers and directors (including Mr. Malone) beneficially owned shares of Liberty Entertainment **common stock** representing in the aggregate approximately 36.0% of the aggregate voting power of the **owned share**retainment

[Table of Contents](#)

outstanding share of DIRECTV common sto



[Table of Contents](#)

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:

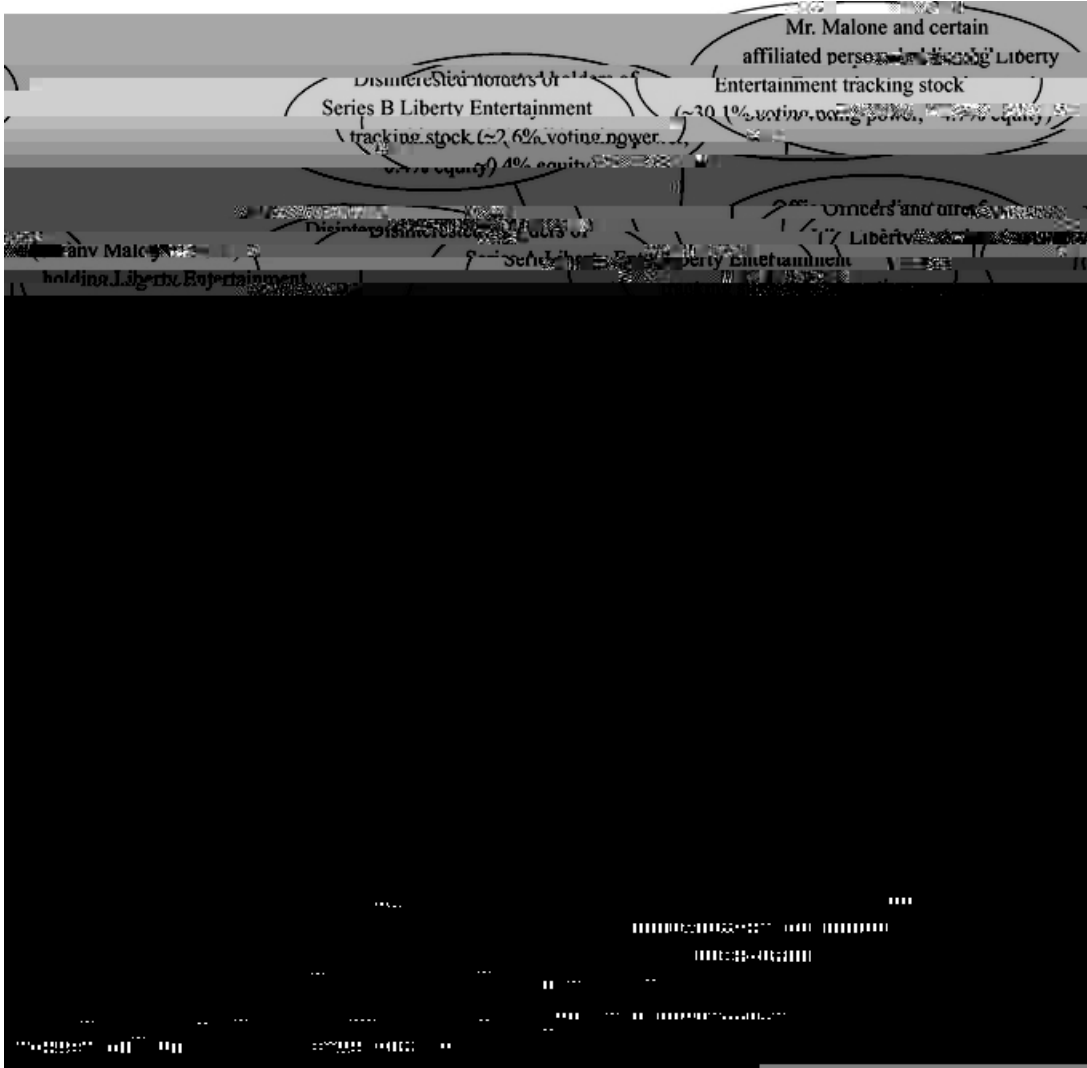
- In the DIRECTV Merger, Merger Sub One will merge with and into DIRECTV with DIRECTV as the surviving corporation; and
- In the LEI Merger, Merger Sub Two will merge with and into LEI with LEI as the surviving corporation.

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 ED~~xx~~ ed for a n~~of~~ e


Before the Split-Off



After the Split-Off and Before the Mergers



After the Malone Contribution and the Mergers

Series B Liberty Entertainment tracking stock	Disinterested holders of all Liberty Entertainment tracking stock	Mr. Malone and certain Liberty Entertainment tracking stock
		



[Table of Contents](#)

- 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 0.2% voting power and 0.3% total equity to be held, in the aggregate, by the other officers and directors of Liberty Media.

Holdings. In the DTV Business Combination, the former holders of Liberty Entertainment common stock will exchange their common stock of LEI for common stock of Holdings, which will own 100% of DIRECTV, among other things. As a result, and after factoring in the exchange of DIRECTV stock for Holdings stock by the public holders of DIRECTV stock, the former holders of Liberty Entertainment common stock will hold, in the aggregate, 67% of the aggregate voting power and 56% of the total equity of Holdings, allocated as follows:

- 39.9% voting power and 53.0% total equity held, in the aggregate, by the former holders of Liberty Entertainment common stock.
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[Table of Contents](#)

DIRECTV special meeting, of a majority of the outstanding shares of DIRECTV common stock, excluding all shares of DIRECTV common stock owned by subsidiaries of Liberty Media or LEI or beneficially owned by Mr. Malone, certain affiliated persons of Mr. Malone or any director or officer of Liberty Media, in favor of the adoption of the Merger Agreement and the Malone Agreement, will have been obtained (the receipt of such requisite approvals are collectively referred to as the **DIRECTV Stockholder Approval**);

- the completion of the Split-Off;
 - the approval of Nasdaq for the listing of the Holdings common stock;
 - the approval of the FCC of the DTV Business Combination (which condition has been satisfied);
 - receipt by DIRECTV of an opinion of Weil, Gotshal & Manges LLP to DIRECTV or receipt by Liberty Media of a private letter ruling from the IRS to the effect that the exchange of DIRECTV common stock for Holdings Class A common stock pursuant to the DIRECTV Merger will qualify as an exchange described in Section 351 of the Code;
 - receipt by Liberty Media of a private letter ruling (**the Split-Off Ruling**) from the IRS and receipt by Liberty Media and LEI of a tax opinion from Skadden, Arps, Slate, Meagher & Flom LLP, to the effect that the contribution of businesses and assets to LEI in preparation for the Split-Off (the **LEI Contribution**) and the Split-Off will qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Code;
 - receipt by Liberty Media and LEI of an opinion from Skadden, Arps, Slate, MeagMe
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[Table of Contents](#)

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 Common Stock

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

- Class A common stock entitles its holder to one vote per share, Class B common stock entitles its holder to fifteen votes per share, and Class C common stock does not entitle its holder to any voting rights (except as required by Delaware law and the Holdings charter);
- the Class B common stock has consent rights with respect to (i) certain share distributions (including distributions of convertible securities of Holdings) of voting securities on Class C common stock and certain share distributions (including distributions of convertible securities of Holdings) pursuant to which the holders of Class B common stock would receive voting securities with lesser relative voting rights than those of the Class B common stock, (ii) certain charter amendments and certain recapitalizations and reclassifications pursuant to which the holders of Class C common stock would receive voting securities or the holders of Class B common stock would receive voting securities with lesser voting rights than those

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 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 Nee and ^{and of that} ~~and of that~~ ^{eng} ~~eng~~ ^{aanrie} ~~aanrie~~ such co

[Table of Contents](#)

Liberty Agreement

Liberty Media, Holdings, DIRECTV, LEI and two wholly owned subsidiaries of Liberty Media that own its DIRECTV common stock entered into a Voting, Standstill, Non-Competition and Non-Solicitation Agreement, dated as of May 3, 2009 (the **Liberty Agreement**), pursuant to which Liberty Media has agreed, subject to the terms and conditions thereof, among other things:

- to vote shares of DIRECTV common stock controlled by Liberty Media in favoU



[Table of Contents](#)

common stock immediately after the completion of the Mergers trading at \$26.53, which was the closing price of DIRECTV common stock on October 15, 2009, and assuming for this purpose that (i) the Mergers are completed on such date, (ii) that the awards are exercised immediately after the completion of the Transactions, and (iii) that the exercise price or base price, as applicable, for the underlying Liberty Entertainment stock award will be the same for the corresponding LEI award. For additional information regarding the value associated with this acceleration (including the estimated intrinsic value attributable to each such executive officer and director), see "DTV Business Combination—Interests of Certain Persons" below.

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 approximately 833,000 LEI restricted shares held by Liberty Media's executive officers and directors that will vest as a result of the LEI Merger) upon the conversion of the 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 e ow.

[Table of Contents](#)

their services up to the time of the completion of the Mergers. See "Transaction Agreements—Agreements Relating to the DTV Business Combination—Merger Agreement—Indemnification" below.

Holders of Liberty Entertainment common stock should further be aware that three of 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 TV Busi



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.

*Material U.S. Federal Tax
Consequences of the LEI Merger and the Malone Contribution*

The LEI Merger and the Malone Contribution are conditioned upon the receipt by Liberty Media or LEI of a private letter ruling from the IRS, or the receipt by LEI of an opinion of Skadden, Arps, Slate, Meagher & Flom LLP, in each case to the effect that the LEI Merger and the Malone Contribution, taken together, will qualify as a tax-free transaction to the holders of LEI common stock (except with respect to cash received in lieu of fractional shares) for U.S. federal income tax purposes under Section 368(a) of the Code and, together with the DIRECTV Merger, under Section 351 of the Code.

Termination; Fees Payable

DIRECTV and LEI may jointly agree to terminate the Merger Agreement at any time. Either DIRECTV or LEI may also terminate the Merger Agreement in various circumstances, including failure to receive the required stockholder approvals or certain regulatory approvals. LEI or DIRECTV may also terminate the Merger Agreement if the DIRECTV board of directors effects a change in its recommendation or the Liberty Media board of directors effects a change in its recommendation, respectively, or if the other party breaches certain of its obligations in the Merger Agreement and does not timely cure such breach. In addition, LEI has the right to terminate at any time after the second business day following the date on which Liberty Media provides written notice to DIRECTV that Liberty Media has received the Split-Off Ruling from the IRS (together with a copy of such ruling), unless prior to such time DIRECTV has delivered to Liberty Media (i) written notice that the ruling(s) as to certain specified tax matters are reasonably acceptable to DIRECTV, (ii) a written waiver of a related condition to closing, or (iii) an officer's certificate to the effect that DIRECTV has received an opinion of its tax counsel with respect to such specified tax matters and the receipt of such ruling(s) is waived by DIRECTV as a condition to the completion of the Merger and replaced with a different condition regarding an absence of a change in applicable law.

*Legal Proceedings Regarding the
DTV Business Combination*

to such transfer of certain wireless licenses in April and May 2009. The DTV Business Combination will result in another transfer of control over DIRECTV and its subsidiaries. On May 21, 2009, Liberty Media and Holdings filed applications for FCC consent to the transfer of control over the DIRECTV licenses and other authorizations in connection 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 and the members of the DIRECTV board of directors in the Delaware Court of Chancery and California State Court. Four stockholder class action complaints were brought in Delaware Chancery Court from May 12, 2009 to May 19, 2009, all of which were subsequently consolidated on May 22, 2009. One stockholder class action complaint was brought in California State Court on May 29, 2009. The Delaware and California actions are purported class actions on behalf of the public stockholders of DIRECTV. The consolidated Delaware complaint and the California complaint allege, among other things, that the members of the DIRECTV board of directors breached their fiduciary duties in approving the Merger Agreement.

The defendants have reached an agreement with the plaintiffs in the Delaware action as set forth in the Stipulation and Agreement of Compromise, Settlement and Release, dated as of October 16, 2009 (the **stipulation of settlement**). In the event that final court approval of the stipulation of settlement is not obtained by June 30, 2010, the stipulation of settlement and the related changes to the Holdings amended and restated certificate of incorporation and by-laws, with certain limited exceptions, will become null and void. For a description of the terms of the stipulation of settlement, see "DTV Business Combination—Legal Proceedings Regarding the DTV Business Combination."

*Exchange Agent, Transfer Agent and
Registrar for the Shares*

Computershare Trust Company, N.A.,
P.O. Box 43102, Providence, Rhode Island 02940.

Stock Exchange Listings

There is currently no public market for Holdings common stock. Holdings will apply to list its Class A common stock on the Nasdaq Global Select Market under DIRECTV's current symbol "DTV." The Class B common stock of Holdings will not be listed on any stock exchange or automated dealer quotation system.

*Recommendation of the Liberty Media
Board*

The Liberty Media board has approved and declared advisable each of the transaction proposals, and the transactions contemplated thereby, and recommends that you vote "**FOR**" each of the transaction proposals.

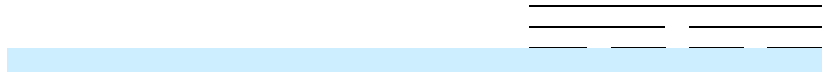
[Table of Contents](#)

Risk Factors

In considering whether to vote in favor of each of the transaction proposals, stockholders should consider a number of risks and uncertainties including, among others:

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[Redacted]

[Redacted]

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 separately described



that certain requirements which are necessary to obtain tax-free treatment under Sections 355 and 368(a)(1)(D) of the Code have been satisfied. Rather, such private letter ruling will be based upon representations by Liberty Media that these requirements have been satisfied, and any inaccuracy in such representations could invalidate the ruling. As a result of this IRS policy, Liberty Media has made it a condition to the Split-Off that Liberty Media and LEI obtain the opinion of counsel described above. The opinion will be based upon various factual representations and assumptions, as well as certain undertakings made by Liberty Media and LEI. Any inaccuracy in the representations or assumptions upon which such tax opinion is based, or failure by Liberty Media or LEI to comply with any undertakings made in connection with such tax opinion, could alter the conclusions reached in such opinion. Opinions of counsel are not binding on the IRS or the courts. As a result, the conclusions expressed in the opinion of counsel could be challenged by the IRS and a court could sustain such a challenge.

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 (including indirectly through acquisitions of Holdings common stock) as part of a plan or series of related transactions that includes the Split-Off. Current 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 the ownership of Liberty Media or LEI to occur, thereby triggering a tax liability to Liberty Media. If the Split-Off is determined to be taxable to Liberty Media, Liberty Media would recognize gain 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.

If it is subsequently determined, for whatever reason, that the Split-Off does not qualify for tax-free treatment, Liberty Media and/or the holders of Liberty Entertainment common stock immediately prior to the Split-Off could incur significant tax liabilities. Under its tax sharing agreement with LEI, Liberty Media, its subsidiaries and certain related persons will be entitled to indemnification, not limited in amount or subject to any cap, from LEI (and following the DTV Business Combination, Holdings) for any losses and taxes resulting from the failure of the Split-Off to be a tax-free transaction described under Sections 355 and 368(a)(1)(D) of the Code, except for any such losses and taxes that (i) result primarily from, individually or in the aggregate, the breach of certain covenants made by Liberty Media, (ii) result from the Liberty Entertainment common stock not being treated as stock of Liberty Media for U.S. federal income tax purposes, or (iii) result from Section 355(e) of the Code applying to the Split-Off as a result of the Split-Off being part of a plan (or series of related transactions) pursuant to which one or more persons acquire a 50-percent or greater interest in the stock of Liberty Media. For a more complete discussion of the requested private letter ruling, the tax opinion and the tax consequences if the Split-Off is not tax-free, please see "Material U.S. Federal Income Tax Consequences—U.S. Federal Income Tax Consequences of the Split-Off."

Liberty Media may have a significant indemnity obligation to News Corporation, which is not limited in amount or subject to any cap, if the News Exchange or certain restructuring transactions related to the News Exchange are treated as taxable transactions as a result of the Split-Off. Liberty Media entered into a tax

utility of their services. These subsidiaries and business affiliates must be able to incorporate new technologies into their products in order to address the needs of their customers. There can be no assurance that they will be able to compete with advancing technology, and any failure to do so could result in customers seeking alternative service providers, thereby adversely impacting LEI's revenue and operating income.

Certain of LEI's subsidi *b*

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 June 30, 2009. 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 conflicts of interest may not be resolved in favor of LEI.

[Table of Contents](#)

LEI's subsidiaries or affiliates, and (y) such opportunity relates to a line of buaø



[Table of Contents](#)

For additional factors relating to the business of LEI, see "—Factors Relating to DIRECTV" below.

Factors Relating to the DTV Business Combination

Because LEI stockholders will receive a fixed number of Holdings shares, no assurance can be given as to the market value of those shares at such time as they are issued to stockholders of LEI. LEI stockholders will receive a fixed number of shares of Holdings common stock in the LEI Merger. Because the number of shares received by LEI stockholders will be a fixed number rather than based on a floating exchange ratio that takes into account fluctuations in the share prices of the constituent stocks between the signing of the Merger Agreement and the closing of the LEI Merger, the yGgGâunt Eae

[Table of Contents](#)

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described in the next sentence. The trust is required to sell the Holdings excess shares to a permitted transferee who will not trigger the application of the excess share provision. Holdings also has the right to repurchase Holdings excess shares held by the trust. These provisions may make it difficult for a third party to make an offer to acquire Holdings.

For additional risks relating to certain tax liabilities that could be incurred as a result of the Split-Off and potential indemnification obligations of LEI and Holdings to
~~the trust, see the section titled "Risks of the Split-Off." The Split-Off could result in significant tax liability."~~



arrangements of programming providers with certain competitors, which has constrained its ability to compete for subscribers who wish to obtain such programming.

In the United States various telcos and broadband service providers have deployed fiber optic lines directly to customers' homes or neighborhoods to deliver video services, which compete with the DIRECTV service. It is uncertain whether DIRECTV will be able to increase its satellite capacity, offer a significant level of new services in existing markets in which it competes or expand to additional markets as may be necessary to compete effectively. Some of these various telcos and broadband service providers also sell the DIRECTV service as a bundle with its voice and data services. The existence of a new broadly-deployed network with the capability of providing video, voice and data services could present a significant competitive challenge and in the case of the telcos currently selling the DIRECTV service, could result in such company focusing less effort and resources selling the DIRECTV service or declining to sell it at all. DIRECTV may be unable to develop other distribution methods to make up for lost sales through the telephone communications company.

As a result of these and other factors, DIRECTV may not be able to continue to expand its subscriber base or compete effectively against cable television or other MVPD operators in the future.

Emerging digital media competition could materially adversely affect DIRECTV. DIRECTV's business is focused on television, and it faces emerging competition from other providers of digital media, some of which have greater financial, marketing and other resources than it does. Significant changes in consumer behavior with regard to the means by which they obtain video entertainment and information in response to this emerging digital media competition, could materially adversely affect DIRECTV's revenue and earnings or otherwise disrupt DIRECTV's business. For example, Netflix, Inc. recently reported rapid subscriber growth in its core DVD offering and internet streaming through Microsoft's Xbox 360. If services such as these continue to grow rapidly and broadband is readily available, DIRECTV's customers could be less likely to buy pay per view movies and premium packages. If pay per view purchases decrease and DIRECTV's customers do not purchase as many premium packages, its revenue could become compressed which would have a material adverse effect on its earnings and financial performance.

DIRECTV depends on the Communications Act for access to cable-affiliated programming and changes impacting that access could materially adversely affect DIRECTV's operations. A substantial percentage of its programming from programmers that are affiliated with cable system operators. Currently, under certain provisions of the Communications Act, governing access to programming, cable-affiliated programmers generally must sell and deliver their programming services to all MVPDs on non-exclusive terms. The Communications Act and the FCC rules also prohibit certain types of exclusive programming contracts involving programming from cable-affiliated programmers.

Any change in the Communications Act or the FCC's rules that would permit programmers that are affiliated with cable system operators to refuse to provide such programming could have a material adverse effect on DIRECTV's operations.



[Table of Contents](#)

may be unable to pass programming cost increases on to its subscribers, which could have a material adverse effect on its earnings or cash flow.

The FCC has adopted rules requiring DIRECTV to negotiate in good faith with broadcast stations seeking carriage outside of the mandatory carriage regime. The rules for "retransmission consent" negotiations, which are similar to those that have applied to broadcast stations for years, require DIRECTV to comply with certain indicia of good faith negotiation, as well as to demonstrate good faith under a "totality of the circumstances" test. Failure to comply with these rules could subject DIRECTV to



[Table of Contents](#)

lead to contractual and other disputes and dependence on the development and delivery of necessary technology on third parties that DIRECTV may not be able to control or influence. These relationships may commit DIRECTV to technologies that are rendered obsolete by other developments or preclude the pursuit of other technologies which may prove to be superior.

New technologies could also create new competitors for DIRECTV. Entities such as telcos are implementing and supporting digital video compression over existing telephone lines and building out fiber optic lines to enhance their capabilities to deliver programming services. Satellite operators such as SES have begun offering turn-key packages of digital programming on a wholesale basis for distribution by rural telcos. While these entities are not currently providing MVPD services on a significant basis, many have the capabilities for such services and some have begun rolling out video services. DIRECTV may not be able to compete successfully with new entrants in the market for video services.

Satellite programming signals have been stolen and may be stolen in the future, which could result in lost revenue and would cause DIRECTV to incur incremental operating costs that do not result in subscriber acquisition. The delivery of subscription programming requires the use of conditional access technology to limit access to programming to only those who subscribe and are authorized to view it. The conditional access system uses, among other things, encryption technology to protect the transmitted signal from unauthorized access. It is illegal to create, sell or otherwise distribute software or devices to circumvent that conditional access technology. However, the use of such software and devices to circumvent conditional access technology has been widely reported, and the access or "smart" cards used in DIRECTV's conditional access system have been compromised in the past and could be compromised in the future.

DIRECTV has undertaken various initiatives with respect to its conditional access system to further enhance the security

[Table of Contents](#)

- the authorization by the United States or foreign governments of the use of frequencies by third party satellite or terrestrial facilities that have the potential to interfere with communication to or from DIRECTV's satellites, which could interfere with DIRECTV's contractual obligations or services to subscribers or other business operations.

All of DIRECTV's FCC satellite authorizations are subject to conditions imposed by the FCC in addition to the FCC's general authority to modify, cancel or revoke those authorizations. Use of FCC licenses and conditional authorizations are often subject to conditions, including technical requirements and implementation deadlines. Failure to comply with such requirements, or comply in a timely manner, could lead to the loss of authorizations and could have a material adverse effect on our business.



[Table of Contents](#)

Because DTVLA offers premium pay television programming, its business is particularly vulnerable to economic downturns. DTVLA has experienced, and may in the future experience, decreases or instability in consumer demand for its programming, as well as subscriber credit problems. DTVLA's inability to adjust its business and operations to adequately address these issues could materially adversely affect its revenue and ability to sustain profitable operations.

DIRECTV may not be able to obtain or retain certain foreign regulatory approvals. There can be no assurance that any current regulatory approvals held by DIRECTV are, or will remain, sufficient in the view of foreign regulatory authorities, or that any additional necessary approvals will be granted on a timely basis or at all, in all jurisdictions in which DIRECTV operates, or that applicable restrictions in those jurisdictions will not be unduly burdensome. The failure to obtain the authorizations necessary to operate satellites or provide satellite service internationally could have a material adverse effect on DIRECTV's ability to generate revenue and its overall competitive position.

DIRECTV's results are impacted by the effect of, and changes in, United States and Latin America economic conditions and weakening economic conditions may reduce subscriber spending and DIRECTV's rate of growth of subscriber additions and may increase subscriber churn. DIRECTV's business may be affected by factors in the United States and other countries in which it operates that are beyond its control, such as downturns in economic activity in a specific country or region, or in the MVPD industry. Factors such as interest rates and the health of the housing market may impact DIRECTV's business. A substantial portion of DIRECTV's revenue comes from residential customers whose spending patterns may be affected by prevailing economic conditions. DIRECTV's market share in multiple dwelling units such as apartment buildings is lower than that of many of its competitors. If unemployment and foreclosures of single family residences increase, DIRECTV's earnings and financial performance will be negatively affected more than those of its competitors. In addition, if DIRECTV's customers seek alternative means to obtain video entertainment, they may choose to purchase fewer services from DIRECTV. Due to the economic and competitive environment, DIRECTV may need to spend more to acquire and retain customers who in turn spend less on its services. If DIRECTV's average revenue per unit, or ARPU, decreases, DIRECTV's margins could become compressed as the long term value of a customer decreases. The weak economy may affect DIRECTV's net subscriber additions and reduce subscriber spending and, if these economic conditions continue or deteriorate further, DIRECTV's subscriber growth could decline and its churn rate could increase which would have a material adverse effect on its earnings and financial performance.

DIRECTV relies on key personnel. DIRECTV believes that its 2 t lip t fiits nbscrr fthammtho t os thl performalue o al tertæ on it amam 2i ser,“ Â

[Table of Contents](#)

- the regulatory and competitive environment of the industries in which DIRECTV or LEI, and the entities in which LEI has interests, including DIRECTV, operate;
- changes in distribution and viewing of television programming, including the expanded deployment of personal video recorders, video on demand and IP television and their impact on advertising revenue;
- increased digital TV penetration and the impact on channel positioning of LEI's networks;
- rapid technological changes;
- capital spending for the acquisition and/or development of telecommunications networks and services;
- threatened terrorists attacks and ongoing military action in the Middle East and other parts of the world; and
- fluctuations in foreign currency exchange rates and political unrest in international markets.

These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this document (or, as to documents incorporated by reference, the date of such documents), and Liberty Media, LEI, DIRECTV and Holdings expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein or therein, to reflect any change in its expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. When considering such forward-looking statements, you should keep in mind the factors described in "Risk Factors" and other cautionary statements contained or incorporated in this document. Such risk factors and statements describe circumstances which could cause actual results to differ materially from those contained in any forward-looking statement.

THE SPECIAL MEETING

Time, Place and Date

The special meeting of the stockholders is to be held at 9:30 a.m., New York City time, on November 19, 2009, at Sheraton New York Hotel & Towers, 811 7th Avenue (53rd Street), New York 10019, telephone (212) 581-1000.

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 \$80 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 affiliated persons of Mr. Malone or any directors and officers of Liberty Media, will be asked to consider and vote on three related transaction proposals consisting of:

- 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 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).

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. The Split-Off is conditioned on the receipt of the requisite approval of the redemption proposal and not on the receipt of the requisite approval of the merger proposal. The contribution proposal is conditioned on the receipt of the requisite approval of the merger proposal and not on the receipt of the requisite approval of the redemption proposal. The Split-Off is conditioned on the receipt of the requisite approval of the redemption proposal and not on the receipt of the requisite approval of the merger proposal. The contribution proposal is conditioned on the receipt of the requisite approval of the merger proposal and not on the receipt of the requisite approval of the redemption proposal.

Entertainment common stock outstanding on the record date, must be represented at the special 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 498,010,539 shares of LMDIA and 23,691,839 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 2,200 and 100 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, the redemption proposal or the adjournment proposal.

[Table of Contents](#)

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

Solicitation of Proxies

The accompanying proxy for the special meeting is being solicited on behalf of the Liberty Media board. In addition to this mailing, Liberty Media's employees may solicit proxies personally or by telephone. In this regard, Liberty Media has engaged D.F. King & Co., Inc. for the purpose of using its proxy solicitation services, whose contact information is set forth below. Liberty Media pays the cost of soliciting these proxies. Liberty Media also reimburses brokers and other nominees for their expenses in sending these materials to you and getting your voting instructions.

D.F. King & Co., Inc.
48 Wall Street, 22nd Floor
New York, New York 10005
Toll-Free: 1-800-628-8532
Banks and Brokerage Firms Please Call: 1-212-269-5550

[Table of Contents](#)

and Starz Entertainment share a common intermediary parent company, Starz LLC. Because the management teams of each of Starz Media and Starz Entertainment have
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LIBERTY MEDIA

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 board believes that investors are inclined to discount the value of a public company's shares when a substantial portion of that company's assets are shares in a separate public operating company, because of the inefficiency inherent in making an indirect (compared to a direct) investment in the operating company.

To facilitate discussions regarding a possible transaction DIRECTV and Liberty Media entered into a mutual confidentiality agreement on September 15, 2008.

On September 26, 2008, representatives of Liberty Media and DIRECTV met to discuss potential transactions involving Liberty Media's ownership interests in DIRECTV. One of the proposals made by Liberty Media and considered by DIRECTV was a transaction in which Liberty Media would exchange all of the DIRECTV shares it owned for all of the outstanding shares of a subsidiary of DIRECTV that would hold all of DIRECTV's interest in DTVLA and cash (we refer to this proposal as the **DTVLA Exchange**). In furtherance of these discussions, Liberty Media engaged legal and financial advisors to begin reviewing information concerning DTVLA to be provided by DIRECTV.

By October 2008 representatives of Liberty Media had begun reviewing the DTVLA information and discussing with representatives of DIRECTV potential transactions involving Liberty Media's interest in DIRECTV. Those potential transactions included the DTVLA Exchange, a combination of LEI and DIRECTV following the Split-Off and a transaction involving a significant investment in DIRECTV by a third party to provide funding for the DTVLA Exchange or otherwise as part of a restructuring of Liberty Media's ownership in DIRECTV. In November and December 2008, representatives of Liberty Media and DIRECTV had various discussions regarding various alternative transactions but primarily concerning the impact the turmoil in the financial markets might have on an as





[Table of Contents](#)

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 subsequent merger would increase the complexity of the deal in terms of DTW, tax, and management, and would increase the risk of the transaction not being completed.
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[Table of Contents](#)

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 successfully challenged. Management explained to the representatives of DIRECTV that, whether or not DIRECTV and Liberty Media were able to reach an agreement with respect to a business combination, because of the nature of Liberty Media's tracking sap witapas

The Liberty Media board then reviewed with management the proposed terms of the Malone Agreement and considered whether an independent committee of the board should be formed to review the transactions with the Malone Group, noting that because the DIRECTV proposal contemplated the Malone Group receiving common stock with the same voting power as the common stock received by other stockholders, the potential conflict would relate to the premium DIRECTV was offering the Malone Group. This premium was intended to compensate the members of the Malone Group for relinquishing the level of voting power represented by their shares of Liberty Entertainment and LEI common stock. After discussing the issue with its legal advisors, the Liberty Media board determined not to appoint an independent committee of directors at that time. The board also reviewed with its legal advisors various alternatives to a special committee process, including the effects of Liberty Media's requirement that any transaction between the Malone Group and DIRECTV be approved by a majority of those Liberty Entertainment stockholders not affiliated with the Malone Group.

After further discussion of the status of the proposed transactions, remaining open issues, potential delays in completing the Split-Off and potential liabilities that may arise out of the proposed merger transaction, particularly with respect to the Malone arrangements, the Liberty Media board expressed concern about proceeding with the merger structure under consideration. The board's concern was that the premium to be paid to the Malone Group in the proposed transaction, although supported by the relevant facts, may enhance the risk of stockholder suits related to the Malone arrangements, that such stockholder suits could, among other things, create a risk of uncertainty with respect to ~~the~~ ~~Malone~~ ~~Group~~ ~~that~~ ~~its~~ ~~separate~~ ~~vote~~ ~~of~~ ~~the~~ ~~non-Malone~~ ~~Group~~ ~~Liberty~~ ~~Entertainment~~ ~~stockholders~~ ~~may~~ ~~not~~ ~~completely~~ ~~insulate~~ ~~the~~ ~~transaction~~ ~~from~~ ~~those~~ ~~risks~~. Mr. Malone expressed concern that, although the arrangements with the Malone Group would help to facilitate a transaction that the board might ~~A~~ ~~n~~ ~~d~~ ~~e~~ ~~X~~ ~~i~~ ~~m~~ ~~i~~ ~~n~~ ~~e~~ ~~d~~

[Table of Contents](#)

informed Mr. Maffei that the DIRECTV boa (



[Table of Contents](#)

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 prior to the completion of the Mergers and (ii) to acknowledge that those of his LEI options which would be exercisable for Series B shares following the Split-Off would be converted in the LEI Merger into Holdings options to acquire Class A shares only. The Liberty Media board was apprised that, in exchange for agreeing to these restrictions, which would essentially leave Mr. Bennett in an illiquid position with respect to Liberty Entertainment, LEI and Holdings common stock for some period of time (subject to a limited exception), Mr. Bennett had requested the grant of certain LMDIA options. These options were intended to compensate Mr. Bennett for agreeing to such restrictions and the resulting decrease in the liquidity in his Liberty Entertainment investment, including as a result of the prohibition on his ability to exercise options. Representatives of management negotiated with Mr. Bennett the amount of consideration he would receive and the parties agreed to issue Mr. Bennett options having a Black-Scholes value (as of the last trading day prior to execution of the Merger Agreement) of approximately \$2.5 million. Mr. Bennett exercised the options in full on the day of the Split-Off and received approximately \$2.5 million in cash.



[Table of Contents](#)

- The Split-Off will enable LEI stockholders to receive shares of Holdings common stock in the DTV Business Combination in a manner that is generally tax-free to them.
- 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.
- By effecting the Split-Off, DIRECTV agreed to pay the LEI stockholders a premium 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 execution of the Merger Agreement.

The Liberty Media board considered the following material factors concerning the Split-Off, which are premised on the possibility that the DTV Business Combination may not close:

- Because the LEI common stock would more directly represent the primary business and assets currently tracked by the Entertainment Group, the Liberty Media board believes the value of the Split-Off business will receive greater market recognition in the hands of a stand-alone issuer, which will likely reduce the discount to net asset value at which the Liberty Entertainment common stock has been trading.
 - The improved market recognition of the LEI assets resulting from the Split-Off would provide LEI with greater flexibility in raising capital and responding to strategic opportunities, as well as create a more attractive acquisition currency in the LEI common stock.
 - The Split-Off should facilitate an alternative business combination with DIRECTV were the DTV Business Combination to not be completed.
 - LEI will have increased flexibility in structuring equity-based compensation awards, a key component of retaining and incentivizing a quality management team.
 - The Liberty Media board's expectation that the Split-Off will be completed in a manner that is generally tax-free to the LEI stockholders.
-

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.
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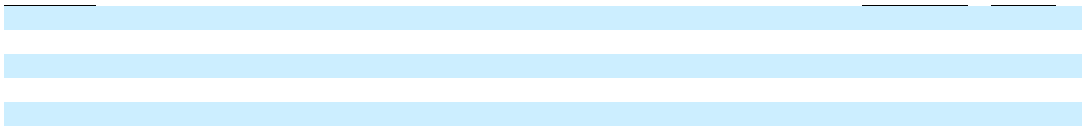
[Table of Contents](#)

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' approximately 24.2% voting power in Holdings (after giving effect to the restrictions set forth in the Malone Agreement);
- ~~This document provides information concerning the~~
~~becomes a proxy for~~
~~that is~~







[Table of Contents](#)

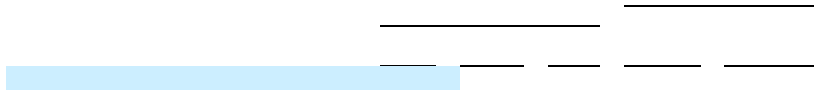
Based upon the LEI Exchange Ratio, the DIRECTV Exchange Ratio, the number of shares of DIRECTV common stock outstanding as of February 23, 2009 (other than shares of DIRECTV common stock owned by subsidiaries of Liberty Media), an illustrative number of shares of LEI common stock outstanding (which Goldman 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 - \$23.8/ 23	\$



[Table of Contents](#)

analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to .



[Table of Contents](#)

Sachs also has provided certain investment banking and other financial services to DIRECTV and inn



[Table of Contents](#)

- the transactions will eliminate share arbitrage situations between Liberty Entertainment tracking stock and DIRECTV common stock by making DIRECTV a wholly owned subsidiary of Holdings so that an interest in DIRECTV may only be obtained in the public market through ownership of Holdings common stock;
- with an increased public float, and no single stockholder or group holding a blocking right as to significant transactions, DIRECTV will have more flexibility to pursue strategic opportunities, thereby creating the potential for obtaining a control premium for all DIRECTV stockholders in a future transaction;
- the transactions mitigate the risk of a third party gaining effective control of DIRECTV by (i) buying shares of Liberty Entertainment tracking stock (prior to, but in anticipation of, the Split-Off) or LEI (after the Split-Off) from Mr. Malone or in the open market without paying a premium to all DIRECTV stockholders or (ii) acquiring all of LEI without paying a premium to all DIRECTV stockholders;
- the transactions mitigate the risk that Liberty Media may attempt to purchase the remaining shares of DIRECTV common stock for a low premium (or no premium);
- the transactions result in DIRECTV share liquidity increasing by 115% (currently only approximately 44% of DIRECTV common stock is publicly held; whereas after the Mergers are completed, approximately 97% of the Holdings common stock will be publicly held), thereby creating additional index fund demand (S&P 500 and NASDAQ);
- the fact that the DIRECTV public stockholders will continue to own approximately 46% of Holdings following the Mergers and that Holdings will include the three regional sports networks and a 65% interest in GSN (and its wholly owned subsidiary, FUN);
- the expectation that the exchange of DIRECTV common stock for Holdings common stock, pursuant to the DIRECTV Merger, generally would be nontaxable to DIRECTV stockholders; and
- the terms and conditions of the Merger Agreement and related documents, including:
 - the limited number and nature of the conditions to Liberty Media's and LEI's obligations to close the Mergers;
 - the fact that the DIRECTV Merger is subject to approval by a majority of DIRECTV stockholders excluding Liberty Media, directors or officers of Liberty Media, Mr. Malone and any of Mr. Malone's affiliates;
 - the conclusion of the DIRECTV board of directors that the \$450 million termination fee, and the circumstances under which such fee may be payable to (or by) DIRECTV, were reasonable in light of the benefits of the Mergers and commercial practice; and
 - the ability which DIRECTV retains to provide confidential due diligence information to, and engage in discussions with a third party that makes an unsolicited bona fide written proposal to engage in a business combination transaction, provided that the DIRECTV board of directors determines in good faith, after consulting with its outside legal counsel and a financial advisor of nationally recognized reputation, that such proposal constitutes, or would reasonably be expected to lead to, a superior proposal.

The Liberty Transaction Special Committee and the DIRECTV board of directors also considered a number of potentially countervailing factors and risks. These countervailing factors and risks included the following:

- the risk that the Transactions might not be consummated in a timely manner or at all;

[Table of Contents](#)

- the fact that DIRECTV, on a consolidated basis, will assume approximately \$2 billion in debt, and associated equity collars, owed by LEI to Bank of America and the risk that some or all of such debt, and associated loss (or gain) related to the equity collars, may be required to be prepaid at or shortly after the closing of the Mergers;
- the fact that DIRECTV officers and employees have expended and will expend extensive efforts attempting to complete the Transactions and have experienced and will experience significant distractions from their work during the pendency of the Transactions and DIRECTV has incurred and will incur substantial transaction costs in connection with the Transactions even if the Transactions are not consummated; and
- the risk that LEI and Holdings could become liable for substantial transaction related taxes pursuant to the Tax Sharing Agreement with Liberty Media.

The Liberty Transaction Special Committee and the DIRECTV board of directors also considered the following factors, which although theoretically adverse to DIRECTV and its stockholders, were not considered to be significant countervailing factors in light of Liberty Media's approximate 57% equity interest and 48% voting interest in DIRECTV and the consequent inability of DIRECTV as a practical matter to engage in any alternative transaction without the approval of Liberty Media (or LEI), which approval may be influenced by John Malone individually in light of his position with and voting power of Liberty Media (and his position with and anticipated voting power of LEI):

- the fact that under the terms of the Merger Agreement, DIRECTV is restricted in its ability to solicit other acquisition proposals;
- the fact that under the terms of the Merger Agreement, DIRECTV is subject to certain restrictions during the period between the signing of the Merger Agreement and the completion of the Mergers;
- the \$450 million termination fee payable to LEI upon the occurrence of certain events (none of which is believed to be likely to occur), and the potential effect of such termination fee on the decision by a third party to make a competing proposal that may be more advantageous to DIRECTV stockholders (which, as a practical matter, could not occur unless Liberty Media, LEI and Mr. Malone individually were supporting such a competing proposal); and
- the fact that under the terms of the Merger Agreement, DIRECTV is required to hold a meeting of DIRECTV stockholders to approve the Merger Agreement, including under circumstances where an alternative transaction has been proposed that may be more advantageous to DIRECTV stockholders.

This discussion of the information and factors considered by the Liberty Transaction Special Committee and board of directors in making their decisions is not intended to be exhaustive but includes all material factors considered by the Liberty Transaction Special Committee and board of directors. In view of the wide variety of factors and risks considered in connection with the evaluation of the DIRECTV Merger and the complexity of these matters, the Liberty Transaction Special Committee and board of directors did not find it useful, and did not attempt to, quantify, rank or otherwise assign relative weights to these factors and risks. In considering the factors and risks described above, individual members of the Liberty Transaction Special Committee and board of directors may have given different weight to different factors. The Liberty Transaction Special Committee and board of directors conducted an overall analysis of the factors described above, including discussions with, and questioning of, DIRECTV's management and their respective legal and financial advisors, and considered the factors overall to be favorable to, and to support, their determinations.

THE SPLIT-OFF

General

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 the outstanding shares owned by Liberty Media of one or more subsidiaries that hold, directly or indirectly, assets and liabilities attributed to the Entertainment Group. The Liberty Media board has determined to redeem a portion of the outstanding shares of Liberty Entertainment common stock for shares of common stock of LEI, subject to the receipt of the requisite stockholder approval and the satisfaction of the other conditions described below. 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 to redesignate LMDIA as Series A Liberty Starz common stock and LMDIB as Series B Liberty Starz common stock.

The following discussion focuses on the Split-Off without giving effect to the DTV Business Combination (except as expressly specified). The Split-Off will be completed immediately prior to the completion of the DTV Business Combination, unless the Meeting (see "Series A Liberty Starz Common Stock") on which the Split-Off will be completed as a condition to the DTV Business Combination is adjourned or postponed. The Split-Off will be completed as soon as practicable after the conditions to the Split-Off have been satisfied or waived (other than by her





[Table of Contents](#)

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 Outstanding Liberty Entertainment Option immediately prior to the redemption date, with any fraction of a share rounded down to the nearest whole number. ne 4wYdinge

The aggregate intrinsic value of each Outstanding Liberty Entertainment Option will be allocated between the LEI Stock Option and the Adjusted Liberty Entertainment Option, in each case, with any fraction of a cent in the resulting exercise price rounded up, based upon the relative volume weighted average prices (each, a **VWAP**) of (x) Series A Liberty Entertainment common stock over the three-trading day period ending on (and including) the last trading day before the redemption date (the **pre-closing** value of the period) and (y) the LEI Stock Option and the Adjusted Liberty Entertainment Option, as the difference between the (x) and (y) terms based upon the pre-closing value of the period. ne 4wYdinge

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 Libe**



Restricted Stock Awards

As of the effective time of the Split-Off, Liberty Entertainment shares subject to restricted stock awards will be redeemed in the same proportion as outstanding, unrestricted shares of Liberty Entertainment common stock. As a result, (i) 0.9 of each outstanding restricted share of LMDIA will be redeemed for 0.9 of a restricted share of LEI Series A common stock, and the remaining 0.1 of each restricted share of LMDIA will be retained by the holder, and (ii) 0.9 of each outstanding restricted share of LMDIB will be redeemed for 0.9 of a restricted share of LEI Series B common stock, and the remaining 0.1 of each restricted share of LMDIB will be retained by the holder, subject to cash, in each case, in lieu of fractional shares. By way of example, with respect to an outstanding award of 100 restricted shares of LMDIA, 90 restricted shares of LMDIA will be redeemed for 90 restricted shares of LEI Series A common stock, and 10 restricted shares of LMDIA will remain outstanding.

The terms of the LEI restricted shares (including, for example, the vesting terms thereof) will, in all material respects, be the same as those of the corresponding Liberty Entertainment restricted shares, except that the LEI restricted shares will continue to vest so long as the holder provides service (whether as an employee, consultant or nonemployee director) (as defined in the Liberty Entertainment Restricted Stock Award Agreement) as a Liberty Entertainment restricted shareholder.

[Table of Contents](#)

Amount and Source of Funds and Financing; Expenses

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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, certain executive officers and significant stockholders of LEI. Affiliates may not sell their shares of LEI common stock, except:

- pursuant to an effective registration statement under the Securities Act covering the resale of those shares;
- in compliance with Rule 144 under the Securities Act; or
- pursuant to any other applicable exemption under the Securities Act.

LEI's registration statement on Form S-4, of which this document forms a part, will not cover the resale of shares of LEI common stock to be received by its affiliates.

Vote and Recommendation

The redemption 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 Liberty Media board has approved and declared advisable the redemption proposal, and the transactions contemplated thereby, including the Split-Off, and recommends that the holders of LMDIA and LMDIB vote "**FOR**" the redemption proposal.



[Table of Contents](#)

- 2.6% voting power and 0.4% total equity to be held, in the aggregate, by the disinterested holders of Series B Liberty Entertainment common stock;
 - 30.1% voting power and 4.7% total equity to be held, in the aggregate, by John Malone and certain affiliated persons; andt co
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[Table of Contents](#)

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 **DIRECTV 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 **DIRECTV Adjusted RSU**) with respect to 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) as applied to each such DIRECTV RSU 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 RSU immediately prior to the completion of the DIRECTV Merger.

[Table of Contents](#)

- 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, and Brian M. McMane, a member of the Liberty Media board of directors, and the Chairman of the Board of Directors 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.

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[Table of Contents](#)

Legal Proceedings Regarding the DTV Business Combination

There are multiple purported class action complaints pending against DI

[Table of Contents](#)

- 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 Standstill**) commencing upon the completion of the Mergers. The stipulation of settlement provides that the Malones may, however, acquire shares of Holdings Class A common stock: (i) pursuant to the Merger Agreement, (ii) from another Malone, (iii) pursuant to the grant, exercise or vesting of any equity incentive awards, (iv) as a result of any stock dividend, stock split or other distribution so long as such dividend or distribution is made on a pro rata basis to all holders of Holdings common stock, (v) pursuant to the exercise of any rights, warrants or other securities issued or distributed to all holders of Holdings common stock on a pro rata basis, (vi) received in exchange for shares of Holdings Class B common stock so long as the aggregate voting power of the Malones (as a group) does not exceed 50% of the outstanding shares of Holdings Class B common stock, (vii) upon the redemption of Holdings Class B common stock following the death of Mr. Malone in accordance with the provisions of the Holdings charter and (viii) commencing on the first anniversary of the effective time of the Split-up of Holdings.
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[Table of Contents](#)

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 director t ^ Â



[Table of Contents](#)

or News Tax-related losses that (i) result primarily from, individually or in the aggregate, a breach by LEI of any of its covenants relating to the News Exchange and related restructuring transactions as described below, or (ii) result from Section 355(e) of the Code applying to the News Exchange, or to any of the internal distributions of the stock of Greenlady Corp. that were effected by subsidiaries of News Corporation in connection with the News Exchange, as a result of the Split-Off, actions taken by LEI or its subsidiaries following the Split-Off, or any change in ownership (by vote or value) of LEI stock following the Split-Off (except to the extent that such losses result primarily from, individually or in the aggregate, a breach by Liberty Media of any of its covenants relating to the News Exchange and related restructuring transactions as described below); and

- Liberty Media and LEI will each be allocated 50 percent of any transfer taxes arising from the Split-Off and related restructuring transactions.

Liberty Media will be responsible for preparing and filing all tax returns which include one or more members of the Liberty Media group and one or more members of the LEI group. Liberty Media will generally be required to prepare such returns in a manner consistent with its practices used prior to the date of the Merger Agreement, or if such practices are no longer permissible under applicable law, in accordance with reasonable practices selected by Liberty Media, with the consent of LEI, unless certain exceptions apply.

In addition to the foregoing, each of Liberty Media and LEI will be responsible for preparing and filing any tax returns that include only members of its respective group. On any tax return that LEI is responsible for filing, LEI and the members of the LEI group must allocate tax items between any tax returns for which LEI is responsible and any related tax return for which Liberty Media is responsible that are filed with respect to the same tax year in a manner that is consistent with the reporting of such tax items on the tax return prepared by Liberty Media and the members of the Liberty Media group. The allocation of tax items between any tax returns for which LEI is responsible and any related tax return for which Liberty Media is responsible shall be consistent with the IRS private letter ruling and tax opinions obtained in connection with the Split-Off. Further, under the tax sharing agreement, amended tax returns with respect to the ff g dthe hg g dthe

[Table of Contents](#)

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) the shares of DIRECTV common stock that are authorized by the DIRECTV Board of Directors and (b) the shares of DIRECTV common stock that are authorized by the DIRECTV Board of Directors and are not outstanding immediately prior to the DIRECTV Effective Time).



Table of Contents

- sale of assets;
 - solvenc
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[Table of Contents](#)

terms or other material terms of such LEI Superior Proposal will require a new notice and a new three business day period. In determining whether to make a Liberty Adverse Recommendation Change, the board of directors of Liberty Media will take into account any changes to the terms of the Merger Agreement proposed by DIRECTV in determining whether such third party LEI Takeover Proposal still constitutes an LEI Superior Proposal.

DIRECTV Adverse Recommendation Change. The Merger Agreement also provides that DIRECTV's board of directors will not:

- withdraw or modify, or propose publicly to withdraw or modify, in a manner adverse to Liberty Media or LEI, its approval and recommendation of the Merger Agreement and the transactions contemplated thereby, or approve or recommend, or propose publicly to approve or recommend, any DIRECTV Takeover Proposal (such actions referred to as a **DIRECTV Adverse Recommendation Change**); or
- approve or recommend, or publicly propose to approve or recommend, or permit any of its subsidiaries to execute or enter into, any agreement related to any DIRECTV Takeover Proposal other than a confidentiality agreement.

However, in connection with a DIRECTV Takeover Proposal, at any time prior to obtaining the DIRECTV Stockholder Approval, the board of directors of DIRECTV may make a DIRECTV Adverse Recommendation Change if it determines, in good faith, after consulting with outside legal counsel and a financial advisor of nationally recognized reputation, that such DIRECTV Takeover Proposal constitutes a DIRECTV Superior Proposal and that the failure to take such action would result in a violation of its fiduciary duties to DIRECTV and the DIRECTV stockholders under applicable law. No action may be taken until after the third business day following the receipt by Liberty Media and LEI of written notice from DIRECTV advising Liberty Media and LEI that DIRECTV has received a DIRECTV Superior Proposal and the board of directors of DIRECTV intends to make such DIRECTV Adverse Recommendation Change and specifying the terms and conditions of such DIRECTV Superior Proposal, it being understood and agreed that during such three business day period, DIRECTV must negotiate in good faith with Liberty Media and LEI and that any amendment to the financial terms or other material terms of such DIRECTV Superior Proposal will require a new notice and a new three business day period. In determining whether to make a DIRECTV Adverse Recommendation Change, the board of directors of DIRECTV will take into account any changes to the terms of the Merger Agreement proposed by Liberty Media and LEI in determining whether such third party DIRECTV Takeover Proposal still constitutes a DIRECTV Superior Proposal.

Additional Agreements

DIRECTV, Liberty Media and LEI have agreed to cooperate with each other and to, among other things, use reasonable best efforts to:

- take all actions necessary under the Merger Agreement and applicable law.
-

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**) will be employed in a substantially comparable position to the position in which such employee was employed immediately prior to the closing of the Mergers. As of and for no less than one year following the closing of the Mergers, Holdings will, and will cause its subsidiaries to, provide Transferred Employees who remain employed with Holdings and its subsidiaries with the same rate of base salary and wages and commissions and with employee benefit and compensation plans, programs and arrangements substantially equivalent in the aggregate to those provided to similarly situated employees of Holdings and its subsidiaries.

Indemnification

From and after the DIRECTV Effective Time, Holdings will indemnify the individuals who at or prior to the DIRECTV Effective Time were directors or officers of DIRECTV with respect to all acts or omissions by them in their capacities as such at any time prior to the DIRECTV Effective Time, to the fullest extent (i) required by the DIRECTV organizational documents as in effect on the date of the Merger Agreement, (ii) required by any indemnification agreement between DIRECTV and any such director or officer as in effect on the date of the Merger Agreement or as of the DIRECTV Effective Time and (iii) permitted under applicable law.

From and after the Merger Effective Time, Holdings will indemnify the individuals who at or prior to the Merger Effective Time were directors or officers of Liberty Media or LEI with respect to third party actions brought by stockholders of Liberty Entertainment common stock or, after the effective time of the Split-Off, LEI common stock, for acts taken or omissions by them in their capacities as directors or officers of Liberty Media or LEI in connection with the approval of the DTV Business Combination, including the Split-Off and the Mergers, at any time prior to the Merger Effective Time (other than claims brought relating to the percentage of Liberty Entertainment common stock excluded from the redemption of 90% of the outstanding Liberty Entertainment common stock in exchange for all of the outstanding shares of LEI), to the fullest extent (i) required by the Liberty Media organizational documents as in effect on the date of the Merger Agreement, (ii) required by the LEI organizational documents as in effect upon the effective time of the Split-Off, (iii) required by any indemnification agreement (x) between Liberty Media or Liberty Entertainment, (y) required by the organizational documents of Liberty Media or Liberty Entertainment, (z) required by any applicable law, and (iv) permitted under applicable law.

[Table of Contents](#)

therein) in order for Greenlady to make additional permitted payments. Those permitted payments include scheduled maturities under the Greenlady Debt and other amounts that become a



[Table of Contents](#)

- 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. The LEI Cash Amount is currently equal to approximately \$80 million.

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Parent Undertaking

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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 merger ch amo r



- LEI's 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 Holdings from exercising full ownership of DIRECTV and LEI, (ii) prohibit or restrain Holdings from owning or operating all or any portion of the businesses or assets of DIRECTV or its subsidiaries (taken as a whole) or as a result of the DTV Business Combination, of LEI and its subsidiaries (taken as a whole), (iii) as a result of the DTV Business Combination, compel Holdings to dispose of any shares of DIRECTV or LEI or to dispose of or hold separate any material portion of the businesses or assets of DIRECTV and its subsidiaries (taken as a whole) or (iv) impose damages on Holdings, LEI or DIRECTV or any of their respective subsidiaries as a result of the DTV Business Combination in amounts material in relation to Holdings or 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;
- DIRECTV will have received resignation letters from Liberty Media representatives who hold director or officer positions at LEI or any of its subsidiaries and representatives of DIRECTV will have been appointed to the management committee of GSN to fill the vacancies created by the resignations of the Liberty Media representatives;
- DIRECTV will have received a certificate signed by Mr. Malone on which tax counsel will rely in connection with certain tax opinions delivered pursuant to the Merger Agreement;
- each of the parties (other than DIRECTV and its subsidiaries) to the transaction agreements contemplated by the Mergers (other than the Liberty Media credit facility) and the Bennett Agreement will have performed in all material respects all obligations required to be performed by such party under such agreement and each such agreement will be in effect;
- DIRECTV will have received an opinion from Weil, Gotshal & Manges LLP or Liberty Media will have received a private letter ruling from the IRS (which ruling will not have been withdrawn, invalidated or modified in an adverse manner), in either case, in form and substance reasonably satisfactory to DIRECTV, to the effect that the exchange of DIRECTV common stock for Holdings common stock pursuant to the DIRECTV Merger, taken together with the LEI Merger and the Malone Contribution, will be treated for federal income tax purposes as a transaction described in Section 351 of the Code;
- Liberty Media will have received a private letter ruling or rulings from the IRS (which ruling will not have been withdrawn, invalidated or modified in an adverse manner) addressing the application of Section 355(e) of the Code to shifts in voting power among Holdings stockholders as a result of the automatic conversion feature of Holdings Class B common stock;
- (i) Liberty Media will have received a private letter ruling from the IRS (which ruling will not have been withdrawn, invalidated or modified in an adverse manner) and Liberty Media and LEI will have received a tax opinion from Skadden, Arps, Slate, Meagher & Flom LLP, in each case, in form and substance reasonably acceptable to DIRECTV, substantially to the effect that the LEI Contribution and the Split-Off will qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Code; (ii) Liberty Media or LEI will have received a private letter ruling from the IRS (which ruling will not have been withdrawn, invalidated or modified in an adverse manner) or LEI will have received a tax opinion from Skadden, Arps, Slate, Meagher & Flom LLP, in each case, in form and substance reasonably acceptable to DIRECTV, substantially to the effect that the LEI Merger and the Malone Contribution, taken together, will qualify as a reorganization under Section 368 of the Code or 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; and (iii) Liberty Media and LEI will have received a tax opinion

[Table of Contents](#)

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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[Table of Contents](#)

LEI may terminate the Merger Agreement by written notice to DIRECTV if:

- there has been a breach by DIRECTV of any of its representations, warranties, covenants or agreements such that the related closing conditions would not be satisfied unless DIRECTV cures such breach within thirty (30) calendar days;
- if any final, nonappealable restraint imposes material damages on Liberty Media or any of its subsidiaries as a result of the DTV Business Combination; or
- a DIRECTV Adverse Recommendation Change will have occurred.

In addition, LEI has the right to terminate at any time after the second business day following the date on which Liberty Media provides written notice to DIRECTV that Liberty Media has received the Split-Off Ruling from the IRS (together with a copy of such ruling), unless prior to such time DIRECTV has delivered to Liberty Media (i) written notice that the ruling(s) as to certain specified tax matters are reasonably acceptable to DIRECTV, (ii) a written waiver of a related condition to closing, or (iii) an officer's certificate to the effect that DIRECTV has received an opinion of its tax counsel with respect to such specified tax matters and the receipt of such ruling(s) is waived by DIRECTV as a condition to the completion of the Merger and replaced with a different condition regarding an absence of a change in applicable law.

Effect of Termination

In the event the Merger Agreement is terminated as described above, the Merger Agreement will become null and void and none of DIRECTV, Liberty Media, LEI, Holdings, Merger Sub One or Merger Sub Two or their respective directors, officers and affiliates or brand or ac. viart. in r nor d n. at ill. at will have any liability under the Merger Agreement except that nothing will release any party from liability for fraud or any willful or negligent breach of the Merger Agreement.



[Table of Contents](#)

In addition, under the Malone Agreement, the Malones have agreed, subject to the terms and conditions thereof, among other things:

- to vote their shares of Liberty Entertainment common stock (i) in favor 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 Media, (ii) against any action or agreement that would result in a breach by Liberty Media of its non-solicitation obligations under the Merger Agreement, (iii) against any LEI Takeover Proposal and (iv) against any action or agreement that would reasonably be expected to prevent, prohibit or materially delay the completion of the Split-Off or the Mergers; and to grant DIRECTV irrevocable proxies to enforce the foregoing;
 - to limit their voting rights, only with respect to their shares of Holdings Class B common stock, to 24% of the total voting power of Holdings common stock (with any voting power attributable to such shares in excess of 24% to be voted on a pro rata basis in the same manner as the votes of the non-Malone stockholders of Holdings); and to grant Holdings irrevocable proxies to enforce the foregoing;
 - not to acquire, directly or indirectly, and not to enter into any agreement, arrangement, understanding, or substantial negotiations to acquire, any additional shares, other than through the exercise of Series A or Class A options, as applicable, and certain other specified circumstances, of (i) Liberty Entertainment common stock from signing until the first to occur of the completion of the Split-Off or the termination of the Malone Agreement in accordance with the terms thereof, (ii) Liberty Entertainment common stock or Holdings Class B common stock from the Split-Off until the first to occur of the completion of the Split-Off or the termination of the Malone Agreement in accordance with the terms thereof, and (iii) Holdings Class A common stock or Holdings Class B common stock after the completion of the Mergers and until the first to occur of the day after the first anniversary of the Split-Off or the termination of the Malone Agreement in accordance with the terms thereof;
 - to restrictions on transfer, and restrictions on entering into any agreement, arrangement, understanding or other transactions and covenants, applicable hereinafter.
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[Table of Contents](#)

- 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 giving effect to a 5-business day post-notice cure period) notwithstanding such person's compliance with its obligations under the Holdings charter, (y) upon the transfer of all such person's shares in accordance with the Malone Agreement, or (z) the redemption right ceases to apply to the shares held by such person, and (ii) with respect to all Malones and their transferees who are parties to the Malone Agreement, upon the first to occur of: (x) the redemption right in the Holdings charter having expired unexercised as to all such persons' shares, or (y) upon the completion of a change of control with respect to Holdings, provided, that in the case of clause (i) or clause (ii)(x), and absent the earlier termination of the Malone Agreement, in no event shall the standstill and transfer restriction provisions terminate prior to the day following the first anniversary of the Split-Off; and
- that the LEI Series B options to be held by the Malones immediately prior to the LEI Merger will be adjusted as a result of the LEI Merger into options exercisable for shares of Holdings Class A common stock.

This summary is qualified by reference to the full text of the Malone Agreement, including Amendment No. 1 to the Malone Agreement executed on July 29, 2009 and Amendment No. 2 to the Malone Agreement executed on October 2, 2009, a copy of which is attached as *Annex F* hereto, and is incorporated by reference in this proxy statement.

[Table of Contents](#)

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, which is filed as an exhibit to LEI's registration statement on Form S-4 of

[Table of Contents](#)

number of shares of Series A LEI common stock following the Split-Off. Mr. Bennett also agreed that, in connection with the completion of the DTV Business Combination, those of his LEI stock options which are exercisable for Series A or Series B shares, at his election, would be adjusted to be exercisable for only Class A shares of Holdings common stock.

In exchange for Mr. Bennett's agreement to these limitations and restrictions, Liberty Media granted to Mr. Bennett an option to purchase 500,000 shares of LMDIA at an exercise price equal to the closing market price on May 11, 2009, which was the fifth trading day following (but not including) the date on which the DTV Business Combination was announced. These options, which were granted under the Liberty Media director plan, are immediately exercisable and fully vested and have an expiration date of February 28, 2011. In addition, if the Split-Off has not occurred by November 1, 2009, Liberty Media has agreed to grant to Mr. Bennett an additional option to purchase 50,000 shares of LMDIA at an exercise price equal to the closing price on the date of grant. Further, on the first day of each month after November 1, 2009, and prior to the Split-Off, Mr. Bennett will be granted options for an additional 50,000 shares of LMDIA at an exercise price equal to the closing price on the date of grant. All such additional options will be immediately exercisable and fully vested on the date of grant and have an expiration date of the 20th month anniversary of the grant date.

The Bennett Agreement will terminate on the first to occur of (1) the termination of the Merger Agreement, (2) the date Mr. Bennett irrevocably waives his right to elect to receive Series B shares upon exercise of his existing Liberty Media stock options or his LEI stock options following the Split-Off to the extent required so that he ceases to be a "ten-percent shareholder," a "controlling shareholder," or a member of a coordinating group that is a ten-percent shareholder or a controlling shareholder of Liberty Media or LEI for certain federal income tax purposes, and (3) August 2, 2010.

~~THIS~~ summary is qualified by reference to the full text of the Bennett Agreement, which is filed as an exhibit to LEI's registration statement on Form S-~~on~~ eme ~~XX~~GG

[Table of Contents](#)

effective time of the Mergers; provided that the Malones will not acquire more than 50% of the number of shares permitted to be acquired pursuant to this clause prior to the second anniversary of the effective time of the Split-Off; and provided further that shares acquired by any Malone in any acquisition set forth in the other bullet points above will not be counted against the acquisitions permitted pursuant to this clause.

The Standstill Agreement cannot be modified withie



DESCRIPTION OF COMMON STOCK AND COMPARISON OF STOCKHOLDER RIGHTS

If the Split-Off is approved and completed, holders of Liberty Entertainment common stock will become stockholders of LEI as a result of the Split-Off, and, if the Mergers are approved and completed, holders of LEI common stock will become stockholders of Holdings as a result of the Mergers. As a holder of Liberty Entertainment common stock your rights are defined and governed by Liberty Media's charter, Liberty Media's by-laws and Delaware law. The rights of holders of LEI common stock will be defined and governed by

[Table of Contents](#)

Liberty Entertainment Common Stock

LEI Common Stock

Holdings Common Stock

and, on an equal per share basis, shares of Series B Liberty Entertainment common stock to holders of Series B Liberty Entertainment common stock and, on an n n n o c



[Table of Contents](#)

Liberty Entertainment Common Stock

LEI Common Stock

Holdings Common Stock

Series A Liberty Entertainment common stock (or another series of Liberty Entertainment common stock subject to certain limitations) to the Series A Liberty Interactive common stock (or another series of Liberty Interactive common stock subject to certain limitations) for a specified 60-trading day period. Liberty Media can also convert each share of Series A Liberty Entertainment common stock, Series B Liberty Entertainment common stock and Series C Liberty Entertainment common stock into a number of shares of Liberty Capital based on the Liberty Capital to (o



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 Common Stock

None.

None.

Shares of Holdings Class B common stock are not convertible into shares of Class A common stock at the election of the holder. However, if a transfer of shares of Class B common stock is made to a transferee that is not an affiliate of the transferor and is effected through a public transfer, then each such share of Class B common stock will automatically convert into one fully paid and non assessable share of Class A common stock in the name of the transferee. 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) which involves a broker, dealer or market maker. *See Section 4.5 of Annex G.*

- 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.*

Merger Consideration

None.

None.

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.

The 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 and provides for 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. This

requirement was included pursuant to the terms of the 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.

Except with respect to certain holders of common stock, Holdings has the right to redeem, upon the death of Mr. Malone, (x) all of the outstanding shares of Holdings Class B common stock held by the Malones and certain related persons of the Malones, and (y) all of the outstanding shares of Holdings Class B common stock held by any person (other than a Malone or a related person of a Malone and certain exempt holders) so long as Holdings also redeems all of the outstanding shares of Holdings Class B common stock held by the Malones and certain related persons of the Malones. Such redemption right will only exist during the period commencing on the later of the death of Mr. Malone and the effective time of the Mergers and ending at the close of business on the later of (x) the 50th day after the date on which any legal ts B ~f2ers ngggg



[Table of Contents](#)

Liberty Entertainment Common Stock

LEI Common Stock

Holdings Common Stock

which have not been approved by 75% of the directors then in office. When these requirements apply, as

[Table of Contents](#)

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 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.

62asm

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, subject to the terms of its current charter.

None.

None.

If the Capital Group and/or the Interactive Group has an inter-group interest in the Entertainment Group at such time as any extraordinary action is taken with respect to the Liberty Entertainment 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 Entertainment Group's assets), the Liberty Media board will consider what actions are required, or permitted, to be taken under its current charter with respect to such other group(s)' inter-group interest in the Entertainment Group. For example, in some instances, the Liberty Media board may determine that a portion of the aggregate consideration that is available for distribution to holders of Liberty Entertainment common stock must be allocated to the Capital Group and/or the Interactive Group to compensate such other group(s) on a pro rata basis for such other group(s)' proportionate interest in the Entertainment Group.

Similarly, if the Entertainment Group has an inter-group interest in the Capital Group

[Table of Contents](#)

Liberty Entertainment Common Stock

LEI Common Stock

Holdings Common Stock

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.

[Table of Contents](#)

Issuance of Excess Shares in the Merger

The Holdings charter will also contain similar



[Table of Contents](#)

(i) the appointment of one additional independent director to the Holdings board (assuming the additional independent director was not appointed to fill the existing vacancy on the DIRECTV board prior to the Merger Effective Time), (ii) any increase in the number of directors constituting the Holdings board in excess of 12 prior to the first annual meeting of the stockholders of Holdings occurring after the Merger Effective Time, and (iii) any amendment to the Holdings charter.

[Table of Contents](#)

trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of Holdings, and with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. Holdings will indemnify, to the full extent permitted by law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of Holdings to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of Holdings, or is or was a director or officer of Holdings serving at the request of Holdings as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonable incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of Holdings; except that no indemnification will be made in respect of any claim, issue or matter as to which such person will have been adjudged to be liable to Holdings, unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought will determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery of the State of Delaware or such other court will deem proper. Holdings will not be obligated to indemnify any director or officer in connection with a proceeding initiated by such person unless such proceeding was authorized or consented to by the board of directors. Holdings will pay expenses of a director or officer in defending any proceeding in advance of its final disposition, provided that such payment is made upon receipt of an undertaking by the director or officer to repay all amounts advanced if it should be ultimately determined that the director or officer is not entitled to indemnification.

Corporate Opportunity

It is explicitly acknowledged in the Holdings charter that non-employee officers and directors of Holdings may serve as directors, officers, employees and agents of other corporations or entities that engage in the same, similar or related lines of business as Holdings, or have interests in the same areas of business opportunity as Holdings, or which engage in material business transactions with Holdings. Such non-employee directors and officers, to the fullest extent permitted by law, have no duty or obligation to refer any potential business opportunity to Holdings, or refrain from referring any such potential business opportunity to such other corporation or entity, and Holdings will not have any right, interest or expectancy in respect of such potential business opportunity and renounces any interest or expectancy therein. However, if the non-employee director or officer of Holdings is expressly offered the potential business opportunity solely in his or her capacity as a director or officer of Holdings or any subsidiary of Holdings, and the potential business opportunity is related to a line of business in which Holdings is directly engaged, then the foregoing limitations of Holdings' rights will not apply in respect of such potential business opportunity. This provision of the Holdings charter will become effective if the stipulation of settlement is not approved by the court on or prior to June 30, 2010 and will be of no force or effect if the stipulation of settlement is approved by the court.

No Stockholder Action by Written Consent; Special Meetings

Subject to the rights of any series of preferred stock, the Holdings charter prohibits stockholder actions taken by written consent; provided that holders of Holdings Class B common stock will be entitled to take action by written consent but solely in instances where the consent of the Holdings Class B common stockholders, as a class, is required. Except as otherwise required by law and subject to the rights of the holders of any outstanding series of preferred stock, special meetings of stockholders of Holdings may be called only by or at the direction of the board or upon the request to

[Table of Contents](#)

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

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[Table of Contents](#)

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
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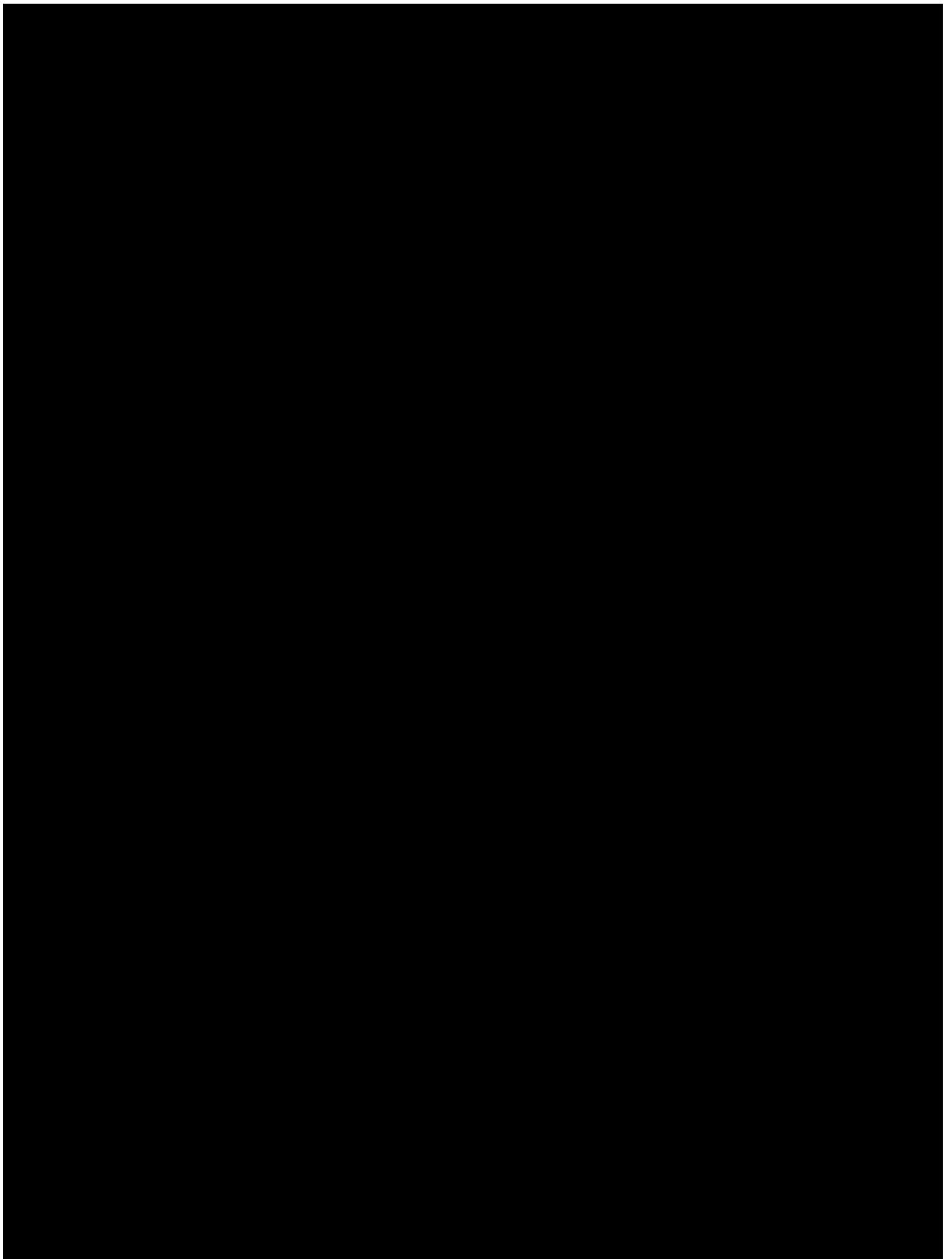
[Table of Contents](#)

identification number, and otherwise complies with the applicable requirements of the backup withholding rules h

c

The following table sets forth () and the Split-Off was effective on Jun included in Annex C of this proxy state combined financial statements, includin

Cash(1)
Current liabilities
Long-term debt
Liberty Revolving Credit
DIRECTV Credit Facility(
Other liabilities
Total liabilities
Equity:
Common Stock (\$.01 par valu
Seriesn



[Table of Contents](#)

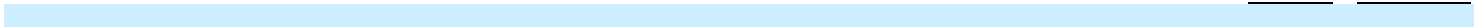
Selected Unaudited Historical Attributed Financial Data of the Entertainment Group

The following tables present selected historical attributed financial information of the Entertainment Group for the six months ended June 30, 2009 and 2008 and for each of the years in the three-year period ended December 31, 2008. Such data has been derived from the "Attributed Financial Information for Tracking Stock Groups," which was filed as Exhibit 99.1 to Liberty Media's Annual Report on Form 10-K/A for the year ended December 31, 2008 and Liberty Media's Quarterly Report on Form 10-Q for the six months ended June 30, 2009 and are incorporated herein by reference. Such information has been prepared assuming the reclassification had occurred on January 1, 2006.

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>

	<u>December 31</u>		<u>June 30</u>	
	<u>2008</u>	<u>2007</u>	<u>2009</u>	<u>2008</u>





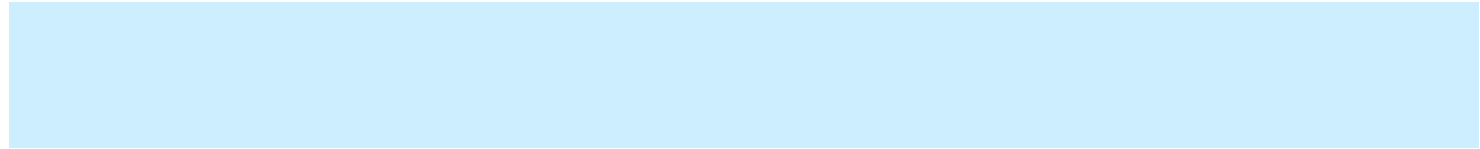
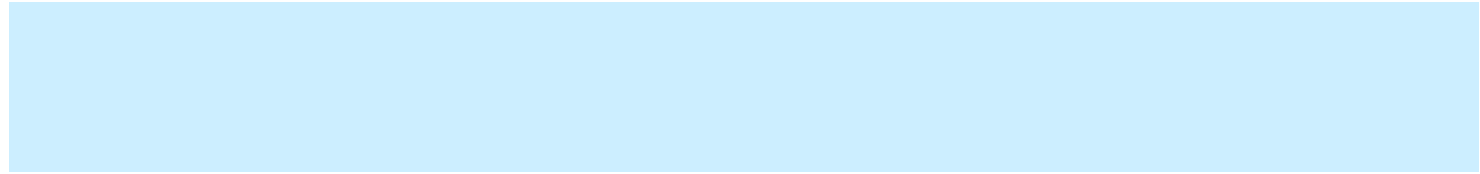
Name

Positions

Evan D. Malone
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. D U hysics aaaa



[Table of Contents](#)

affirmatively determine that the director has no direct or indirect material relationship with the company. To assist LEI's board of directors in determining which of its directors will qualify as independent, the nominating and corporate govead



[Table of Contents](#)

For information concerning the compensation paid to the "named executive officers" of Liberty Media for the year ended December 31, 2008 and certain related information, see the "Executive Compensation" section of Liberty Media's definitive proxy d



[Table of Contents](#)

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	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class (%)	k

MANAGEMENT OF HOLDINGS

Executive Off

[Table of Contents](#)

Name

Positions

from 1991 until 1997. From January 2004 to November 2006, he was the U.S. X

Name

Positions

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 Ap

[Table of Contents](#)

Name

Positions

Gregory B. Maffei
Age: 49

A director of Holdings.

Mr. Maffei has served as a director of DIRECTV since February 2008. Mr. Maffei has served as Chief Executive Officer as

Director Independence

Holdings' executive officers will serve in such capacities until the first special meeting of Holdings' board of directors, or until their respective successors have been duly elected and have been qualified, or until their earlier death, resignation, disqualification or removal from office. There is no family relationship between any of Holdings' executive officers or directors, by blood, marriage or adoption.

Involvement in Certain Proceedings

During the past five years, none of the above persons has had any involvement in such legal proceedings as would be material to an evaluation of his ability or integrity.

Board Committees

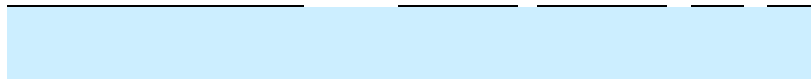
It is expected that Holdings' board of directors will form the following committees: audit committee, compensation committee and nominating and corporate governance committee. In connection with the DTV Business Combination, and subject to the agreement of the parties described below, the Holdings board will determine the directors to be assigned to each committee and the terms of their appointment, subject to the approval of the board of directors.

At least 50% of the members of the audit committee, compensation committee and any special committee



[Table of Contents](#)

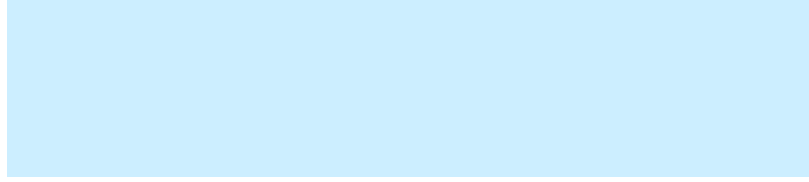
For information concerning the compensation policy for directors of DIRECTV, see the "Executive and Director Compensation" section of the DIRECTV annual proxy statement. A copy of the DIRECTV annual proxy statement is available free of charge as described under "Additional Information"



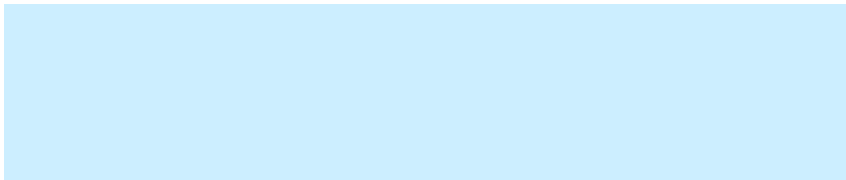
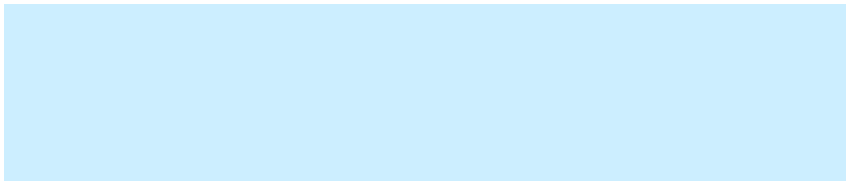
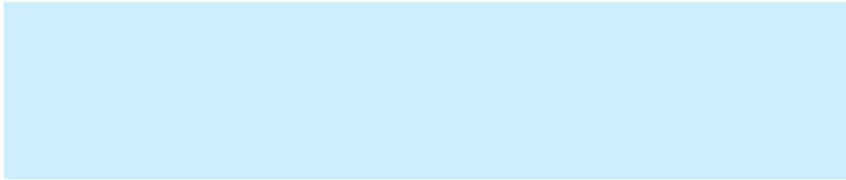
[Table of Contents](#)

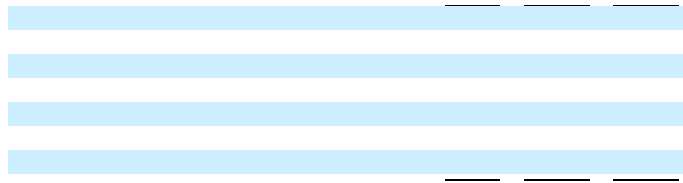
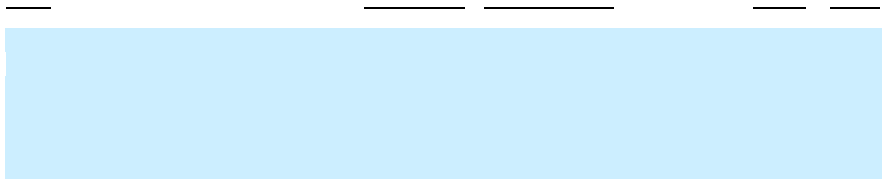
- (1) Immediately after the Mergers, it is estimated that the Malones wanted





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[Table of Contents](#)

LCAP

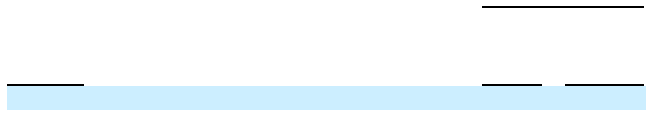
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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 subsidiary of Liberty Media) and LEI will have a 57% ownership interest in DIRECTV. In order to facilitate the orderly transition of the DTV Business Combination and to provide mechanisms for an orderly transition, Liberty Media and LEI are entering into certain agreements, the terms of which are summarized under the section "Transactions Agreements—Agreements Relating to the Split-Off" above. In addition, Liberty Media anticipates entering into, from time to time, agreements and arrangements with LEI and certain of its related entities, in connection with, and in the ordinary course of, its business.

Relationships between DIRECTV and Liberty Media

As of the Split-Off, Liberty Media owns a 100% equity interest in LEI and a 57% equity interest in DIRECTV. Following the Split-Off, Liberty Media will



[Table of Contents](#)

In connection with an internal restructuring at Liberty Media to effect the Split-Off, LEI will become the beneficial owner of Liberty Media's approximate 57% equity interest in DIRECTV. As such, LEI will become a "Purchaser Successor" under the DTV Charter and will be bound there



[Table of Contents](#)

DIRECTV

The consolidated balance sheets of The DIRECTV Group, Inc. as of December 31, 2008 and 2007, and the related consolidated statements of operat

[Table of Contents](#)

April 27, or such later date as LEI may determine and announce in connection with the actual scheduling



they will be mailed to you by first class mail, or another equally prompt means, within one business day after your request is received.

This proxy statement/prospectus includes and incorporates by reference information concerning DIRECTV, which is a public company and files reports and other information with the SEC in accordance with the requirements of the Securities Act and the Exchange Act. Information included or incorporated by reference in this proxy statement/prospectus concerning DIRECTV has been derived from the reports and other information filed by it with the SEC. Neither Liberty Media nor LEI had a part in the preparation of those reports and other information. You may read and copy any reports and other information filed by these companies as set forth above.

DESCRIPTION OF BUSINESS

... subsidiary of Liberty Media. Prior to the Split-Off, Liberty Media will effect an internal restructuring, (**the internal restructuring**),
... ownership interests described below will be held by LEI. Following the Split-Off and so long as the DTV Business Combination has not
... will be a holding company which, through ownership of interests in subsidiaries and other companies, will be primarily engaged in the multi-channel
... video distribution and communications businesses. Holdings is a newly-formed Delaware corporation that is currently a wholly owned subsidiary of DIRECTV,
... but, following the Split-Off, will become a publicly-traded holding company named "DIRECTV" that will own all the outstanding equity interests in DIRECTV
... and, following the completion of the DTV Business Combination, Holdings will be a holding company which, through ownership of interests in subsidiaries and other
... companies, will be primarily engaged in the multi-channel video distribution, programming and communications businesses.

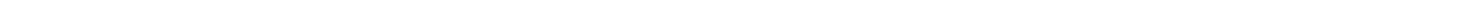
The following information assumes that the internal restructuring has been completed.



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.
- *Channel Capacity Requirements for Noncommercial Programming.* SHVERA requires satellite providers to set aside four percent of channel capacity exclusively for noncommercial programming of an educational or informational nature, for which DIRECTV U.S. must charge program members no more than the rates and for which it may not impose additional charges on subscribers.







[Table of Contents](#)

which allege, among other things, that the DIRECTV board of directors breached their fiduciary duties in approving the Merger Agreement. The stockholder plaintiffs seek to enjoin the Mergers and seek an award of compensatory damages. DIRECTV, the DIRECTV board of directors and Liberty Media intend to defend vigorously against these allegations; but if the stockholder plaintiffs were to prevail in obtaining an injunction in such litigation the completion of the Mergers would be delayed or prevented. The defendants have entered into a sthele Mer Mety



**RESTATED CERTIFICATE OF INCORPORATION
OF
LIBERTY ENTERTAINMENT, INC.**

ARTICLE IV

AUTHORIZED STOCK

The total number of shares of capital stock which the Corporation will have authority to issue is eight billion, two hundred million (8,200,000,000) shares, of which:

- (1) eight billion, one hundred fifty million (8,150,000,000) shares will be of a class designated as Common Stock, par value \$0.01 per share (*Common Stock*), such class will be divided into series as follows:



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h' i' b' e' z' h' e' p' t' l' u' c' p' a' p' s

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consummated prior to such day, would constitute a Transfer or Non-Transfer Event that would result in Excess Shares being transferred to a Trust and (b) such Prohibited Party entered into an Agreement with respect to such transaction or a similar acquisition (within the meaning of Treasury Regulation Section 1.355-7) on or prior to the date of the Split-Off Effective Time, then with respect to such Prohibited Party only, the Prohibition Period shall be extended until the later to occur of one day after (i) the date that is the two year anniversary of the date of the Split-Off Effective Time, and (ii) the date that is the six month anniversary of the date such transaction is consummated or such Agreement is terminated, as the case may be.

"*Purported Beneficial Transferee*" means, with respect to any purported Transfer of Beneficial Ownership of shares of Equity Stock that results in the automatic transfer of Excess Shares to a Trust, the purported transferee of Beneficial Ownership of such shares if such purported Transfer had not been prohibited by Article IV,

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 other class or series of capital stock of the Corporation hereafter established or (y) decrease (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 other class or series of capital stock of the Corporation hereafter established (but, in each case, not below the number of shares of such class or series of capital stock, as the case may be, then outstanding)), and no separate class or series vote or consent of the holders of shares of any class or series of capital stock of the Corporation will be required for the approval of any such matter.

The term "*Voting Securities*" means the Series A Common Stock, the Series B Common Stock and any series of Series Preferred Stock which by the terms of its Series Preferred Stock Designation is designated as a Voting Security, *provided that* each such series of Series Preferred Stock will be entitled to vote together with the other Voting Securities only as and to the extent expressly provided for in the applicable Series Preferred Stock Designation.

~~Each of the Series A Common Stock, the Series B Common Stock, and any series of Series Preferred Stock shall be convertible, at the option of the holder thereof, into a number of shares of Common Stock equal to the number of shares of such class or series of capital stock of the Corporation then outstanding, as determined by the Board of Directors.~~

~~Each of the Series A Common Stock, the Series B Common Stock, and any series of Series Preferred Stock shall be convertible, at the option of the holder thereof, into a number of shares of Common Stock equal to the number of shares of such class or series of capital stock of the Corporation then outstanding, as determined by the Board of Directors.~~

Common Stock equal to the number of shares of Series B Common Stock outstanding from time to time will be set aside and reserved for issuance upon conversion of shares of Series B Common Stock. Shares of Series A Common Stock and shares of Series C Common Stock will not be convertible into shares of any other series of Common Stock.

(b) The Corporation will pay any and all documentary, stamp or similar issue or transfer taxes that may be payable in respect of the issue or delivery of certificates representing shares of Common Stock on conversion of shares of Series B Common Stock pursuant to this Article IV, Section B.2. The Corporation will not, however, be required to pay any tax that may be payable in respect of any issue or delivery of certificates representing any shares of Common Stock in a name other than that in which the shares of Series B Common Stock so converted were registered and no such issue or delivery will be made unless and until the au

Distribution pursuant to clause (ii) or clause (iii), (1) such separate classes or series of securities (and, if the distribution consists of Convertible yse (iii),(iii), (the distioons rsu



(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 Article IV, Section C.6 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 Article IV, Section C, (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 of Equity Stock held by the Non-Transferor of such shares immediately prior to the date of the Non-Transfer Event.

Trust, and (II) in the case of a Non-Transfer Event or purported Transfer in which the Prohibited Owner did not give value for such shares (e.g., if the shares were received through a gift or devise), and which Non-Transfer Event or purported Transfer, as the case may be, resulted in the transfer of the shares to the Trust, the product of (i) the price a

such shares, including, without limitation, the provisions of Article IV, Sections C.10 through C.12 with respect to antheñ ~~æ~~spæct



ARTICLE V
DIRECTORS
SECTION A
NUMBER OF 1 **Â**



Corporation by the possible service as directors or officers of the Corporation and its Subsidiari



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

Annex C—Liberty Entertainment, Inc., LM,

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[Table of Contents](#)

	Page number
Pro Forma Attributed Balance Sheet Information, June 30, 2009	C-78
Pro Forma Attributed Balance Sheet Information, December 31, 2008	C-79
Pro Forma Attributed Balance Sheet Information, December 31, 2007	C-80
Pro Forma Attributed Statement of Operations Information, Six months ended June 30, 2009	C-81
Pro Forma Attributed Statement of Operations Information, Six months ended June 30, 2008	C-82
Pro Forma Attributed Statement of Operations Information, Year ended December 31, 2008	C-83
Pro Forma Attributed Statement of Operations Information, Year ended December 31, 2007	C-84
Pro Forma Attributed Statement of Operations Information, Year ended December 31, 2006	C-85
Notes to Pro Forma Attributed Financial Information for Tracking Stock Groups, June 30, 2009	C-86

Liberty Entertainment, Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provides information concerning Liberty Entertainment, Inc.'s ("LEI") combined results of operations and financial condition. The historical financial statements for the assets and businesses to be owned by LEI upon completion of the Split Off are included in this Annex C under the heading "LMC Entertainment." Any reference to "we," "us" or "our" refers to LEI in this section only. This discussion should be read in conjunction with LMC Entertainment's combined financial statements for the six months ended June 30, 2009 and 2008 and for the years ended December 31, 2008, 2007 and 2006.

Overview

We are currently a wholly-owned subsidiary of Liberty Media Corporation ("Liberty Media"). Upon completion of the Split Off, we will own controlling and non-controlling interests in video programming and direct-to-home ("DTH") satellite distribution companies. Our most significant asset is our ownership interest in The DIRECTV Group, Inc. ("DIRECTV"), which we account for as an equity method investment due to a voting arrangement with DIRECTV which limits our ability to control DIRECTV. Our largest asset is our ownership interest in Liberty Sports Holdings, LLC ("Liberty Sports Group"), which we acquired in February 2008. In addition to the foregoing, we





[Table of Contents](#)

date of acquisition in February 2008 to June 30, 2008. Partially offsetting this increase is an \$11,728,000 decrease in revenue from the deconsolidation of FUN on April 9, 2009.

Operating expenses. Operating expenses increased \$5,081,000 for the six months ended June 30, 2009, as compared to the corresponding prior year period. Liberty Sports Group incurred \$85,226,000 of operating expenses in 2009, mainly from \$66,797,000 of sports programming rights fees and \$15,583,000 of production expenses. Such amount was an increase in operating expenses of \$11,293,000 over the corresponding prior year period. Partially offsetting this increase is a \$6,246,000 decrease in operating expenses from the deconsolidation of FUN.

Selling, general and administrative expenses. Selling, general and administrative ("SG&A") expenses remained constant for the six months ended June 30, 2009, as compared to the corresponding prior year period. Liberty Sports Group incurred \$13,431,000 of SG&A expenses in 2009 which was a \$4,414,000 increase over the prior year period. Offsetting this increase is a \$5,956,000 decrease in SG&A expenses from the deconsolidation of FUN.

Adjusted OIBDA. We define Adjusted OIBDA as revenue less operating expenses and SG&A expenses (excluding stock compensation). Our chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. We believe this is an important indicator of the operational strength and performance of our businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows us to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategic improvement opportunities. This measure of performance excludes costs such as depreciation and amortization, stock compensation and impairments of long-lived assets that are included in the measurement of operating income pursuant to generally accepted accounting principles.

[Table of Contents](#)

annum equal to LIBOR plus 5%. The DIRECTV Credit Facility will be secured by a pledge of and first priority security interest in 53 million shares of DIRECTV stock owned beneficially by the Borrower. The DIRECTV Credit Facility will mature on the earlier of the closing of the Merger Transaction, or the termination of the Merger Agreement.

We currently believe that we have adequate cash on hand, cash from operations and capacity under the Liberty Revolving Credit Facility and the DIRECTV Credit Facility to fund our operating and financing needs for the next 12 months, including amounts due under the Collar Loan in the first half of 2010. In addition, we believe that such sources of liquidity will fund our operations, including capital expenditures, for at least the next 2 - 3 years. We expect that the foregoing sources of liquidity will not be sufficient to fund repayments of the Collar Loan due in the second half of 2010 through 2012. Additionally, in the event that the Merger Agreement is terminated, then the DIRECTV Credit Facility would not be available to fund amounts due under the Collar Loan in the first half of 2010. In such a circumstance, we expect that such payments will be funded with borrowings against shares of DIRECTV common stock that are not currently encumbered or proceeds from the sale of such shares, or a combination of borrowings and sales proceeds. Although no assurance can be given, we may also obtain cash proceeds from the issuance of our own stock or other debt securities.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

...contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible we may incur liabilities from the inclusion of such / omdun d

Liberty Entertainment, Inc.

Notes to Condensed Pro Forma Combined Financial Statements

December 31, 2008

(unaudited)

- (1) Represents the historical results of operations of LEI derived from the historical financial statements of LMC Entertainment included elsewhere in this Annex C.
 - (2) Represents the historical results of operations for the News Corporation Subsidiary for the two months ended February 29, 2008.
 - (3) Represents amortization of the RSN's intangible assets recorded in connection with the News Exchange.
 - (4) Represents a downward adjustment of News Corporation's historical equity pickup for DIRECTV for the two months ended February 29, 2008 to include amortization of intangible assets included in LEI's excess basis account for DIRECTV.
 - (5) Represents the elimination of the gain and related tax benefit recognized in connection with the acquisition of News Corporation, which was recognized in the condensed pro forma combined financial statements.
-

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
Other comprehensive earnings (loss), net of taxes:		
Unrealized holding gains (losses) arising during the period	1,603	(315,430)
Foreign currency translation adjustments	(6,406)	14
Recognition of previously unrealized gains on available-for-sale securities, net	—	(2,273,228)
Disposition of subsidiaries	(1,763)	—
Other comprehensive loss	(6,566)	(2,588,644)
Comprehensive earnings	<u>\$116,628</u>	<u>2,876,326</u>

See accompanying notes to condensed combined financial statements.

LMC ENTERTAINMENT
CONDENSED COMBINED STATEMENTS OF CASH FLOWS

(unaudited)

	Six months ended June 30,	
	2009	2008
amounts in thousands		
Cash flows from operating activities:		
Net earnings	\$ 123,194	5,464,970
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,175	15,313
Stock-based compensation	164	—
Noncash interest	34,509	16,009
Share of earnings of affiliates, net	(195,977)	(200,761)
SAB 51 loss related to DIRECTV	29,592	—
Cash received from return on GSN equity investment (note 6)	27,821	—
Realized and unrealized losses on financial instruments, net	83,409	144,213
Gains on dispositions, net	(52,809)	(3,666,078)
Intercompany tax allocation	(6,468)	2,281
Intercompany tax payments	(11,446)	—
Deferred income tax benefit	(4,940)	(1,773,818)
Other noncash charges, net	2,509	—
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions:		
Current assets	(35,371)	(53,556)
Payables and other current liabilities	(10,982)	16,141
Net cash used in operating activities	(7,620)	(35,286)
Cash flows from investing activities:		
Cash received in exchange transaction	—	465,052
Additional investment in equity investee	(90,000)	(1,977,075)
Cash received from return of GSN equity investment (note 6)	14,679	—
Cash proceeds from disposition	63,000	7,974
Other investing activities, net	(3,852)	(2,649)
Net cash used in investing activities	(16,173)	(1,506,698)
Cash flows from financing activities:		
Borrowings of debt	—	1,977,075
Intercompany cash transfers, net	(21,512)	(415,986)
Net cash provided by (used in) financing activities	(21,512)	1,561,089
Net increase (decrease) in cash and cash equivalents	(45,305)	19,105
Cash and cash equivalents at beginning of period	74,908	6,971
Cash and cash equivalents at end of period	\$ 29,603	26,076

See accompanying notes to condensed combined financial statements.

LMC ENTERTAINMENT

Notes to Condensed Combined Financial Statements

June 30, 2009

(unaudited)

(1) Basis of Presentation

The accompanying condensed 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 and businesses that comprise LMC Entertainment.

The more significant subsidiaries and investments of Liberty initially comprising LMC Entertainment are as follows:

Subsidiaries:

Liberty Sports Holdings, LLC ("Liberty Sports Group")

Investments:

DIRECTV
GSN

Liberty Sports Group is comprised of three regional sports television networks in Colorado and Utah, the Northwest United States and western Pennsylvania. DIRECTV is a provider of digital television entertainment delivered by satellite in the United States and Latin America. GSN operates a basic cable network and Internet websites dedicated to game-related programming and interactive game playing.

In addition, immediately preceding the Split Off, Liberty will contribute approximately \$80 million in cash to LEI. During the second quarter of 2009, LEI and Liberty entered into a revolving credit agreement (the "Liberty Revolving Credit Facility"), which provides for loans from Liberty to LEI in an aggregate principal amount at any time outstanding of up to \$300 million. On the date of the Split Off (unless the Merger Agreement (see note 2) has been terminated), the borrowings under the Liberty Revolving Credit Facility, together with accrued interest thereon, will be payable in full. In connection with the Merger Agreement, LEI also entered in to a secured credit facility with DIRECTV (the "DIRECTV Credit Facility"). The DIRECTV Cr TV Credit

LMC ENTERTAINMENT
Notes to Condensed Combined Financial Sg





LMC ENTERTAINMENT

Notes to Condensed Combined Financial Statements (Continued)

June 30, 2009

(unaudited)

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

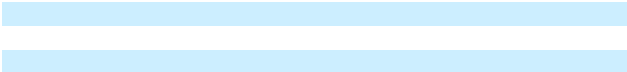
On April 3, 2008, LMC Entertainment purchased 78.3 million additional shares of DIRECTV common stock in a private transaction for cash consideration of approximately \$1,977 million. LMC Entertainment funded the purchase with borrowings against a newly executed equity collar on 110 million DIRECTV common 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 55% at June 30, 2009 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.

During the six months ended June 30, 2009, DIRECTV issued shares of its common stock for restricted stock grants and stock option exercises. In connection with such issuances, LMC Entertainment recognized aggregate SAB 51 losses of \$29,592,000.

The carrying value of LMC Entertainment's investment in DIRECTV as of June 30, 2009, is \$1,359 million. LMC Entertainment's investment in DIRECTV as of June 30, 2009, is \$1,359 million.

	June 30, 2009	December 31, 2008
Investment in DIRECTV		
Cost		
Less: Allowance for impairment		
Net carrying value		
Accrued interest		
Other		
Total		

LMC ENTERTAINMENT
Notes to Condensed Combined Financial Statements (Continued)



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 Group has commitments to purchase the rights to broadcast games of certain professional and collegiate sports teams and leagues in its broadcast areas through 2020. Such commitments aggregated approximately \$1,462 million at June 30, 2009 and are due as follows (amounts in thousands):

Remainder of 2009	\$ 60,932
2010	\$134,555
2011	\$133,081
2012	\$121,765
2013	\$105,266
Thereafter	\$906,339

Operating Leases

LMC Entertainment leases office facilities and certain equipment under lease arrangements.

Litigation

There are multiple purported class action complaints pending against DIRECTV, Liberty and the DIRECTV board of directors in the courts of Delaware and California. The stockholder complaints are purported class actions on behalf of the stockholder plaintiffs which allege, among other things, that

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. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109*. As discussed in note 1 to the accompanying combined financial statements, effective January 1, 2009, the Company adopted Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*.

KPMG LLP

Denver, Colorado
April 24, 2009, except as to the sixth paragraph of note 1,
which is as of July 24, 2009

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 and businesses that comprise LMC Entertainment. Certain information labeled as unaudited, in Notes 1, 2 and 15, relate to or stem from the proposed transaction with DIRECTV which was announced subsequent to the date of the Independent Auditor's Report.

The more significant subsidiaries and investments of Liberty initially comprising LMC Entertainment are as follows:

Subsidiaries:

Liberty Sports Holdings, LLC ("Liberty Sports Group")
FUN Technologies, Inc. ("FUN")

Investments:

DIRECTV
GSN

Liberty Sports Group is comprised of three regional sports television networks in Colorado and Utah, the Northwest United States and western Pennsylvania. FUN operates websites that offer casual games ("FUN Games") and fantasy sports services ("FUN Sports"). DIRECTV is a provider of digital television entertainment delivered by satellite in the United States and Latin America. GSN operates a basic cable network dedicated to game-related programming and interactive game playing.

In addition, immediately preceding the Split Off, Liberty will contribute approximately \$80 million in cash to LEI. Subsequent to March 31, 2009, LEI and Liberty entered into a revolving credit agreement (the "Liberty Revolving Credit Facility"), which provides for loans from Liberty to LEI in an aggregate principal amount at any time outstanding of up to \$300 million. On the date of the Split Off, the borrowings under the Liberty Revolving Credit Facility, together with accrued interest thereon, will be payable in full, provided the Merger Agreement has not been terminated. In connection with the Merger Agreement (see note 2), LEI also entered into a secured credit facility with DIRECTV (the "DIRECTV Credit Facility"). The DIRECTV Credit Facility will provide up to an aggregate of \$650 million in loans to LEI, including up to \$300 million which will be sufficient to repay the Liberty Revolving Credit Facility immediately following the effective time of the Split Off, provided the Merger Agreement has not been terminated. If the Merger Agreement is terminated after completion of the Split Off, any amounts outstanding under the DIRECTV Credit Facility will be due and payable upon such termination. In such event, LEI could make such repayments in cash or by delivering shares of DIRECTV common stock (unaudited).

Subsequent to December 31, 2008, FUN sold FUN Sports to Liberty for cash proceeds of \$13.5 million. FUN then made a capital t sll,af \$

LMC ENTERTAINMENT

Notes to Combined Financial Statements (Continued)

December 31, 2008, 2007 and 2006

(1) Basis of Presentation (Continued)

Effective January 1, 2009, LMC Entertainment adopted the provis

LMC ENTERTAIN



LMC ENTERTAINMENT

Notes to Combined Financial Statements (Continued)

December 31, 2008, 2007 and 2006

(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.

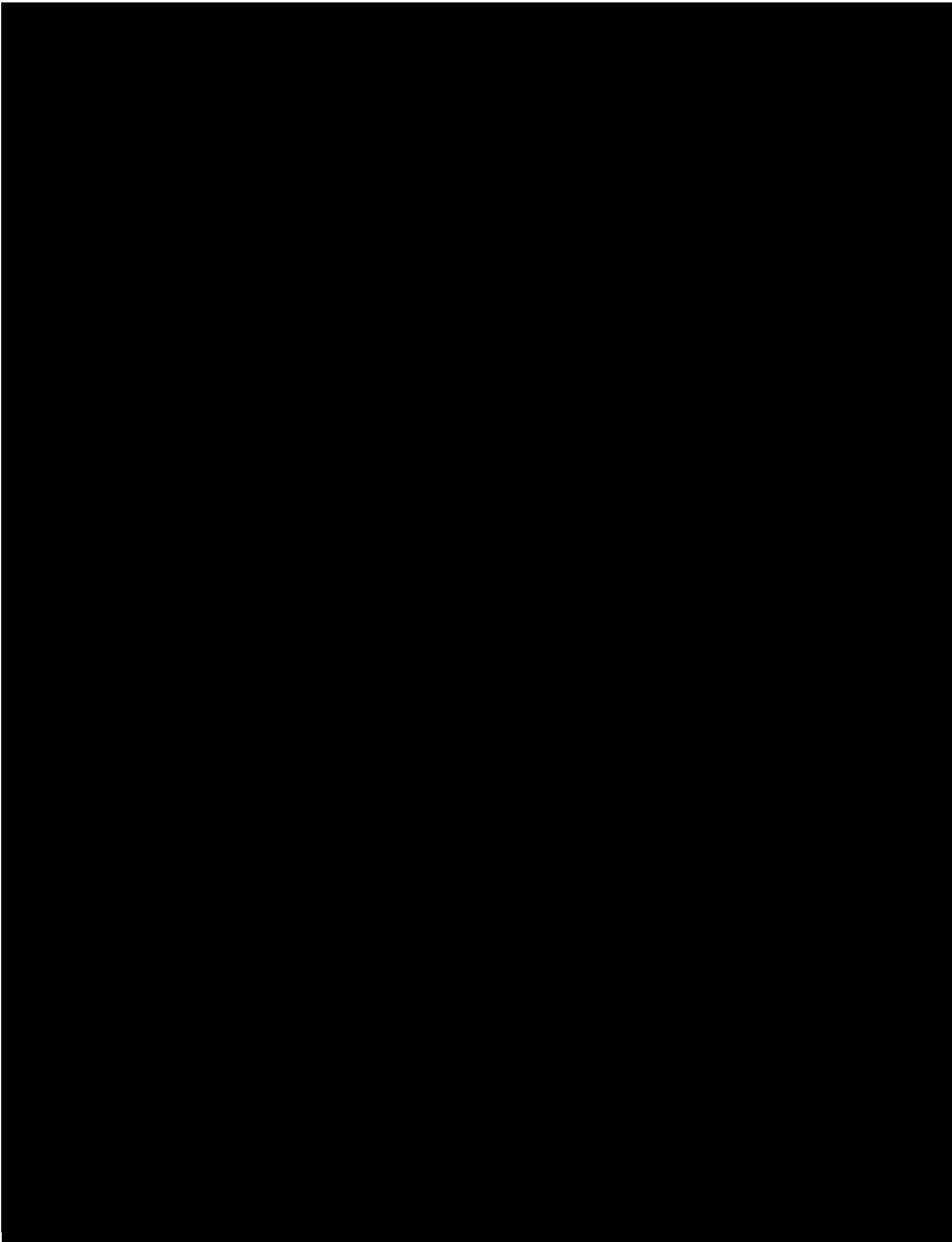
Investments

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 Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" ("Statement 159"). The Company's LMC Entertainment's combined financial statements on the date of adoption was not significant. Under Statement 159, LMC Entertainment measures certain AFS securities at fair value and recognizes the change in fair value in the company's statements of operations.

For those investments in affiliates in which the Company has the ability to exercise significant influence, the equity method of accounting is used. Under this method, the investment is initially recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the affiliate as they occur rather than as dividends or other distributions are received, and is limited to the extent of the investment.







LMC ENTERTAINMENT

Notes to Combined Financial Statements (Continued)

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LMC ENTERTAINMENT

Notes to Combined Financial Statements (Continued)

December 31, 2008, 2007 and 2006

(8) Acquisition of FUN (Continued)

price for FUN was allocated based on discounted cash flows and comparable market values to FUN's assets and liabilities as follows (amounts in thousands):

Current assets	\$ 64,755
Customer relationships	12,414
Technology	24,667
Tradenames	4,930
Goodwill	161,609
Other assets	20,555
Identifiable intangible assets	(16,774)
Noncontrolling interest	(55,001)
Deferred income taxes	(14,006)
Accumulated other comprehensive earnings	(3,447)
	<u>\$199,702</u>

FUN's results of operations have been combined with LMC Entertainment since the date of acquisition. The following unaudited pro forma information for LMC Entertainment for the year ended December 31, 2006 was prepared assuming the acquisition of FUN occurred on January 1, 2006. The pro forma amounts are not necessarily indicative of operating results that would have been obtained if the FUN acquisition had occurred on such date (amounts in thousands, except per share amounts).

Revenue	\$ 37,273
Loss from continuing operations attributable to LMC Entertainment shareholders	\$(61,417)
Net loss attributable to LMC Entertainment shareholders	\$(66,832)
Pro forma net loss attributable to LMC Entertainment shareholders per common share—Series A and Series B	\$ (.14)

In December 2007, LMC Entertainment announced its intention to acquire FUN.

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LMC ENTERTAINMENT

Notes to Combined Financial Statements (Continued)

December 31, 2008, 2007 and 2006

(9) Goodwill and Intangible Assets

Goodwill

The following table provides the activity and balances of goodwill:

	Liberty Sports Group	FUN Games	GSN	Total
	amounts in thousands			
Balance at January 1, 2007	\$ —	57,811	17,00	

LMC ENTERTAIN



LMC ENTERTAINMENT

Notes to Combined Financial Statements (Continued)

December 31, 2008, 2007 and 2006

(16) Information About LMC Entertainment's Operating Segments (Continued)

Amounts shown in "Other" below provide a reconciliation of total reportable segments to LMC Entertainment's combined total. Included in "Other" are corporate expenses and assets held at a corporate level mainly comprised of investments in DIRECTV and GSN.

LMC Entertainment's reportable segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technologies, distribution channels and marketing strategies. The accounting policies of the segments that are also subsidiaries are the same as those described in the summary of significant policies.

	Combined Reportable Segments			Other	Combined Total	Equity Affiliate
	Liberty Sports Group	FUN Games	Total			DIRECTV
Year ended December 31, 2008						
Revenue from external customers	\$209,972	\$42,774	\$267,126	—	\$267,126	\$19,368
Adjusted OIBDA	\$ 9,657	8,383				



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 Entertainment Group tracking stock for all of the outstanding shares of a newly formed, wholly owned subsidiary of Liberty Media, Liberty Entertainment, Inc. ("LEI") (the "Redemption"). The Redemption and the resulting separation of LEI from Liberty Media pursuant to the Redemption are referred to herein as the Split Off.

In connection with the Redemption, Liberty Media will redeem 90% of the outstanding shares of each series of Liberty Entertainment common stock for 100% of the outstanding shares of the same series of LEI, with cash in lieu of fractional shares, in each case, as of a date to be determined by the board of Liberty Media (the "Redemption Date"). The Redemption is subject to the terms and conditions of the Plan of Merger between Liberty, LEI, DIRECTV and other parties named therein (the "Merger Agreement"), immediately after Liberty completes the Split Off and the Merger Transaction, and subject to the terms and conditions of the Merger Agreement, including, but not limited to, the satisfaction of certain conditions, including, but not limited to, the receipt of stockholder approval, receipt of a private letter ruling from the IRS and tax opinions from tax counsel, and satisfaction or waiver of certain conditions.



Liberty Media Corporation and Subsidiaries
Condensed Pro Forma Consolidated Balance Sheet
June 30, 2009
(unaudited)

	<u>Liberty Media historical</u>	<u>Less: LEI historical(2)</u>	<u>Liberty Media pro forma</u>
	amounts in millions		
<i>Assets</i>			
Cash	\$ 3,937	30	3,907
Other current assets	4,696	69	4,627
Cost investments	3,550	—	3,550
Equity investments	15,063	13,677	1,386
Property and equipment, net	1,277	5	1,272
Intangible assets not subject to amortization	9,109	266	8,843
Other assets	5,291	292	4,999
Total assets	<u>\$42,923</u>	<u>14,339</u>	<u>28,584</u>
<i>Liabilities and Equity</i>			
Current liabilities	\$ 7,297	629	6,668
Long-term debt	9,524	1,403	8,121
Deferred tax liabilities	4,186	1,767	2,419
Other liabilities	1,809	1	1,808
Total liabilities	<u>22,816</u>	<u>3,800</u>	<u>19,016</u>
Equity	20,107	10,539	9,568
Total liabilities and equity	<u>\$42,923</u>	<u>14,339</u>	<u>28,584</u>

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

L

	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 se a8				



Liberty Media Corporation and Subsidiaries
Condensed Pro Forma Consolidated Statement of Operations
Year Ended December 31, 2006
(unaudited)

	Liberty Media historical	Less:		Liberty Media pro forma
		LEI historical(2)	LEI discontinued operations(4)	
amounts in millions				
Revenue	\$ 8,613	\$ 1,100	10	8,582
Cost of sales	(4,565)	—	—	(4,565)
Operating expenses	(2,332)	(98)	(4)	(2,290)
Depreciation and amortization	(582)	(9)	(4)	(589)
Impairment of intangible assets	(113)	(76)	(10)	(27)

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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 Corporation ("Liberty Media") has approved a plan to redeem a portion of the outstanding shares of Liberty Media's Entertainment Group tracking stock for all of the outstanding shares of Liberty Entertainment, Inc. ("LEI") (the "Redemption"). The Redemption and the resulting separation of LEI from Liberty Media pursuant to the Redemption are referred to herein as the Split Off.

In connection with the Redemption, Liberty Media will redeem 90% of the outstanding shares of each series of Liberty Entertainment common stock for 100% of the outstanding shares of the same series of LEI, with cash in lieu of fractional shares, in each case, as of a date to be determined by the board of Liberty Media (the "Redemption Date"). Immediately following the Redemption Date, the holders of Liberty Entertainment common stock will own 100% of the outstanding equity of LEI.

- (2) Represents the historical financial position and results of operations of LEI. Such amounts were derived from the historical combined financial statements of LMC Entertainment found elsewhere herein this Annex C.
- (3) The historical combined financial statements of LEI have been prepared to reflect FUN Sports as discontinued operations as a result of its sale to Liberty Media on March 24, 2009. Accordingly, the "FUN Sports" column in the accompanying condensed pro forma consolidated balance sheets is necessary to reverse the assets and liabilities reflected as discontinued operations in the LEI historical column, as these assets and liabilities will remain with Liberty Media subsequent to the Split Off.
- (4) On April 28, 2008, LEI completed the sale of its 100% ownership interest in Don Best, a subsidiary of FUN. The historical combined financial statements of LEI have been prepared to reflect Don Best as discontinued operations. However, due to materiality considerations, the historical consolidated financial statements of Liberty Media were not prepared to reflect Don Best as discontinued operations. Accordingly, the "LEI discontinued operations" column in the accompanying condensed pro forma consolidated financial statements is necessary to exclude the results of operations of Don Best from the pro forma results of operations of Liberty Media.

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 fact that the Split Off is conditioned on, among other matters, satisfaction or waiver of all conditions to the Merger Transaction, 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. At June 30, 2009, such pre-tax 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 condensed pro forma consolidated statements of operations of Liberty Media do not reflect such gain.

If the Merger Agreement has been terminated but the Split Off is completed, then the Split Off will be accounted for at historical cost due to the fact that the LEI common stock is to be distributed pro rata to the holders of Liberty Entertainment tracking stock.

LEI does not expect to borrow funds under the Liberty Revolving Credit Facility until the second half of 2009 when the next required principal payment under its long-term debt facility is due. Accordingly, there are no borrowings under the Liberty Revolving Credit Facility reflected in the accompanying unaudited pro forma attributed financial statement information.

The historical results of the Interactive Groyer G

od

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HOLDINGS PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements of Holdings show the pro forma impact of the proposed merger transactions as of and for the six months ended June 30, 2009 and for the year ended December 31, 2008. Additional information about the merger transactions involving DIRECTV and LEI is provided in this document at "The Mergers". The pro forma condensed combined financial stat

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[Table of Contents](#)

The management's discussion and analysis

THE DIRECTV GROUP, INC.

SUMMARY DATA

(Unaudited)

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
(Dollars in Millions, Except Per Share Amounts)				
Consolidated Statements of Operations Data:				
Revenues	\$ 5,218	\$ 4,807	\$ 10,119	\$ 9,398
Total operating costs and expenses	4,516	4,006	8,993	7,940
Operating profit				

[Table of Contents](#)

THE DIRECTV GROUP, INC.

SUMMARY DATA—(continued)

(Unaudited)

Selected Segment Data

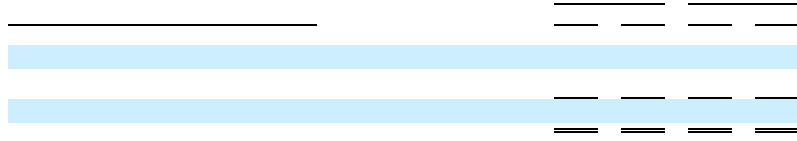
	DIRECTV U.S.	DIRECTV Latin America	Corporate and Other	Total
	(Dollars in Millions)			
Three Months Ended:				
June 30, 2009				
Revenues	\$ 4,539	\$ 680	\$ (1)	\$ 5,218
% of total revenue	87.0%	13.0%	—	100.0%
Operating profit (loss)	\$ 652	\$ 73	\$ (23)	\$ 702
Add: Depreciation and amortization expenso				
	_____	_____	_____	_____
	=====	=====	=====	=====
	_____	_____	_____	_____
	=====	=====	=====	=====

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, which we refer to as the "merger agreement", which, if consummated, will result in the creation of a new public holding company named "DIRECTV" which we refer to as "Holdings", that will own The DIRECTV Group and LEI. Holdings will be owned by the holders of The DIRECTV Group common stock and the holders of LEI common stock immediately prior to the mergers contemplated by the merger agreement.

As a necessary step to the mergers contemplated by the merger agreement, Liberty Media is planning to execute a split-off transaction that would result in the redemption of 90% of the outstanding shares of both series of its Liberty Entertainment common stock in exchange for all of the outstanding shares of two series of common stock of LEI. LEI will hold Liberty Media's entire interest in The DIRECTV Group (currently approximately 57%), 100% of Liberty Sports Holdings LLC, 65% of Gto hsxcha EI eroober65 the o



THE DIRECTV GROUP, INC.

Upgrade and retention costs. The majority of upgrade and retention costs are associated with upgrade efforts for existing subscribers that we believe will result in higher average monthly revenue per subscriber, or ARPU, and lower churn. Our upgrade efforts include subscriber equipment upgrade programs for DVR, HD and HD DVR receivers and local channels, our multiple set-top receiver offer and similar initiatives. Retention costs also include the costs of installing and providing hardware under our movers program for subscribers relocating to a new residence. Set-top receivers leased to existing subscribers under upgrade and retention programs are capitalized in "Property and equipment, net" in the Consolidated Balance Sheets and depreciated over their estimated useful lives. The amount of set-top receivers capitalized each period for upgrade and retention programs is included in "Cash paid for property and equipment" in the Consolidated Statements of Cash Flows.

General and administrative expenses. General and administrative expenses include departmental costs for legal, administrative services, finance, marketing and information technology. These costs also include expenses for bad debt and other operating expenses, such as legal settlements, and gains or losses from the sale or disposal of fixed assets.

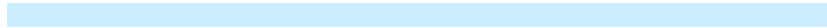
Average monthly revenue per subscriber. We calculate ARPU by dividing average monthly revenues for the period (total revenues during the period divided by the number of months in the period) by average subscribers for the period. We calculate average subscribers for the period by adding the number of subscribers as of the beginning of the period and for each quarter end in the current year or period and dividing by the sum of the number of quarters in the period plus one.

Average monthly subscriber churn. Average monthly subscriber churn represents the number of subscribers whose service is disconnected, expressed as a percentage of the average total number of subscribers. We calculate average monthly subscriber churn by dividing the average monthly number of disconnected subscribers for the period (total subscribers disconnected, net of reconnects, during the period divided by the number of months in the period) by average subscribers for the period.

Subscriber count. The total number of subscribers represents the total number of subscribers actively subscribing to our service, including seasonal subscribers, subscribers who are in the process of relocating and commercial equivalent viewing units. In March 2008, we implemented a change in DIRECTV U.S.' commercial pricing and packaging to increase our competitiveness. As a result, during the first quarter of 2008, DIRECTV U.S. made a one-time downward adjustment to the subscriber count of approximately 71,000 subscribers related to commercial equivalent viewing units.

SAC. We calculate SAC, which represents total subscriber acquisition costs stated on a per subscriber basis, by dividing total subscriber acquisition costs for the period by the number of gross new subscribers acquired during the period. We calculate total subscriber acquisition costs for the period by adding together "Subscriber acquisition costs" expensed during the period and the amount of cash paid for equipment leased to new subscribers during the period.

EXECUTIVE OUTLOOK UPDATE



THE DIRECTV GROUP, INC.

subscribers from a local pay television service provider in Latin America to Sky Brazil during the first half of 2009. Net subscriber additions as well as churn exclude the effect these migrations.

The decrease in net subscriber additions was primarily due to higher churn of 1.88% in the region. The increase in churn was primarily due to the impact from continued growth of DTVLA's pre-paid business.

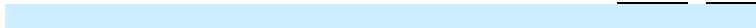
Revenues increased primarily due to subscriber growth in Brazil, Venezuela and Argentina, partially ofau

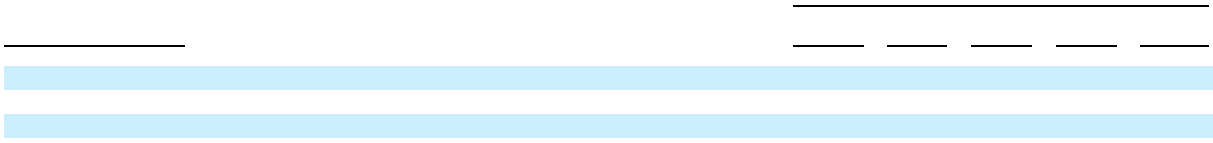
THE DIRECTV GROUP, INC.

repurchases at least until the vote at the stockholder meeting takes place. A decision to recommence repurchases will depend on the circumstances at that time, including whether we have obtained requested private letter tax rulings.

We expect to fund our cash requirements and our existing business plan using our available cash balances and cash provided by operations. Additional borrowings, which may include borrowings under the \$500 million DIRECTV U.S. revolving credit facility, may be required to fund strategic investment opportunities should they arise.

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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 March 31, 2018.



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THE DIRECTV GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)

(Unaudited)

in the Consolidated Balance Sheet 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	9,318	9,029	(289)
Total stockholders' equity	6,302	6,013	(289)

On January 1, 2009 we adopted SFAS N

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

Our notes payable and senior secured credit facility mature as follows: \$61 million in the remainder

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THE DIRECTV GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)

(Unaudited)

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 continue to consolidate the results of DIRECTV Puerto Rico.

Redeemable Noncontrolling Interest

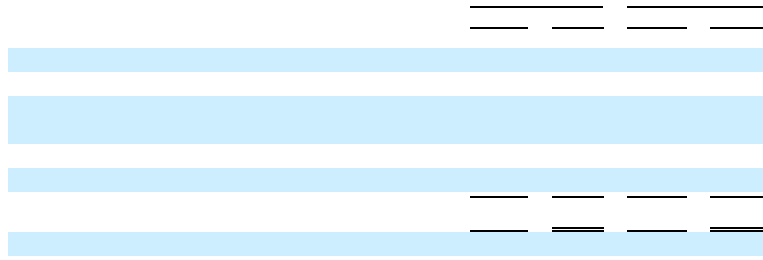
In connection with our acquisition of Sky Brazil in 2006, our partner, Globo, who holds the remaining 25.9% interest, was granted the right, until January 2014, to require us to purchase all or a portion (but not less than half) of its shares in Sky Brazil. Upon exercising this right, the fair value 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 Sky Brazil shares in cash, shares of our common stock or a combination of both. As of June 30, 2009, we estimate that Globo's 25.9% equity interest in Sky Brazil has a fair value of approximately \$325 million to \$450 million. We determined the range of fair values using significant unobservable inputs, which are Level 3 inputs under SFAS No. 157 and further determined that \$325 million was our best estimate of fair value in that range. As a result of our adoption of the revisions to Topic D-98, discussed above in "Accounting Changes", we now account for the redeemable noncontrolling interest at fair value in the Consolidated Balance Sheets.

Litigation

Litigation is subject to uncertainties and the outcome of individual litigated matters is not predictable with assurance. Various legal actions, claims and proceedings are pending against us arising in the ordinary course of business. We have established loss provisions for matters in which losses are probable and can be reasonably estimated. Some of the matters may involve compensatory, punitive, or treble damage claims, or demands that, if granted, could require us to pay damages or make other expenditures in amounts that could not be estimated at June 30, 2009. After discussion with counsel representing us in those actions, it is the opinion of management that such litigation is not expected to have a material effect on our consolidated results of operations or financial position.

Finisar Corporation. As previously reported, we filed a notice of appeal to the Court of Appeals for the Federal Circuit on October 5, 2006 from a jury determination that the patent for the equipment used in our service was invalid. The appeal is currently pending before the Court of Appeals for the Federal Circuit. We are unable to predict the outcome of the appeal.





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

transactions will depend on a variety of factors, including market conditions, and the program may be suspended, discontinued or accelerated at any time. The sources of funds for the purchases under the remaining authorization are our existing cash on hand and cash from operations. Purchases are made in the open market, through block trades and other negotiated transactions. Re

THE DIRECTV GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)

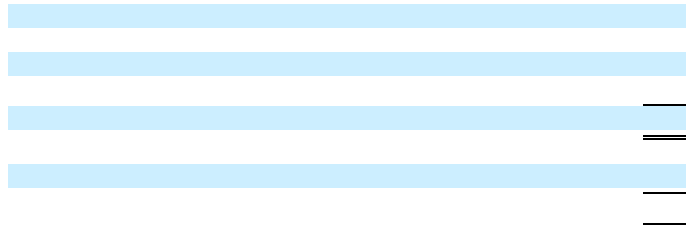
(Unaudited)

Accumulated Other Comprehensive Loss

	As of June 30, 2009	As of December 31, 2008
	(Dollars in Millions)	
Unamortized net amount resulting from changes in defined benefit plan experience and actuarial assumptions, net of taxes	\$ (124)	\$ (124)
Unamortized amount resulting from changes in defined benefit plan provisions, net of taxes	(4)	(4)
	<u> </u>	<u> </u>
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THE DIRECTV GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(concluded)

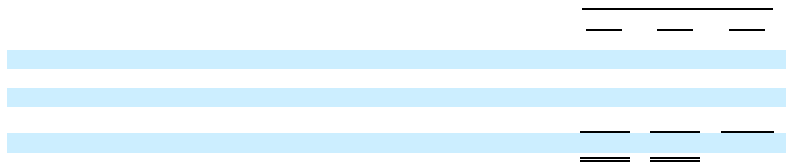
(Unaudited)

Directors use operating profit (loss) before depreciation and amortization to evaluate the operating performance of our company and our business segments and to allocate resources and capital to business segments. This metric is also used as a measure of performance for incentive compensation purposes and to measure income generated from operations that could be used to fund capital expenditures, service debt or pay taxes. Depreciation and amortization expense primarily represents an allocation to current expense of the cost of historical capital expenditures and for intangible assets resulting from prior business acquisitions. To compensate for the exclusion of depreciation and amortization expense from operating profit, our management and Board of Directors separately measure and budget for capital expenditures and business acquisitions.

We believe this measure is useful to investors, along with GAAP measures (such as revenues, operating profit and net income), to compare our operating performance to other communications, entertainment and media service providers. We believe our net







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THE DIRECTV GROUP, INC.

disconnected subscribers for the period (total subscribers disconnected, net of reconnects, during the period divided by the number of months in the period) by average subscribers for the period.

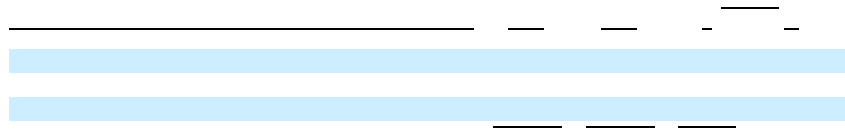
Subscriber Count. The total number of subscribers represents the total number of subscribers actively subscribing to our service, inc i



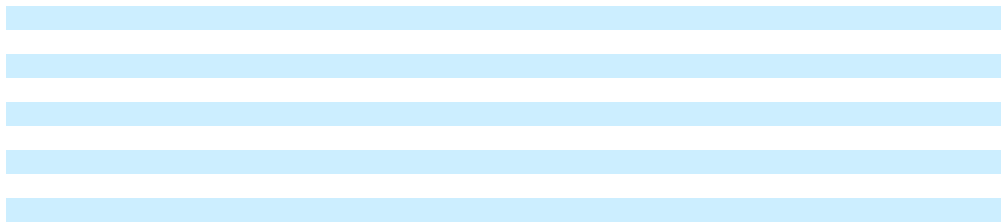
THE DIRECTV GROUP, INC.

due to increased sales of HD and DVR services as well as from lower involuntary churn associated with the continued effect of stringent credit policies. Net subscriber additions declined slightly from 2007 as the increase in gross additions was offset by higher subscriber disconnections.

Revenues. DIRECTV U.S.' revenues increased as a result of higher ARPU and the larger subscriber base. The increase in ARPU resulted primarily from price increases on programming packages, higher



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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 (ratio of current assets to current liabilities) was 1.13 at December 31, 2008 and 0.92 at December 31, 2007. Working capital increased by \$747 million to \$459 million at December 31, 2008 from working capital deficit of \$288 million at December 31, 2007. The increase during the period was mostly due to the increase in our cash and cash equivalent balances resulting from the changes discussed below.

THE DIRECTV GROUP, INC.

Cash Flows Used in Financing Activities

During 2006, 2007 and 2008 our Board of Directors approved, and we completed, the repurchase of a total of \$8.2 billion of our common stock as follows: \$3,174 million during 2008, \$2,025 million during 2007 and \$2,977 million during 2006. In January 2009, our Board of Directors authorized an additional \$2 billion of share repurchases.

Additionally, during 2008 we had \$2,490 million of net cash proceeds from the issuance of senior notes and borrowings under our senior secured credit facility which were completed in May 2008 as described in Note 8 of the Notes to the Consolidated Financial Statements included elsewhere in this Annex D, and a \$160 million capital contribution received in connection with the Liberty Transaction described in Note 19 of the Notes to the Consolidated Financial Statements included elsewhere in this Annex D.

Free Cash Flow

Free cash flow increased in 2008 as compared to 2007 due to an increase in net cash provided by operating activities described above, and the decrease in capital expenditures. The decrease in capital expenditures resulted from lower set-top receiver costs for set-top receivers capitalized under the DIRECTV U.S. lease program and lower capital expenditures for satellite and broadcast facilities and equipment to support HD programming partially offset by increased capital expenditures in Latin America.

Free cash flow decreased in 2007 compared to 2006 as the increase in net cash provided by operating activities discussed above was more than offset by an increase in capital expenditures for leased set-top receivers. Capital expenditures for leased set-top receivers increased as a result of an increase in the amount of set-top receivers capitalized in 2007 under the DIRECTV U.S. lease program implemented in March 2006.

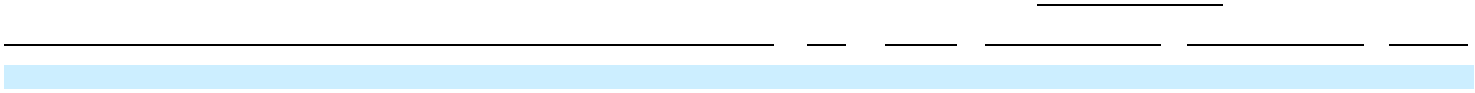
During 2009, we expect continued free cash flow growth primarily as a result of the anticipated increase in operating profit before depreciation and amortization.

Debt

At December 31, 2008, we had \$5,833 million in total outstanding borrowings, bearing a weighted average interest rate of 5.7%. Our outstanding borrowings primarily consist of notes payable and amounts borrowed under a senior secured credit facility of DIRECTV U.S. as more fully described in Note 8 of the Notes to the Consolidated Financial Statements included elsewhere in this Annex D.

Our notes payable and senior secured credit facility and other borrowings 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. However, these amounts do not reflect potential prepayments that may be required under DIRECTV U.S.' senior secured credit facility, which could result from a computation that we are required to make each year end under the credit agreement. We were not required to make a prepayment for the years ended December 31, 2008 and 2007.

Covenants and Restrictions. The senior secured credit facility requires DIRECTV U.S. to comply with certain financial covenants. The senior notes and the senior secured credit facility also include covenants that restrict DIRECTV U.S.' ability to, among other things, (i) incur additional indebtedness, (ii) incur liens, (iii) pay dividends or make certain other restricted payments, investments or acquisitions, (iv) enter into certain transactions with affiliates, (v) merge or consolidate with another entity, (vi) sell, assign, lease or otherwise dispose of all or substantially all of its assets, and (vii) make voluntary prepayments of certain debt, in each case subject to exceptions as provided in the credit



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

THE DIRECTV GROUP, INC.

goodwill or intangible assets with indefinite lives in a future period which could be material to our consolidated financial statements.

ACCOUNTING CHANGES AND NEW ACCOUNTING PRONOUNCEMENTS

For a discussion of accounting changes and new accounting pronouncements see Note 2 of the Notes to the Consolidated Financial Statements included elsewhere in this Annex D.

SECURITY RATINGS

Debt ratings by the various rating agencies reflect each agency's opinion of the ability of issuers to repay debt obligations as they come due and expected loss given a default. Ratings in the Baa range for Moody's Investors Service and the BBB range for Standard & Poor's Ratings Services, or S&P, generally indicate adequate current protection of interest payments and principal security, with certain protective elements lacking. Ratings in the Ba range for Moody's and the BB range for S&P, generally indicate moderate protection of interest and principal payments, potentially outweighed by exposure to uncertainties or adverse conditions. In general, lower ratings result in higher borrowing costs. A security rating is not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization.

Currently, The DIRECTV Group has the following security rating:

	<u>Long-term Corporate Rating</u>	<u>Outlook</u>
Standard & Poor's	BB	Stable

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	Baa3	Ba3	Ba2	Stable

THE DIRECTV GROUP, INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of The DIRECTV Group, Inc.
El Segundo, California

We have audited the accompanying consolidated balance sheets of The DIRECTV Group, Inc. (the "Company") 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. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The DIRECTV Group, Inc. at December 31, 2008 and 2007, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

As of the date of this report, the Company has not adopted Financial Accounting Standards Board, or FASB, Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* effective December 31, 2007, the Company adopted the measurement date provision of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)* and

THE DIRECTV GROUP, INC.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31,		
	2008	2007	2006
	(All amounts in Millions)		
Net income	\$1,613	\$1,462	\$1,433
Other comprehensive income (loss):			
Minimum pension liability adjustment, net of tax	—	—	24
Amortization of amounts resulting from changes in defined benefit plan experience and actuarial assumptions, net of tax	(87)	16	—
Foreign currency translation adjustments	—	(12)	12
Unrealized holding (losses) gains on securities, net of taxes	(20)	12	(14)
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THE DIRECTV GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments we purchase with original maturities of three months or less.

Inventories

We state inventories at the lower of average cost or market. Inventories consist of finished goods for DIRECTV System equipment and DIRECTV System access cards.

Property and Equipment, Satellites and Depreciation

We carry property and equipment, and satellites at cost, net of accumulated depreciation. The amounts we capitalize for satellites currently being constructed and those that have been successfully launched include the costs of construction, launch, launch insurance, incentive obligations and related capitalized interest. We generally compute depreciation using the straight-line method over the estimated useful lives of the assets. We amortize leasehold improvements over the lesser of the life of the asset or term of the lease.

Goodwill and Intangible Assets

Goodwill and intangible assets with indefinite lives are carried at historical cost and are subject to write-down, as needed, based upon an impairment analysis that we must perform at least annually, or sooner if an event occurs or circumstances change that would more likely than not result in an impairment loss. We perform our annual impairment an ni

THE DIRECTV GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)

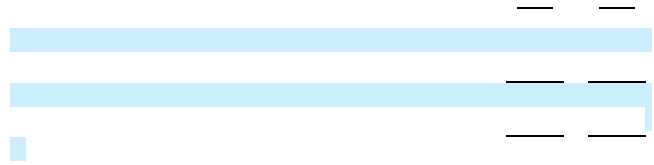
for an End-Customer to Receive Service from the Service Provider." EITF No. 06-1 provides guidance to service providers regarding the proper reporting of consideration given to manufacturers or resellers of equipment necessary for an end-customer to receive its services. Depending on the circumstances, such consideration is reported as either an expense or a reduction of revenues. Our adoption of EITF No. 06-1 did not have any effect on our consolidated financial statements.

We adopted FIN 48 on January 1, 2007, the cumulative effect of which resulted in a \$5 million increase to "Accumulated deficit" in the Consolidated Balance Sheets. As of the date of adoption, our unrecognized tax benefits and accrued interest totaled \$204 million, including \$166 million of tax positions the recognition of which would affect the annual effective income tax rate. As of the date of adoption, we have accrued \$45 million in interest and penalties as part of our liability for unrecognized tax benefits. See Note 9 below for additional information regarding unrecognized tax benefits.

On December 31, 2007, we adopted the measurement date provision of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)." This provision requires the measurement of plan assets and benefit obligations as of the date of our fiscal year end and accordingly resulted in a change in our measurement date, which was previously November 30. As a result of the adoption of this provision, we recorded an adjustment of \$1 million to recognize net periodic benefit cost for the one month difference to "Accumulated deficit" in the Consolidated Balance Sheets as of December 31, 2007.

On December 31, 2006, we adopted the provisions of SFAS No. 158 that require us to recognize the funded status of our defined benefit postretirement plans treti .









[Table of Contents](#)

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; \$97 million in 2012; and \$97 million thereafter.

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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:

	<u>Pension Benefits</u>	<u>Other Postretirement Benefits</u>
	(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 plan assets at December 31:

	<u>2008</u>	<u>2007</u>
	(Dollars in Millions)	
Accumulated benefit obligation	\$ 415	\$ 49
Fair value of plan assets	283	Componic od

Information for pension plans with a projected benefit obligation in excess of plan assets at December 31:

	<u>2008</u>	<u>2007</u>
	(Dollars in Millions)	
Projected benefit obligation	\$ 452	\$ 64
Fair value of plan assets	tio 283	— feojon 4riodIL, T. B

Components of net periodic benefit cost for the years ended December 31:

Components of net periodic benefit cost	<u>Pension Benefits</u>			<u>Other Postretirement Benefits</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(Dollars in Millions)					

THE DIRECTV GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	<small>(Amounts in Millions, Except Per Share Amounts)</small>		
Total cost of repurchased and retired shares	\$ 3,174	\$ 2,025	\$ 2,977

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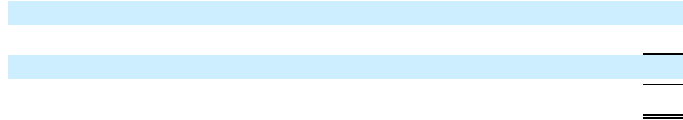
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THE DIRECTV GROUP, INC.

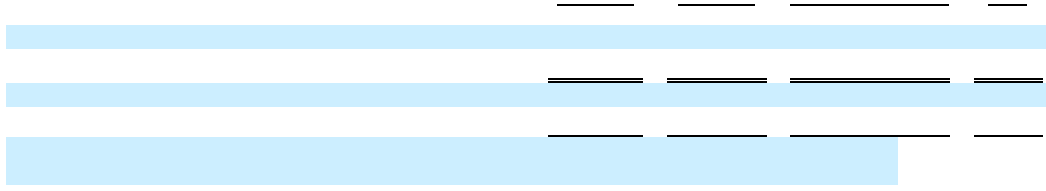
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)

resulting in an increase in goodwill of \$15 million during 2008. We expect the recorded goodwill to be deductible for tax purposes.

Darlene TransacdsM



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THE DIRECTV GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)

[Table of Contents](#)

THE DIRECTV GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(continued)

set-top receiver manufactured for use with the DIRECTV system beginning June 17, 2006 and continuing until the patent expires in 2012 or was otherwise found to be invalid. On April 18, 2008, the Court of Appeals reversed the verdict of the district court in part, vacated the findings of infringement, and remanded for further proceedings on the remaining issues finding that the district court had applied erroneous interpretations of certain terms of the claims. The Court found a principal independent claim to be anticipated and therefore invalid, and remanded for further proceedings regarding validity of other asserted claims in view of this finding. The Court reversed the verdict of willful infringement, and affirmed the earlier ruling finding several claims to be invalid prior to trial. Following these decisions, our appeal bond was terminated and the escrowed royalties were returned to us. In the remand now pending, initial summary judgment motions on invalidity of additional claims have been submitted. If necessary, there will be a trial on the validity of the remaining claims.

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.

<u>ARTICLE I</u>	<u>The Mergers</u>	<u>E-2</u>
<u>SECTION 1.1</u>	<u>The Mergers</u>	<u>E-2</u>
<u>SECTION 1.2</u>	<u>Closing</u>	<u>E-2</u>
<u>SECTION 1.3</u>	<u>Effective Time of the Mergers</u>	<u>E-2</u>
<u>SECTION 1.4</u>	<u>Effects of the Mergers</u>	<u>E-3</u>
<u>SECTION 1.5</u>	<u>Certificate of Incorporation and Bylaws of the DIRECTV Surviving Corporation, the Splitco Surviving Corporation and Holdings</u>	<u>E-3</u>
<u>SECTION 1.6</u>	<u>Directors and Officers of the DIRECTV Surviving Corporation, the Splitco Surviving Corporation and Holdings</u>	<u>E-3</u>
<u>ARTICLE II</u>	<u>Effect of the Mergers on the Capital Stock of the Constituent Corporations; Exchange of Certificates; Stock Options</u>	<u>E-4</u>
<u>SECTION 2.1</u>	<u>Effect on Capital Stock</u>	<u>E-4</u>
<u>SECTION 2.2</u>	<u>Exchange of Certificates and Book-Entry Shares</u>	





[Table of Contents](#)

SECTION 6.18	Intercompany Payables	E-60
SECTION 6.19	Indemnification Claims	E-61
SECTION 6.20	Greenlady Debt	E-61
SECTION 6.21	Splitco Cash Amount	E-62
SECTION 6.22	No Acquisition of a Liberty Entertainment Interest by DIRECTV	E-62
SECTION 6.23	No Acquisition of a Splitco Interest by DIRECTV	E-62
SECTION 6.24	Parent Undertaking; Effects of Split-Off	E-62
SECTION 6.25	Holdings Joinder	E-63
SECTION 6.26	No Acquisition of a DIRECTV Interest by Liberty	E-63
SECTION 6.27	No Acquisi	i

[Table of Contents](#)

(the "*DIRECTV Cer*

[Table of Contents](#)

(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 the Malone Contribution, the directors of Holdings, each to hold office in accordance with the certificate of incorporation and bylaws of Holdings until each such director's successor is duly elected and qualified, or until their earlier death, resignation or removal (the "Current Board"); provided, that, to the extent all of such persons (excluding the one additional independent director to be designated by the Board of Directors of DIRECTV) are not the persons who comprise the entire Board of Directors of DIRECTV as of the date hereof, then, from and after the time immediately prior to the Malone Contribution, the directors of Holdings instead shall be comprised of (i) three individuals that serve on the Board of Directors of Splitco immediately prior to the Malone Contribution as designated by the Board of Directors of Splitco, (ii) seven individuals that serve on the Board of Directors of DIRECTV immediately prior to the Malone Contribution as designated by the Board of Directors of DIRECTV and (iii) one additional independent director to be designated by the Board of Directors of DIRECTV (the "Alternative Board"). If the Current Board serves as the Board of Directors of Holdings from and after the time immediately prior to the Malone Contribution, then, once classification of the Board of Directors of Holdings is required pursuant to the certificate of incorporation of Holdings, such directors shall each hold office in the corresponding class of directors as such director held at DIRECTV immediately prior to the Malone Contribution. If the Alternative Board serves as the Board of Directors of Holdings from and after the time immediately prior to the Malone Contribution, then, once classification of the Board of Directors of Holdings is 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 directors designated by the Board of Directors of Splitco shall be placed in separate classes. The officers of DIRECTV immediately prior to the DIRECTV Effective Time shall be, from and after the DIRECTV Effective Time, the officers of Holdings.

(d) Liberty and Splitco shall elect, and cause to be elected, the individuals set forth in Section 1.6(d) of the DIRECTV Disclosure Schedule to be the directors of Greenlady, from and after the DIRECTV Effective Time, each to hold office in accordance with the certificate of incorporation and by-laws of Greenlady, until each such director's successor is duly elected and qualified, or until their earlier death, resignation or removal. Liberty and Splitco shall cause the nomination and election of the directors contemplated in the immediately preceding sentence to be approved by the directors of Greenlady, (subject to the fiduciary duties and obligations of such directors) prior to the DIRECTV Effective Time.

ARTICLE II

Effective



accordance with Section 2.2(b) (or, in the case of a lost, stolen or destroyed Splitco Certificate, Section 2.2(e)).

(ii) *Cancellation of Shares.* Each issued share of Splitco Common Stock that is owned by Splitco or Holdings immediately prior to the Merger 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 Two Common Stock.* Each share of common stock, par value \$0.01 per share, of Merger Sub Two issued and outstanding immediately prior to the Merger Effective Time shall be automatically converted into one duly authorized and validly issued, fully paid and nonassessable share of Series A Common Stock of the Splitco Surviving Corporation.

(c) *Fractional Shares.*

(i) No certificates, scrip or book-entry credit representing fractional shares of Holdings Common Stock will be issued upon the conversion of Splitco Common Stock or DIRECTV Common Stock pursuant to Section 2.1, and to the extent that any holder of Splitco Common Stock or DIRECTV Common Stock would otherwise be entitled to receive a fractional share of Holdings Common Stock, no such fractional shares will be issued to such holder as a result of the Splitco Merger or DIRECTV Merger and no such holder shall be entitled to vote or to any rights of a holder of Holdings Common Stock with respect to fractional shares such holder otherwise would be entitled to receive. For purposes of this Section 2.1(c), all fractional share interests to which each record holder would be entitled will be aggregated and sold by the Exchange Agent pursuant to Section 2.1(c)(ii).

(ii) Fractional shares of Holdings Common Stock that would otherwise be allocable to any former holders of Splitco Common Stock or DIRECTV Common Stock in the Mergers will be aggregated, and the Exchange Agent shall sell the aggregate shares in the public market. The Exchange Agent will make available the net proceeds thereof, after deducting any required withholding Taxes and brokerage charges, commissions and transfer Taxes, on a pro rata basis, without interest, as soon as practicable to the holders of Splitco Common Stock, DIRECTV Common Stock or the Malone Splitco Shares, as applicable, entitled to receive such cash. No interest shall accrue on any cash payable pursuant to this Section 2.1(c). Payment for fractional shares of Holdings Common Stock that would otherwise be allocable to any former holders of Splitco Common Stock receiving shares of Holdings Common Stock in the Malone Contribution will be determined in accordance with the terms and provisions of the Malone Agreement.

(d) *Adjustments to Exchange Ratios.* So as to maintain the relative proportionate interests of the holders of the Splitco Common Stock and the DIRECTV Common Stock in Holdings Common Stock immediately following the Merger Effective Time intended by this Agreement as of the date hereof, the Splitco Exchange Ratio, the Splitco Merger Consideration, the DIRECTV Exchange Ratio and the DIRECTV Merger Consideration shall be adjusted to reflect fully the appropriate effect of any stock split, split-up, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into, or exercisable or exchangeable for, DIRECTV Common Stock, Liberty Entertainment Common Stock, Splitco Common Stock or Holdings Common Stock or other securities), reorganization, recapitalization, reclassification, combination or exchange of shares, or other similar change with respect to (i) DIRECTV Common Stock having a record date on or after the date hereof and prior to the DIRECTV Effective Time, (ii) Splitco Common Stock having a record date occurring after the Split-Off Effective Time and prior to the Merger Effective Time and (iii) Liberty Entertainment Common Stock having a record date occurring on or after the date hereof and prior to the Split-Off Effective Time.

[Table of Contents](#)

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(b), each 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 such holder is entitled pursuant to Section 2.1(c), in each case, without interest.

(c) *Distributions with Retentions*

[Table of Contents](#)

Entertainment Common Stock subject thereto and the exercise price thereof and (B) the terms of vesting, and the grant and expiration dates thereof and the name of the holder thereof and (y) the aggregate number of shares of Liberty Entertainment Common Stock that are issuable pursuant to all outstanding options, stock appreciation rights or other rights to purchase or receive shares of Liberty Entertainment Common Stock. All Liberty Entertainment Stock Options which vested after December 31, 2004, have an exercise price equal to no less than the fair market value of the underlying shares of Liberty Entertainment Common Stock on the date of grant (as adjusted to reflect corporate transactions which have occurred since the date of grant). Since April 30, 2009, Liberty has not issued any shares of Liberty Entertainment Common Stock, or any securities convertible into or exchangeable or exercisable in whole or in part.

[Table of Contents](#)

Subsidiaries or under any of the terms, conditions or provisions of any material Contract to which Liberty or any of its Subsidiaries is a party or pursuant to which any of their respective properties or assets are bound, except for any such conflicts, violations, breaches, defaults or occurrences which would not prevent or materially delay the performance of this Agreement by Liberty;

(iii) assuming the approvals required under Section 3.3(b)(iv) are obtained, violate any order, writ, or injunction, or any decree, or any material Law applicable to Liberty or any of its Subsidiaries, or any of their respective properties or assets; or

(iv) require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Authority, except for (x) (A) the filing with the SEC of any further amendments to its preliminary proxy statement filed April 24, 2009 relating to the Liberty Stockholders Meeting (as amended or supplemented from time to time, the "*Liberty Proxy Statement*"), the Splitco Form S-4 and other filings required under, and compliance with other applicable requirements of, the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "*Exchange Act*"), and the rules of The NASDAQ Global Select Market ("*NASDAQ*"), (B) filings required under, and compliance with other applicable requirements of, the HSR Act and the rules and regulations promulgated thereunder, and any similar Laws of foreign jurisdictions, (C) approval of the Transactions under the Communications Act (the "*Liberty FCC Approvals*"), and (D) the private letter rulings to be obtained from the Internal Revenue Service (the "*IRS*"), as contemplated by this Agreement and any filings made with the IRS in connection therewith, and (y) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications would not prevent or materially delay the performance of this Agreement by Liberty.

(c) At a meeting of the Board of Directors of Liberty duly called and held, those directors of Liberty voting (and not abstaining) upon the following matters and constituting a majority of the entire Board of Directors of Liberty unanimously (i) approved and declared advisable (A) the Split-Off and the transactions contemplated thereby (including the transactions contemplated by the Reorganization Agreement), (B) the Malone Agreement and the transactions contemplated hereby (including the MSB Contribution), and (C) this Agreement and the transactions contemplated hereby (including that (i) thereby (A Board of D
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[Table of Contents](#)

SECTION 3.4 *Liberty SEC Documents.* As of their respective dates, all reports, prospectuses, forms, schedules, registration statements, proxy statements or information statements required to be filed by Liberty under the Securities Act or under the Exchange Act (the "*Liberty SEC Documents*") complied in all material respects with the applicable requirements of the Securities Act or the Exchange Act, as the case may be, and none of such Liberty SEC Documents when filed contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Since January 1, 2008, Liberty has timely filed all reports and other filings required to be filed with the SEC under the rules and regulations of the SEC. The books and records of Liberty and its Subsidiaries have been, and are being, maintained in accordance with applicable legal and accounting requirements. Each of the foregoing representations in this Section 3.4 is made only with respect to information relating to the Splitco Business and with "materiality" being defined by reference to Splitco (after giving effect to the Restructuring and the Split-Off) and the Splitco Business.

SECTION 3.5 *Information Supplied.* None of the information supplied (or to be supplied) in writing by or on behalf of Liberty specifically for inclusion or incorporation by reference in, and which is included or incorporated by reference in, (a) the registration statement on Form S-4 to be filed with the SEC by Splitco in connection with the issuance of shares of Splitco Common Stock in the Split-Off (as amended or supplemented from time to time, the "*Splitco Form S-4*") and the registration statement on Form S-4 to be filed with the SEC by Holdings in connection with the issuance of shares of Holdings Common Stock in the Mergers and the Malone Contribution (as amended or supplemented from time to time, the "*Holdings Form S-4*") will, at the time (i) that each of the Splitco Form S-4 and the Holdings Form S-4, or any amendments or supplements thereto, are filed with the SEC, (ii) each of the Splitco Form S-4 and the Holdings Form S-4 becomes effective under the Securities Act, (iii) of the DIRECTV Stockholders Meeting, (iv) of the Liberty Stockholders Meeting, (v) of the Split-Off, (vi) of the DIRECTV Merger and (vii) of the Splitco Merger contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein not misleading, and (b) the Liberty Proxy Statement will, on the date it is first mailed to stockholders of Liberty and at the time of the Liberty Stockholders Meeting, be false or misleading with respect to any material fact, or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading or necessary to correct any statement in any earlier communication. The Liberty Proxy Statement will comply as to form in all material respects with the applicable requirements of the Exchange Act. Notwithstanding the foregoing, Liberty makes no representation or warranty with respect to information regarding DIRECTV supplied by or on behalf of DIRECTV for inclusion or incorporation by reference in any of the foregoing documents.

SECTION 3.6 *Brokers and Other Advisors.* Except for Goldman, Sachs & Co. and JPMorgan Chase & Co., the fees and expenses of which will be paid by Liberty, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission, or the reimbursement of expenses, in connection with the Transactions based upon arrangements made by or on behalf of Liberty or any of its Subsidiaries. Liberty has heretofore delivered to DIRECTV a correct and complete copy of Liberty's engagement letter with each of Goldman, Sachs & Co. and JPMorgan Chase & Co., which letter describes all fees payable to Goldman, Sachs & Co. and JPMorgan Chase & Co., respectively, in connection with the Transactions, all agreements under which any such fees or any expenses are payable and all indemnification and other agreements related to the engagement of Goldman, Sachs & Co. and JPMorgan Chase & Co., respectively (as amended, the "*Liberty Engagement Letters*").

SECTION 3.7 *Liberty Owned DIRECTV Shares.*

(a) As of the date hereof, all of the shares of DIRECTV capital stock Beneficially Owned by Liberty are owned as follows: (i) 170,000,000 shares of DIRECTV Common Stock are owned directly

[Table of Contents](#)

by Greenlady II, LLC (the "Greenlady II DIRECTV Shares") and (ii) 378,720,752 shares of DIRECTV Common Stock are owned directly by Greenlady (collectively, with the Greenlady II DIRECTV Shares, the "Liberty Owned DIRECTV Shares"). All of the Liberty Owned DIRECTV Shares are owned free and clear of any and all Liens, other than those Liens incurred in connection with the Greenlady Debt and other than those Liens incurred in connection with the DIRECTV Credit Facility. Except as provided for in this Section 3.7, Liberty does not Beneficially Own any other shares of DIRECTV capital stock or any options or other rights to purchase or receive shares of DIRECTV capital stock. Immediately following the Split-Off, Subsidiaries of Splitco will have good and valid title to the Liberty Owned DIRECTV Shares, free and clear of any and all Liens (other than Liens incurred in connection with the Greenlady Debt, Liens incurred in connection with the DIRECTV Credit Facility, transfer restrictions arising under federal and state securities Laws and the restrictions set forth in this Agreement), and Liberty will have no right, title or interest in the Liberty Owned DIRECTV Shares.

(b) (i) Except for the equity collars associated with the Greenlady Debt, Liberty has not entered into or acquired any derivative contract with respect to any shares of DIRECTV Common Stock and (ii) Liberty has not entered into any other hedging or other similar transaction that has the effect of providing Liberty with the economic benefits, voting rights or risks of ownership of any shares of DIRECTV Common Stock other than the Liberty Owned DIRECTV Shares.

SECTION 3.8 Indemnification Claims.

(a) As of the date of this Agreement, neither Liberty nor any of its Subsidiaries has submitted, or threatened in writing to submit, a claim for indemnification against News Corporation ("News") in accordance with either (i) that certain Share Exchange Agreement, dated as of December 22, 2006, by and between News and Liberty (the "Share Exchange Agreement") or (ii) any of the Ancillary Agreements.

(b) As of the date of this Agreement, News has not submitted, and to the Knowledge of Liberty, News has not threatened in writing to submit, a claim for indemnification against Liberty in accordance with either (i) the Share Exchange Agreement or (ii) any of the Ancillary Agreements.

SECTION 3.9 Splitco Takeover Proposals. As of the date of this Agreement, within the past two (2) years there have been no Splitco Takeover Proposals, other than as set forth in *Section 3.9 of the Liberty Disclosure Schedule*.

SECTION 3.10 Sale of Assets. The Transactions do not constitute a sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets and properties of Liberty and its Subsidiaries (taken as a whole) under the terms of that certain Indenture, dated as of July 7, 1999, by and between Liberty and The Bank of New York, N.A., as trustee (as amended, modified or supplemented).

SECTION 3.11 Share Redemption. Prior to, and after, the Closing, (a) the fair value of the assets of Liberty and each of its Subsidiaries will exceed each of its respective Liabilities, (b) each of Liberty and its Subsidiaries will be able to pay its Liabilities, as such Liabilities become absolute and matured and (c) neither Liberty nor any



[Table of Contents](#)

SECTION 3.13 *Opinion of Financial Advisor.* Goldman, Sachs & Co. has rendered its opinion to the Board of Directors of Liberty that, as of May 3, 2009 and based upon and subject to the factors and assumptions set forth in the written opinion (the "*Liberty Fairness Opinion*"), the Splitco Exchange Ratio pursuant to this Agreement is fair from a financial point of view to those holders (other i of—nt ae

[Table of Contents](#)

organizational documents) of each of its Subsidiaries (the "*Splitco Subsidiary Documents*"), in each case as amended to the date of this Agreement. All such Splitco Charter Documents and Splitco Subsidiary Documents are in full force and effect and neither Splitco nor any of its Subsidiaries is in violation of any of their respective provisions. Splitco has made available to DIRECTV and its Representatives correct and complete copies of the minutes (or, in the case of minutes that have not yet been finalized, drafts thereof) of all meetings of the Board of Directors (or committees thereof) of Splitco and of each of its Subsidiaries held since January 6, 2009, of (i) Splitco held since January 6, 2009, (ii) each of GSN, FUN Technologies and their respective Subsidiaries held since January 1, 2008, and (iii) Liberty Sports Holdings, LLC and each of its Subsidiaries held since February 1, 2008.

securities or equity interests) of Splitco or any of its Subsidiaries other than Splitco Restricted Shares that may be forfeited by their terms.

(b) There are no issued or outstanding bonds, debentures, notes or other indebtedness of Splitco or any of its Subsidiaries having the right to vote (or convertible into, or exchangeable for, securities having the right to vote), upon the happening of a certain event or otherwise, on any matters on which the equity holders of Splitco or any of its Subsidiaries may vote.

SECTION 4.3 Authority; Noncontravention; Voting Requirements.

(a) Splitco has all necessary corporate power and authority to execute and deliver this Agreement and each of the other Transaction Documents to which it is a party and, subject to obtaining the Splitco Stockholder Approval, to perform its obligations hereunder in connection with the Transaction.
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[Table of Contents](#)

SECTION 4.8 *Tax Matters.*

Except as otherwise set forth in *Section 4.8 of the Liberty DisclosG*

[Table of Contents](#)

(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 Matters.*

(a) Except as set forth in *Section 4.10 of the Liberty Disclosure Schedule*, there are no collective bargaining agreements, union contracts or similar agreements or arrangements in effect that cover any employee of Splitco or any of its Subsidiaries (each, a "*Splitco Collective Bargaining Agreement*"). With respect to the Splitco Business, (a) there is no material labor strike, dispute, slowdown, lockout or stoppage pending or, to the Knowledge of Liberty, threatened, and neither Splitco nor any of its Subsidiaries has experienced any labor strike, dispute, slowdown, lockout or stoppage relating to the Splitco Business or any employee of Splitco or any of its Subsidiaries since January 1, 2007 with respect to the Non-RSN Splitco Business and February 27, 2008 with respect to the RSN Splitco Business; (b) there is no material unfair labor practice charge or complaint pending or, to the Knowledge of Liberty, threatened before the National Labor Relations Board or before any similar state or foreign agency; (c) there is no material grievance or arbitration arising out of any Splitco Collective Bargaining Agreement or other grievance procedure; (d) no material charges are pending before the Equal Employment Opportunity Commission or any other agency responsible for the prevention of unlawful employment practices; and (e) Liberty (with respect to the Splitco Business only), Splitco and their Subsidiaries have complied in all material respects with all Laws relating to the employment of labor, including provisions thereof relating to wages, hours, equal opportunity, collective bargaining, affirmative action, occupational safety and health, immigration and the withholding and payment of social security and other taxes, and no claim to the contrary has been made by any employee or Governmental Authority.

(b) Since January 1, 2007, neither Liberty, Splitco nor any of their Subsidiaries or Affiliates has effected any of the following with respect to an employee of Splitco or any of its Subsidiaries: (a) a "plant closing" (as defined in the WARN Act) affecting any site of employment or one or more facilities or operating units within any site of employment or facility; or (b) a "mass layoff" (as defined in the WARN Act) affecting any site of employment or facility. None of the Transactions or any of the actions taken by Liberty or its Affiliates prior to the Split-Off Effective Time or Splitco and its Subsidiaries after the Split-Off Effective Time in preparation for the Closing the Company's redress of the WARN Act. The WARN Act is a federal law that requires employers to give 60 days advance notice to employees of a plant closing or mass layoff.

SECTION 4. it y G





Secretary of State of the State of Delaware pursuant to the DGCL, (C) filings required under, and compliance with other applicable requirements of, the HSR Act and the rules and regulations promulgated thereunder, and any similar Laws of foreign jurisdictions and (D) approval of the Transactions under the Communications Act (the "*DIRECTV FCC Approvals*") and collectively with the Liberty FCC Approvals and the Splitco FCC Approvals, the "*Requisite FCC Approvals*") and (y) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications would not, individually or in the aggregate, have a DIRECTV Material Adverse Effect.

(c) At a meeting of the Board of Directors of DIRECTV duly called and held, those directors of DIRECTV voting upon the following matters and constituting a majority of the entire Board of Directors of DIRECTV unanimously (i) approved and declared advisable this Agreement, including the DIRECTV Merger, each of the other Transaction Agreements to which DIRECTV is a party and the Transactions, and (ii) resolved to recommend that the stockholders of DIRECTV adopt this Agreement (subject to Section 6.5).

(d) The affirmative vote (in person or by proxy) of the holders of record of a majority of the shares of DIRECTV Common Stock outstanding on the record date for the DIRECTV Stockholders Meeting or any adjournment or postponement thereof in favor of the adoption of this Agreement is the only vote or approval of the holders of any class or series of capital stock of DIRECTV which is legally required to adopt this Agreement; *provided, however*, that in addition to the foregoing, DIRECTV shall require the affirmative vote (in person or by proxy), voting together as a separate class at the DIRECTV Stockholders Meeting or any adjournment or postponement thereof, of the holders of record of a majority of the shares of DIRECTV Common Stock outstanding on the record date for the DIRECTV Stockholders Meeting, excluding (i) the holders of the Liberty DIRECTV Shares and (ii) any shares of DIRECTV Common Stock that are Beneficially Owned by a director or officer of Liberty, Dr. Malone or any Affiliate of Dr. Malone, to adopt this Agreement (collectively, the "*DIRECTV Stockholder Approval*").

(e) Each of Holdings, Merger Sub One and Merger Sub Two has all necessary corporate power and authority to execute and deliver this Agreement and each of the other Transaction Agreements to which it is a party and, subject to obtaining the consent of their respective sole stockholders, to perform its obligations hereunder and thereunder and to consummate the Transactions. The execution, delivery and performance by each of Holdings, Merger Sub One and Merger Sub Two of this Agreement and each of the other Transaction Agreements to which it is a party, and the consummation by each of Holdings, Merger Sub One and Merger Sub Two of the Transactions, have been duly authorized and approved by their respective Boards of Directors, and except for obtaining the consent of their respective sole stockholders for the adoption of this Agreement and each of the other Transaction Agreements to which it is a party, no other corporate action on the part of Holdings, Merger Sub One or Merger Sub Two is necessary to authorize the execution, delivery and performance by Holdings, Merger Sub One and Merger Sub Two of this Agreement and each of the other Transaction Agreements to which it is a party, and the consummation by each of Holdings, Merger Sub One and Merger Sub Two of the Transactions. This Agreement and each of the other Transaction Agreements to which it is a party has been duly executed and delivered by each of Holdings, Merger Sub One and Merger Sub Two and, assuming due authorization, execution and delivery hereof and thereof by the other parties hereto and thereto, constitutes a legal, valid and binding obligation of each of Holdings, Merger Sub One and Merger Sub Two, enforceable against each of Holdings, Merger Sub One and Merger Sub Two in accordance with their terms, except that such enforceability is subject to the Bankruptcy and Equity Exception.

SECTION 5.4 *DIRECTV SEC Documents; Liabilities.*

(a) As of their respective dates, all reports, prospectuses, forms, schedules, registration statements, proxy statements or information statements required to be filed by

DIRECTV

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[Table of Contents](#)

SECTION 5.6 *Brokers and Other Advisors.* Except for Morgan Stanley & Co. Incorporated, the fees and expenses of which will be paid by DIRECTV, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission, or the reimbursement of expenses, in connection with the Transactions based upon arrangements made by or on behalf of DIRECTV or any of its Subsidiaries. DIRECTV has heretofore delivered to Liberty a correct and complete copy of DIRECTV's engagement letter with Morgan Stanley & Co. Incorporated, which letter describes all fees payable to Morgan Stanley & Co. Incorporated in connection with the Transactions, all agreements under which any such fees or any expenses are payable and all indemnification and other agreements related to the engagement of Morgan Stanley & Co. Incorporated (as amended, the "*DIRECTV Engagement Letter*").

SECTION 5.7 *State Takeover Statutes.* No "fair price," "moratorium," "control share acquisition" or other similar antitakeover statute or regulation enacted under state or federal Laws in the United States applicable to DIRECTV is applicable to the Transactions.

SECTION 5.8 *DIRECTV Takeover Proposals.* As of the date of this Agreement, within the past two (2) years there have been no DIRECTV Takeover Proposals.

SECTION 5.9 *Legal Proceedings.*

(a) Other than Actions of the type contemplated by Section 5.9(b) and judgments, decrees, written agreements, memoranda of understanding or orders of Governmental Authorities of the type contemplated by Section 5.9(c), except as specifically disclosed in the DIRECTV SEC Documents filed and publicly available prior to the date hereof, (i) there are no Actions pending or, to the Knowledge of DIRECTV, threatened against DIRECTV, or any of its Subsidiaries, by or before any Governmental Authority, and (ii) there is no judgment, decree, injunction, ruling or order of any Governmental Authority outstanding against DIRECTV or any of its Subsidiaries, except, in each case, for any such Action, judgment, decree, injunction, ruling or order that, individually or in the aggregate, would not reasonably be expected to have a DIRECTV Material Adverse Effect.

(b) As of the date of this Agreement, there is no Action pending or, to the Knowledge of DIRECTV, threatened against DIRECTV or any of its Subsidiaries that seeks, or would reasonably be expected, to prohibit or restrain the ability of DIRECTV to enter into this Agreement or any of the Transaction Agreements to which it is a party or to timely consummate the Transactions.

(c) As of the date of this Agreement, there are no material judgments, decrees, written agreements, memoranda of understanding or orders of any Governmental Authority outstanding against DIRECTV or any of its Subsidiaries which would reasonably be expected to prevent, prohibit, materially delay or enjoin the consummation of the Transactions.

SECTION 5.10 *Compliance With Laws.* Except as specifically disclosed in the DIRECTV SEC Documents filed and publicly available prior to the date hereof, DIRECTV and its Subsidiaries are (and since January 1, 2008 have been) in compliance in all material respects with all material Laws applicable to DIRECTV. Except as specifically disclosed in the DIRECTV SEC Documents filed and publicly available prior to the date hereof, since January 1, 2008, none of DIRECTV or any of its Subsidiaries has received any material notice from any Governmental Authority that DIRECTV's business has been or is being conducted in material violation of any applicable material Law or that an investigation or inquiry into any noncompliance with any applicable material Law is ongoing, pending or, to the Knowledge of DIRECTV, threatened. This Section 5.10 does not limit the material respects in which a person may be in compliance with any applicable material Law.

[Table of Contents](#)

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 does not file a Tax Return that 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 in full by the Person to whom they are asserted; and (iii) DIRECTV or any of its Subsidiaries has not entered into any agreement with any Taxing Authority for the payment of any amount of Taxes or interest thereon.

(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 (a "DIRECTV Affiliated Group"), (ii) is or has been a member of any affiliated, combined, consolidated, unitary or similar group for state, local or foreign Tax purposes other than a group the common parent of which is DIRECTV or any of its Subsidiaries (a "DIRECTV Combined Group"), (iii) is or has been a party to any tax sharing, tax allocation or tax indemnification agreement or (iv) has any liability for the Taxes of any Person under any agreement.

[Table of Contents](#)

economic benefits, voting rights or risks of ownership of any shares of Liberty Entertainment Common Stock (collectively, a "Liberty Entertainment Interest").

SECTION 5.14 *No Splitco Interest.* DIRECTV does not Beneficially Own any shares of Splitco Common Stock or any options or other rights to purchase or receive shares of Splitco Common Stock. DIRECTV has not entered into or acquired any derivative contract with respect to any shares of Splitco Common Stock or entered into any other financial or similar transaction that has the effect of providing DIRECTV with the economic benefits, voting rights or risks of ownership of any shares of Splitco Common Stock (collectively, a "Splitco Interest").

SECTION 5.15 *Absence of Operations.* DIRECTV, through its wholly owned subsidiaries, including but not limited to DIRECTV Holding Company, has conducted no activities.

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[Table of Contents](#)

Time to a Transferred Employee as permitted by *Section 6.2(a)(i) of the Liberty Disclosure Schedule* and (2) is issued in accordance with the terms thereof; *provided*, that, notwithstanding anything to the contrary herein, each of Liberty and Splitco may not issue any shares of Series B Liberty Entertainment Common Stock or Series B Splitco Common Stock, as applicable, pursuant to a Liberty Entertainment Equity Award or Splitco Equity Award; (B) redeem, purchase or otherwise acquire any of the Liberty Entertainment Common Stock or Splitco's outstanding shares of capital stock, voting securities or equity interests, or any rights, warrants, options, calls, commitments or any other agreements of any character to acquire any shares of their capital stock, voting securities or equity interests except for acquisitions or deemed acquisitions of Liberty Entertainment Common Stock or shares of Splitco capital stock in connection with the payment of the exercise price of, or in connection with the payment of any withholding tax with aXE p n'acq exercise nx tax extexéCk in nteax aU

(vi) directly or indirectly acquire by merging or consolidating with, or er



[Table of Contents](#)

(x) amounts described in *Section 6.2(b)(iii)(B)(y) of the Liberty Disclosure Schedule*, (clauses (w) and this clause (x) collectively, the "*Splitco Approved Expenses*").

(iv) In addition to its obligations under Section 6.8 prior to the Merger Effective Time, Liberty and Splitco will provide DIRECTV with such regular access to the books and records of Splitco and each of its Subsidiaries as is reasonably necessary to confirm Splitco and its Subsidiaries compliance with its obligations under this Section 6.2.

(c) Notwithstanding anything in this Agreement to the contrary, DIRECTV and its Subsidiaries (i) acknowledge that the governance rights of Liberty, Splitco and their respective Subsidiaries with respect to GSN and its Subsidiaries are limited and subject to the GSN Operating Agreement and (ii) agree that any covenants or agreements iUÉ

[Table of Contents](#)

concurrently with its delivery to such Person, Liberty delivers to DIRECTV all such information not previously provided to DIRECTV, and (y) participate in discussions and negotiations with such Person regarding such Splitco Takeover Proposal. Without limiting the foregoing, it is understood that any violation of the foregoing restrictions by Liberty's Subsidiaries, Splitco's Subsidiaries, Liberty's Representatives or Splitco's Representatives shall be deemed to be a breach of this Section 6.4 by Liberty if such violation occurs prior to the Split-Off Effective Time. Liberty shall provide DIRECTV with a correct and complete copy of any confidentiality agreement entered into pursuant to this paragraph within twenty-four (24) hours of the execution thereof.

(b) In addition to the other obligations of Liberty set forth in this Section 6.4, Liberty shall promptly advise DIRECTV, orally and in writing, and in no event later than twenty-four (24) hours after receipt, if any proposal, offer, inquiry or other contact is received by, any information is requested from, or any discussions or negotiations are sought to be initiated or continued with, Liberty in respect of any Splitco Takeover Proposal, and shall, in any such notice to DIRECTV, indicate (i) the identity of the Person making such proposal, offer, inquiry or other contact and (ii) the terms and conditions of such proposal, offer, inquiry or other contact.

[Table of Contents](#)

Liberty Stockholders Meeting, in which case Liberty shall provide as much notice as is reasonably practicable)). In determining whether to make a Liberty Adverse Recommendation Change, the Board of Directors of Liberty shall take into account any changes to the terms of this Agreement proposed by DIRECTV (in response to a Liberty Adverse Recommendation Notice or otherwise) in determining whether such third party Splitco Takeover Proposal still constitutes a Splitco Superior Proposal.

(d) For purposes of this Agreement:

"*Splitco Takeover Proposal*" means any inquiry, proposal or offer from any Person or "group" (as defined in Section 13(d) of the Exchange Act), other than DIRECTV and its Subsidiaries, relating to any (A) direct or indirect acquisition (whether in a single transaction or a series of related transactions) of assets of the Splitco Business (including securities of Subsidiaries) equal to 10% or more of the Splitco Business' consolidated assets or to which 10% or more of the Splitco Business' revenues or earnings on a consolidated basis are attributable, (B) direct or indirect acquisition (whether in a single transaction or a series of related transactions) of Beneficial Ownership of any Liberty Owned DIRECTV Shares or 10% or more of any class of equity securities of Splitco, (C) tender offer or exchange offer that if consummated would result in any Person or "group" (as defined in Section 13(d) of the Exchange Act) Beneficially Owning 10% or more of any class of equity securities of Splitco or (D) merger, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution or similar transaction involving the Splitco Business, Splitco or any of Splitco's Subsidiaries; in each case, other than the Transactions.

"*Splitco Superior Proposal*" means a bona fide written offer, obtained after the date hereof and not in breach of this Agreement, each of the other Transaction Agreements or any standstill agreement, to acquire, directly or indirectly, (i) all of the equity securities of Splitco, (ii) all or substantially all of the Splitco Assets (including all of the Liberty Owned DIRECTV Shares) or (iii) all of the Liberty Owned DIRECTV Shares, made by a third party, for which the Board of Directors of Liberty determines in good faith financing is reasonably likely to be obtained and which is otherwise on terms and conditions which the Board of Directors of Liberty determines in its good faith and reasonable judgment (after consultation with outside counsel and a financial advisor of national reputation) to be more favorable to the stockholders of Liberty from a financial point of view than the Transactions, taking into account at the time of determination any changes to the th likakiiio

SECTION 6.5 *No Solicitation by DIRECTV; Etc.*

(a) From the date of this Agreement until the DIRECTV Effective Time or, if earlier, the termination of this Agreement in accordance with Article IX, DIRECTV shall not, and shall cause its Subsidiaries and its Representatives (the "*DIRECTV Representatives*") not to, directly or indirectly (i) solicit, initiate, cause, facilitate or encourage (including by way of furnishing non-public information) any inquiries or proposals that constitute, or could reasonably be expected to lead to, any DIRECTV Takeover Proposal, (ii) participate in any discussions or negotiations with any third party regarding any DIRECTV Takeover Proposal, (iii) enter into any letter of intent, agreement, arrangement or other understanding related to any DIRECTV Takeover Proposal, (iv) take any action to make the provisions of any "fair price," "moratorium," "control share acquisition," "business combination" or other similar anti-takeover statute or regulation, or any restrictive provision of any applicable anti-takeover provision in DIRECTV's certificate of incorporation or bylaws, inapplicable to any transactions contemplated by a DIRECTV Takeover Proposal (and, to the extent permitted thereunder, DIRECTV shall promptly take all steps necessary to terminate any waiver that may have been heretofore granted, to any Person other than Liberty or Splitco, under any such provisions), or (v) resolve, propose or agree to do any of the foregoing; *provided, however*, that if (A) after the date hereof, the Board of Directors of DIRECTV receives an unsolicited, bona fide written DIRECTV Takeover Proposal in circumstances not involving a breach of this Agreement and (B) the Board of Directors of DIRECTV determines in good faith, after consulting with its outside legal counsel and a financial advisor of nationally recognized reputation, that such DIRECTV Takeover Proposal constitutes, or would reasonably be expected to lead to, a DIRECTV Superior Proposal, then DIRECTV may, at any time prior to obtaining the DIRECTV Stockholder Approval (but in no event after obtaining the DIRECTV Stockholder Approval) and after providing Liberty and Splitco not less than forty-eight (48) hours written notice of its intention to take such actions, (x) furnish information with respect to DIRECTV to the Person making such DIRECTV Takeover Proposal, but only after such Person enters into a customary confidentiality agreement with DIRECTV (which confidentiality agreement must be no less favorable to DIRECTV (i.e., no less restrictive with respect to the conduct of such Person) than the Confidentiality Agreement), *provided that* such disclosure is not in violation of any applicable law or regulation, and (y) if the Person making such disclosure is a Person to whom DIRECTV and may not restrict DIRECTV from complying with this Section 6.5, and (2) DIRECTV advises Liberty and Splitco of all such non-public information delivered to such Person concurrently with its delivery to such Person and concurrently with its delivery to such Person, DIRECTV delivers to Liberty and Splitco all such information not previously disclosed.

[Table of Contents](#)

"group" (as defined in Section 13(d) of the Exchange Act) Beneficially Owning 10% or more of any class of equity securities of DIRECTV or (D) merger, consolidation, share exchange, business combination, recapitalization, liquidation, dissol



[Table of Contents](#)

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[Table of Contents](#)

information relating to the other parties and their respective Subsidiaries, as the case may be, that appears in any filing made with, or written materials submitted to, any third party and/or any Governmental Authority in connection with the Transactions. Subject to Sections 6.6(c) and 6.14(b), no party hereto shall independently participate in any formal or informal meeting with any Governmental Authority in respect of any material communication or any filings, submissions, investigations or other inquiry, without giving the other parties hereto prior notice of the meeting and, to the extent permitted by such Governmental Authority, the opportunity to attend and/or participate.

(e) In furtherance and not in limitation of the covenants of the parties contained in this Section 6.6, each of the parties hereto shall use its reasonable best efforts to resolve such objections, if any, as may be asserted by the FCC, or any other Governmental Authority or other Person with respect to the Transactions. In seeking the Requisite FCC Approvals, Liberty and DIRECTV shall commit to accept program access and carriage conditions in the form set forth in ~~EnxGH~~

Representatives as DIRECTV may reasonably request with reasonable prior notice and Liberty and Splitco shall furnish as soon as reasonably practicable to DIRECTV all information concerning the Splitco Business as DIRECTV may reasonably request, subject in all cases, to any bona fide concerns of attorney-client privilege that Liberty and Splitco may reasonably have and any restrictions contained in Contracts to which Liberty, Splitco or any of their Subsidiaries is a party (it being understood that each of Liberty and Splitco shall use its reasonable best efforts to provide any such information in a manner that does not result in such violation). DIRECTV and its Representatives shall conduct any such activities in a manner as not to interfere unreasonably with the business of Liberty, Splitco or any of their Subsidiaries or otherwise cause any unreasonable interference with the prompt and timely discharge by the employees of Liberty, Splitco or any of their respective Subsidiaries of their normal duties. Except for disclosures permitted by the terms of the Confidentiality Agreement, dated as of September 15, 2008, between Liberty and DIRECTV (as it may be amended from time to time, including to add Splitco as a party thereto, the "*Confidentiality Agreement*"), DIRECTV shall hold information received from Liberty pursuant to this Section in confidence in accordance with the terms of the Confidentiality Agreement. No investigation, or information received, pursuant to this Section 6.8 will modify any of the representations and warranties of the parties hereto.

SECTION 6.9 *Notification of Certain Matters.* Liberty and Splitco shall give prompt notice to DIRECTV, and DIRECTV shall give prompt notice to Liberty and Splitco, of (i) any notice or other communication received by such party from any Governmental Authority in connection with the Transactions or from any Person alleging that the consent of such Person is or may be required in connection with the Transactions, if the subject matter of such communication or the failure of such party to obtain such consent could be material to Liberty (solely with respect to the Splitco Business, the Liberty Owned DIRECTV Shares or the Transactions), Splitco, Holdings, or DIRECTV, (ii) any actions, suits, claims, investigations or proceedings commenced or, to such party's knowledge, threatened against, relating to or involving or otherwise affecting such party or any of its Subsidiaries which relate to the Transactions, (iii) the discovery of any fact or circumstance that, or the occurrence or non-occurrence of any event the occurrence or non-occurrence of which, would cause any representation or warranty made by such party contained in this Agreement (A) that is qualified as to materiality or Material Adverse Effect to be untrue and (B) that is not so qualified to be untrue in any material respect, and (iv) any material failure of such party to comply with or satisfy any covenant or agreement to be complied with or satisfied by it hereunder; *provided, however*, that the delivery of any notice pursuant to this Section 6.9 shall not (x) cure any breach of, or non-compliance with, any other provision of this Agreement or (y) limit the remedies available to the party receiving such notice.

SECTION 6.10 *Indemnification.*

(a) From and after the DIRECTV Effective Time, Holdings shall indemnify the individuals who at or prior to the DIRECTV Effective Time were directors or officers of DIRECTV with respect to all acts or omissions by them in their capacities as such at any time prior to the DIRECTV Effective Time, to the fullest extent (i) required by the DIRECTV Charter Documents as in effect on the date of this Agreement, (ii) required by any indemnification agreement between DIRECTV and any such director or officer as in effect on the date hereof or as of the DIRECTV Effective Time or (iii) permitted under applicable Law.

(b) From and after the Merger Effective Time, Holdings shall indemnify the individuals who at or prior to the Merger Effective Time were directors or officers of Liberty or Splitco with respect to third party Actions brought by stockholders of Liberty Entertainment Common Stock or, after the Split-Off Effective Time, Splitco Common Stock, for acts taken or omissions by them in their capacities as directors or officers of Liberty or Splitco in connection with the approval of the Transactions, including the Split-Off and the Mergers, at any time prior to the Merger Effective Time (other than claims brought relating to the percentage of Liberty Entertainment Common Stock excluded from the Redemption), to the fullest extent (A) required by the Liberty Charter Documents as in effect on the

[Table of Contents](#)

date of this Agreement, (B) required by the Splitco Public Charter Documents



[Table of Contents](#)

Indemnitor, and the Indemnitor will not have the right to control the defense or investigation of such Separate Legal Defenses available to such Indemnitee.

(iii) If, after receipt of a notice pursuant to Section 6.10(d)(i), the Indemnitor does not undertake to defend any such claim within thirty (30) days of receipt of such notice, the Indemnitee may, but will have no obligation to, contest any lawsuit or action with respect to such claim, and the Indemnitor will be bound by the result obtained with respect thereto by the Indemnitee. The Indemnitee may not settle any lawsuit or action with respect to which a test at Ind suenm

[Table of Contents](#)

SECTION 6.19 *Indemnification Claims.* After the date hereof and prior to the earlier of (x) the Merger Effective Time, (y) the expiration of the applicable indemnification period under the Share Exchange Agreement and (z) the termination of this Agreement in accordance with Article IX, Liberty, Splitco and DIRECTV shall, and shall cause their respective Subsidiaries to, cooperate with one another and use their reasonable best efforts to deth



SECTION 9.3 Termination Fee and Expenses.

(a) In the event that this Agreement is terminated by DIRECTV pursuant to Section 9.1(c)(iii), then Splitco shall pay to DIRECTV (i) a termination fee of \$450,000,000 in cash (the "Termination Fee") and (ii) an expense reimbursement in cash for reasonable and documented out-of-pocket costs and expenses incurred in connection with the Transactions up to a maximum of \$10,000,000 (the "Expense Reimbursement").

(b) In the event that (i) a Splitco Takeover Proposal shall have been made known to Liberty or shall have been made known to its stockholders generally or any Person shall have publicly announced an intention (whether or not conditional or withdrawn) to make a Splitco Takeover Proposal, and (ii) this Agreement is terminated by DIRECTV, on the one hand, or Splitco, on the other hand, pursuant to Section 9.1(b)(iii), then Splitco shall pay to DIRECTV the Expense Reimbursement. In addition, if Liberty, Splitco or any of their respective Subsidiaries (A) enters into a Splitco Acquisition Agreement with respect to any Splitco Takeover Proposal within nine months of the date of the termination referenced in clause (ii) in the previous sentence and the transactions contemplated by such Splitco Acquisition Agreement are consummated or (B) consummates any Splitco Takeover Proposal within nine months of the date of termination referenced in clause (ii) in the previous sentence, then Splitco shall pay to DIRECTV the Termination Fee in accordance with Section 9.3(f).

(c) In the event that this Agreement is terminated by Splitco pursuant to Section 9.1(d)(iii) then DIRECTV shall pay to Splitco the Termination Fee and the Expense Reimbursement.

(d) In the event that (i) a DIRECTV Takeover Proposal shall have been made known to DIRECTV or shall have been made known to its stockholders generally or any Person shall have publicly announced an intention (whether or not conditional or withdrawn) to make a DIRECTV Takeover Proposal, and (ii) this Agreement is terminated by Splitco, on the one hand, or DIRECTV, on the other hand, pursuant to Section 9.1(b)(iii), then Splitco shall pay to DIRECTV the Expense Reimbursement. In addition, if Liberty, Splitco or any of their respective Subsidiaries (A) enters into a Splitco Acquisition Agreement with respect to any Splitco Takeover Proposal within nine months of the date of the termination referenced in clause (ii) in the previous sentence and the transactions contemplated by such Splitco Acquisition Agreement are consummated or (B) consummates any Splitco Takeover Proposal within nine months of the date of termination referenced in clause (ii) in the previous sentence, then Splitco shall pay to DIRECTV the Termination Fee in accordance with Section 9.3(f).



[Table of Contents](#)

(g) In the event that Liberty and Splitco, on the one hand, or DIRECTV, on the other hand, shall fail to pay the Termination Fee required pursuant to this Section 9.3 when due, such fee shall accrue interest for the period commencing on the date such fee became past due, at a rate equal to the rate of interest publicly announced by Citibank, N.A. in New York City from time to time during such period, as such bank's prime lending rate plus 3%. In addition, if Liberty and Splitco, on the one hand, or DIRECTV, on the other hand, shall fail to pay such fee when due, the non-paying party shall also pay to the other party all of its costs and expenses (including attorneys' fees) in connection with efforts to collect such fee. Liberty, Splitco and DIRECTV acknowledge that the fee and the other provisions of this Section 9.3 are an integral part of the Transactions and that, without these agreements, DIRECTV, Liberty and Splitco would not enter into this Agreement.

ARTICLE X
Miscellaneous

SECTION 10.1 *Amendment or Supplement.* At any time prior to the Merger Effective Time, this Agreement may be amended or supplemented in any and all respects, ~~whether before or after the receipt of the~~ Liberty Stockholder Approval, the DIRECTV Stockholder Approval or the Splitco Stockholder Approval, by written agreement of the parties hereto, by action taken by their respective Boards of Directors; ~~provided, however,~~ that following approval of the Transactions by the holders of Liberty C_r or

[Table of Contents](#)

SECTION 10.8 *Notices.* All notices, requests and other communications to any party hereunder shall be in writing and shall be deemed given if delivered personally, facsimiled (which is confirmed) or sent by overnight courier (providing proof of delivery) to the parties at the following addresses:

If to DIRECTV, Holdings, Merger Sub One or Merger Sub Two, or after the Merger Effective Time, Splitco, to:

The DIRECTV Group, Inc.
2230 East Imperial Highway
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 to Liberty, or, prior to the Merger Effective Time, Splitco, to:

Liberty Media Corporation
12300 Liberty Boulevard
Englewood, CO 80112
Attention: Charles Y. Tanabe, General Counsel
Facsimile: (720) 875-9194

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

[Table of Contents](#)

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 shall be defined as set forth in the Schedule 1.1(b) of the Merger Agreement.



[Table of Contents](#)

"*Letter Agreement*" means the letter agreement, dated the date hereof, by and among Liberty, Splitco and Mr. Robert R. Bennett.

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

"*Liberty Affiliated Group*" means an affiliated group, which includes Splitco or any of its Subsidiaries (after giving effect to the Restructuring) during the relevant taxable period, the common parent of which is or was Liberty, Splitco or any of their respective Subsidiaries.

"*Liberty Combined Group*" means an affiliated, combined, consolidated, unitary or similar group for state, local or foreign Tax purposes, which includes Splitco or any of its Subsidiaries (after giving effect to the Restructuring) during the relevant taxable period, the common parent of which is or was Liberty, Splitco or any of their respective Subsidiaries.

"*Liberty Common Stock*" means Liberty's Series A Liberty Capital common stock, par value \$0.01 per share, Series B Liberty Capital common stock, par value \$0.01 per share, Series A Liberty Interactive common stock, par value \$0.01 per share, Series B Liberty Interactive common stock, par value \$0.01 per share, and the Liberty Entertainment Common Stock.

"*Liberty DIRECTV Shares*" shall, except as otherwise provided in the next sentence, mean the Liberty Owned DIRECTV Shares, as defined in Section 3.7(a). Notwithstanding the foregoing, in the event that, at or prior to the Closing, Bank of America shall not have approved the Greenlady Debt Restructuring, then, if instructed by DIRECTV in its sole discretion, the Liberty DIRECTV Shares shall not include the Greenlady II DIRECTV Shares.

"*Liberty Entertainment Common Stock*" means the Series A Liberty Entertainment Common Stock and the Series B Liberty Entertainment Common Stock.

"*Liberty Entertainment Equity Awards*" means, collectively, (i) all outstanding Liberty Entertainment Restricted Shares, Liberty Entertainment SARs and Liberty Entertainment Stock Options and (ii) all Liberty Entertainment Restricted Shares, Liberty Entertainment SARs and Liberty Entertainment Stock Options granted after the date hereof as permitted by *Section 6.2(a)(i) of the Liberty Disclosure Schedule*.

"*Liberty Entertainment Restricted Share*" means an outstanding restricted share with respect to shares of Liberty Entertainment Common Stock granted under a Liberty Stock Plan.

"*Liberty Entertainment SAR*" means an outstanding stock appreciation right with respect to shares of Liberty Entertainment Common Stock granted under a Liberty Stock Plan.

"*Liberty Entertainment Stock Option*" means an outstanding option to purchase shares of Liberty Entertainment Common Stock granted under a Liberty Stock Plan.

"*Liberty Stock Plans*" means the following plans approved by the Liberty Board of Directors: (i) the Liberty Media Corporation 2000 Incentive Plan (as amended), (ii) the Liberty Media Corporation 2007 Incentive Plan and (iii) the Liberty Media Corporation 2002 Nonemployee Director Incentive Plan.

"*Liens*" means all liens, pledges, charges, mortgages, encumbrances, adverse rights or claims and security interests of any kind or nature whatsoever (including any restriction on the right to vote or transfer the same, except for such transfer restrictions of general applicability as may be provided under the Securities Act and the "blue sky" Laws of the various States of the United States).

[Table of Contents](#)

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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, Inc. Transitional Stock Adjustment Plan, in the form of *Exhibit L* hereto.

"*Split-Off Effective Time*" means the time on the Redemption Date at which the Split-Off is completed.

"*Subsequent Option Grant*" means each grant, if any, of options to purchase shares of Series A Liberty Entertainment Common Stock made to Mr. Bennett beginning on November 1, 2009 pursuant to the Letter Agreement.

"*Subsidiary*" when used with respect to any Person, means (i) a (common stock) holding company

[Table of Contents](#)

for purposes of this Agreement, (i) none of DIRECTV and its Subsidiaries shall be deemed to be Subsidiaries of any of Liberty, Splitco or Holdings or any of their respective Subsidiaries, and (ii) none of Liberty or Splitco or any of their respective Subsidiaries shall be deemed to be Subsidiaries of DIRECTV or any of its Subsidiaries, in each case, for any periods prior to the Merger Effective Time. In addition, for purposes of this Agreement, (i) neither IAC/InteractiveCorp nor Expedia, Inc., nor any of their respective Subsidiaries, will be treated as Subsidiaries of Liberty, Splitco or Holdings for tSplitco s foosia 1



[Table of Contents](#)

Liberty Stockholder Approval	E-13
Liberty Stockholders Meeting	E-38
Liberty/Splitco Releasees	E-52
Malone Agreement	E-2
Malone Certificate	E-65
Malone Contribution	E-1
Malone Splitco Shares	E-1
May 2008 Letter	E-53
Merger Consideration	E-5
Merger Effective Time	E-3
Merger Sub One	E-1
Merger Sub One Common Stock	E-5
Merger Sub Two	E-1
Mergers	E-2
Minority Approval	E-13
NASDAQ	E-13
News	E-15
News Exchange	E-66
No-Action Letter	E-58
Permits	E-20
Permitted Payments	E-61
Pre-Closing Period	E-43
Pre-Split-Off Greenlady Debt Repayments	E-61
Pre-Split-Off Period	E-62
Reorganization Agreement	E-1
Requisite FCC Approvals	E-32
Requisite Regulatory Approvals	E-63
Restraints	E-64
Retained Rights	E-62
SEC	E-10
Seller Disability Plans	E-59
Separate Legal Defenses	E-55
Share Exchange Agreement	E-15
Sole Stockholder Approvals	E-60
Splitco	E-1
Splitco Acquisition Agreement	E-46
Splitco Adjusted Equity Awards	E-10
Splitco Approved Expenses	E-44
Splitco Balance Sheet Date	E-19
Splitco Bylaws	E-3
Splitco Certificate of Merger	E-3
Splitco Certificates	E-7
Splitco Charter	E-3
Splitco Charter Documents	E-16
Splitco Collective Bargaining Agreement	E-24
Splitco Employee Benefit Plans	E-22
Splitco Employment Agreements	E-22
Splitco FCC Approvals	E-19
Splitco Form S-4	E-14
Splitco Interest	E-36
Splitco Leased Real Property	E-27

Splitco Licensed Intellectual Property	E-27
Splitco Material Adverse Effect	E-27
Splitco Material Contract	E-27
Splitco Merger	E-20
Splitco Merger Consideration	E-5
Splitco Owned Intellectual Property	E-27
Splitco Permits	E-20
Splitco Public Charter Documents	E-56



[Table of Contents](#)

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

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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 "



[Table of Contents](#)

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. £

[Table of Contents](#)

EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Amendment will be brought exclusively in the Court of Chancery of the State of Delaware (the "*Delaware*" ~ 3

[Table of Contents](#)

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 app

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) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AMENDMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11(b).

[remainder of page intentionally left blank]

to Beneficially Own 20,520 shares of Splitco Series A Common Stock and 139,762 shares of Splitco Series B Common Stock (collectively, the *Tracy Trust Splitco Shares*"), and (iii) upon completion of the Splitco Merger, is expected to Beneficially Own 22,799 shares of Holdings Class A Common Stock (the "*Tracy Trust Holdings Class A Shares*") and upon completion of the Exchange is expected to Beneficially Own 155,290 shares of Holdings Class B Common Stock (the *Tracy Trust Holdings Class B Shares*," together with the Tracy Trust Holdings Class A Shares, collectively, the "*Tracy Trust Holdings Shares*");

WHEREAS, as of March 31, 2009, the Evan Trust (i) Beneficially Owns 80,000 shares of Liberty Entertainment Series A Common Stock and 211,864 shares of Liberty Entertainment Series B Common Stock (collectively, the "*Evan Trust Liberty Shares*" and, together with the Dr. Malone Liberty Shares, the Mrs. Malone Liberty Shares and the Tracy Trust Liberty Shares, collectively, the "*Malone Liberty Shares*"), (ii) upon completion of the Split-Off, is expected to Beneficially Own 72,000 shares of Splitco Series A Common Stock and 190,677 shares of Splitco Series B Common Stock (collectively, the "*Evan Trust Splitco Shares*" and, together with the Dr. Malone Splitco Shares, the Mrs. Malone Splitco Shares and the Tracy Trust Splitco Shares, collectively, the "*Malone Liberty Shares, Dr. Malone Splitco Shares, Mrs. Malone Splitco Shares, and Tracy Trust Splitco Shares*");

"*Acquisition*" means a purchase or other acquisition, or entering into any agreement with respect to the purchase or acquisition of any security, including any Constructive Acquisition that is treated as an acquisition of Beneficial Ownership for federal income tax purposes.

"*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 with respect to a natural Person, such Person's immediate family members and any trust, partnership, limited liability company or similar vehicle established and maintained for the benefit of such Person. For purposes of this Agreement, (i) each Malone shall be deemed an Affiliate of each other Malone, and each of the Malone Children shall be deemed an Affiliate of each Malone, (ii) none of Liberty, Splitco, DIRECTV, Holdings, Liberty Global, Inc. (a Delaware corporation), Ascent Media Corporation (a Delaware corporation), or Discovery Affffffffff oblr Distraelaware corporation), or Discovdeemed anor

- (iv) to a Prospective Purchaser in compliance with and subject to subsections (A) through (F), inclusive, of Section 7(b)(i) hereof;
- (v) that is a gift or assignment for no consideration by such Member (if a natural person) during his life to any one or more of his Related Parties;
- (vi) that is a transfer to the legal representatives of such Member (if a natural person) upon his death or adjudication of incompetency or by any such legal representatives to any Person to whom the transferor could have transferred such security pursuant to any clause of this definition;
- (vii) to a Malone Related Party;
- (viii) that is a Permitted Pledge or Permitted Constructive Disposition;
- (ix) to Liberty pursuant to the Call Agreement (solely with respect to a Transfer of Malone Liberty Shares); or
- (x) that results in the transferee receiving Holdings Class A Common Stock pursuant to Section 4.5 of the Holdings Charter;

provided,

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 otherwise comply with his, her or its obligations hereunder, including the obligation to effect the Exchange, in any material respect.

"*Permitted Transferee*" means, with respect to any Member, any Person to whom any of such Member's Member Shares are Transferred, directly or indirectly, in an Exempt Transfer, in each case where such Person becomes a party to this Agreement and a Member pursuant to any provision of this Agreement, in each case, so long t M Person



additional written materials received that relate to such proposals, offers, inquiries or requests) and the status of any such discussions or negotiations.

(d) *Publication.* Each of the Members hereby consents to Liberty, Splitco, DIRECTV and Holdings publishing and disclosing in, respectively, the Liberty SEC Documents, the Splitco Form S-4, the DIRECTV SEC Documents and the Holdings Form S-4 and in applications seeking Requisite FCC Approvals and HSR iiG

3. AGREEMENT TO VOTE EXCESS HOLDINGS SHARES AND RELATED MATTERS.

(a) *Voting Excess Holdings Class B Common Shares.* From and after the Merger Effective Time and until the termination of this Agreement in accordance with its terms, at any meeting of the stockholders of Holdings however called (or any action by written consent in lieu of a meeting) or any adjournment or postponement thereof, each Excess Holder shall vote its shares in accordance with the instructions of the Excess Holder.

alone or in concert with any Person in respect of any such securities in connection with the solicitation of proxies in opposition to the nominees for election to the Board of Directors at its first annual meeting of stockholders at which directors are to be elected following the Merger Effective Time.

(iii) Notwithstanding anything to the contrary contained herein, for all purposes of this Section 4(a), no Member or his, her or its Affiliates will be deemed to have made a



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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 the Regulations thereunder) 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 B Common Stock, Splitco Series B Common Stock or Holdings Class B Common Stock Beneficially Owned by any such Malone Child 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; and

(F) Dr. Malone shall not directly or indirectly Transfer (including in any Constructive Disposition) the Basket Shares, or enter into substantial



(i) (A) From and after the Merger Effective Time, if any Member (including any Permitted Transferee) (as applicable, the "T ~~is~~ O

issued debt securities), within 15 Business Days after the Commencement Date. If the respective determinations of such Qualified Appraisers vary by less than ten percent (10%), the fair market value of the noncash consideration (and, if applicable, Holdings issued debt securities) shall be the average of the two determinations.

(D) If such respective determinations vary by ten percent (10%) or more, the two Qualified Appraisers shall promptly designate a third Qualified Appraiser (the "Third Appraiser"). No party to this Agreement or any Affiliate of any party to this Agreement or Qualified Appraiser shall, provide any information to the Third Appraiser as to the determinations of the initial Qualified Appraisers or otherwise influence the Third Appraiser's determination in any way. The Third Appraiser shall submit its determination of the fair market value of the noncash consideration (and, if applicable, Holdings issued debt securities), within ten (10) Business Days after the date on which the Third Appraiser is retained. If a Third Appraiser is retained, the fair market value of the noncash consideration (and, if applicable, Holdings issued debt securities) shall equal the average of the two closest of the three determinations, except that, if the difference between the highest and middle determinations is no more than 105% and no less than 95% of the difference between the middle and lowest determinations, then the fair market value shall equal the middle determination.

(E) In determining the fair market value of the noncash consideration (and, if applicable, Holdings issued debt securities), each Qualified Appraiser retained pursuant to this Section 7(b)(ii) shall: (i) assume that the fair market value of the applicable asset is the price at which the asset would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and each having reasonable knowledge of all relevant facts; (ii) assume that the applicable asset would be sold for cash; and (iii) use valuation techniques then prevailing in the relevant industry.

(iii) No voluntary transfers of Member Shares may be made by any Holder during the Call Period and if the Redemption Right is exercised, thereafter, except to Holdings pursuant to the Redemption Right. Accordingly, without limiting the generality of the foregoing, no voluntary transfer may be made during such period pursuant to a Bona Fide Offer, notwithstanding the Transferor's compliance with this Section 7(b) prior to Dr. Malone's death.

(iv) If there shall be more than one Transferor in any transaction or series of related transactions covered by an ROFR Notice, and if, to the extent permitted by this Agreement, Holdings pays the ROFR Price with more than one form of consideration, then unless otherwise agreed in writing by the Transferors, each Transferor shall receive on a per share basis substantially the same combination of consideration.

8. CLOSING MATTERS FOR RIGHT OF FIRST REFUSAL.

(a) *ROFR Closing Date.* The consummation of the purchase and sale of ROFR Shares following the exercise of the ROFR pursuant to Section 7(b) (in each case, a "ROFR Closing") shall be held at 10:00 a.m. local time on, respectively, the 60th day following the date the Election Notice is given or (z) such other date and at such other time as the Member or the Transferor and Holdings may agree (the date on which any such ROFR Closing occurs is referred to herein as the "ROFR Closing Date"). The ROFR Closing shall take place at the principal offices of Holdings or at such other place as the Member(s) (as the case may be) and Holdings may agree.

(b) *ROFR Closing Deliveries.* At the ROFR Closing, Holdings shall pay to the Member(s) (including any Permitted Transferee(s)) comprising the Seller (i) any portion of the ROFR Price that was required to be paid in cash in the manner provided in Section 7(b)(i)(C), as and if applicable, and (ii) deliver certificate(s) registered in the name of each Seller for the number of shares of Low Vote Stock required to be delivered in payment of the portion of the ROFR Price payable in Low Vote

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 by rtog sue saærsa (

(c) *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

(d) *Jurisdiction.* All actions and proceedings arising out of or relating to this Agreement shall be heard and determined in the Court of Chancery of the State of Delaware, or, if the Court of Chancery lacks subject matter jurisdiction, in any federal court sitting in the State of Delaware, and the parties hereto hereby irrevocably submit to the exclusive jurisdiction of such courts (and, in the case of appeals, appropriate appellate courts there from) in any such action or proceeding and irrevocably waive the defense of an inconvenient forum to the maintenance of any such action or proceeding. The consents to jurisdiction set forth in this paragraph shall not constitute general consents to service of process in the State of Delaware and shall have no effect for any purpose except as provided in this paragraph and shall not be deemed to confer rights on any Person other than the parties hereto. The parties hereto agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT.

(e) *Assignment; Successors.* Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned or delegated in whole or in part, by operation of Law, or otherwise, by any of the parties without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and permitted assigns, including, in the case of any Malone, any trustee, executor, heir, legatee or personal representative succeeding to the ownership of the Malone Liberty Shares, Malone Splitco Shares and Member Shares (and any other Malone Liberty Shares) including their heirs, assigns and personal representatives.

Malone Liberty Shares, Malone Splitco Shares and Member Shares (and any other Malone Liberty Shares) including their heirs, assigns and personal representatives. ~



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

[REDACTED]

AMENDMENT NO. 1 TO VOTING AND RIGHT OF FIRST REFUSAL AGREEMENT

THIS AMENDMENT NO. 1 TO THE VOTING AND RIGHT OF FIRST REFUSAL AGREEMENT (this "**Amendment**"), dated as of July 29, 2009, is made by and among Liberty Entertainment, Inc., a Delaware corporation ("**Splitco**"), The DIRECTV Group, Inc., a Delaware corporation ("**DIRECTV**"), DIRECTV, a Delaware corporation formed as a direct, wholly-owned Subsidiary of DIRECTV ("**Holdings**"), Dr. John C. Malone ("**Dr. Malone**"), Mrs. Leslie Malone, The Tracy L. Neal Trust A (the "**Tracy Trust**") and The Evan D. Malone Trust A (the "**Evan Trust**," and together with Dr. Malone, Mrs. Malone and the Tracy Trust, collectively, the "**Malones**" and each a "**Malone**").

RECITALS

~~SECTION 2. DIRECTV, Holdings and each Malone entered into that certain Voting and Right of First Refusal Agreement, dated as of May 3, 2009 (the "**Malone Agreement**").~~

Now, ~~Splitco, Holdings and each Malone~~ now intend to amend certain provisions of the Malone Agreement as set forth herein.

C. Section 13(j) of the Malone Agreement requires that prior to the Merger Effective Time, any amendment to the Malone Agreement be by written agreement of (i) Holdings, (ii) Members holding a majority of the Member Shares, and (iii) Splitco.

~~NOW, THEREFORE, in order to amend the Malone Agreement, the parties have entered into this Amendment, which is intended to replace the provisions of the Malone Agreement, and each Malone hereby agrees as follows:~~

SECTION 1. Del ~~all~~ *by*

delivered to DIRECTV the certificate (the "*Malone Certificate*") specified in Section 7.2(g) of the Merger Agreement. DIRECTV, Splitco and Holdings acknowledge that Dr. Malone is under no obligation, express or implied, to deliver the Malone Certificate (regardless of whether the S-4 Malone Certificate (as defined below) is delivered in accordance with clause (ii) below) if the statements therein are not believed by him in good faith to be true as of such time or to take any action or refrain from taking any action prior to the Closing to the extent necessary to make the representations specified therein true and correct as of the Closing Date, and that Dr. Malone shall not have personal liability to DIRECTV, Splitco or Holdings if he fails to deliver the Malone Certificate. DIRECTV, Splitco and Holdings acknowledge and agree that the representations contained in the Malone Certificate, if delivered, do not survive the Closing of the Mergers.

(ii) In addition, the parties acknowledge that in connection with the filing with the Securities and Exchange Commission of the executed tax opinion of Weil Gotshal & Manges LLP (the date of such opinion, the "*Opinion Date*") as an exhibit to the Holdings Form S-4 (as defined in the Merger Agreement), DIRECTV has requested that Dr. Malone deliver to Holdings a certificate, dated as of the Opinion Date, substantially in the form attached hereto as Exhibit A (the "*S-4 Malone Certificate*"). ~~DIRECTV, Splitco and Holdings acknowledge and agree that Dr. Malone is under no obligation, express or implied, to deliver the S-4 Malone Certificate to Holdings if the statements therein are not believed by him in good faith to be true as of the Opinion Date, and that Dr. Malone shall not have personal liability to DIRECTV, Splitco or Holdings if he fails to deliver the S-4 Malone Certificate to Holdings.~~ **DIRECTV, Splitco and Holdings** dated as 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."

SECTION 3. *Effect on*

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

LIBERTY ENTERTAINMENT, INC.

AMENDMENT NO. 2 TO VOTING AND RIGHT O



[Table of Contents](#)

incapable of being enforced, the parties hereto shall



otherwise provided in this Certificate of Incorporation or the applicable Preferred Stock Designation, the Corporation shall have the right to reissue such shares.

Section 4.4 *Voting Rights.*

(a) Subject to applicable law, to the provisions of this Certificate of Incorporation and to the rights and powers, if any, of any outstanding series of Preferred Stock to vote as a separate class or series, or to vote together with one or more other series of Preferred Stock or together with one or more classes of Common Stock, on any matter:

(i) each holder of Class A Common Stock shall be entitled to one (1) vote for each share of Class A Common Stock held of record by such holder on all matters on which stockholders generally are entitled to vote;

(ii) each holder of Class B Common Stock shall be entitled to fifteen (15) votes for each share of Class B Common Stock held of record by such holder on all matters on which stockholders generally are entitled to vote; and

(iii) the Class C Common Stock shall be non-voting stock and, except as (and then only to the extent) required by applicable law, shall not entitle the holders thereof to vote on any matter on which stockholders are entitled to vote. If a vote or consent of the holders of Class C Common Stock should at any time be required by the laws of the State of Delaware on any matter, each holder of Class C Common Stock shall be entitled to 1/100th of a vote on such matter for each share of Class C Common Stock.



[Table of Contents](#)

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 conditions:



[Table of Contents](#)

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[Table of Contents](#)

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, held record title to the shares of Equity Stock automatically transferred, shall submit the certificates representing the shares of Equity Stock as if the any action of ststtok pu



[Table of Contents](#)

of Excess Shares, except for claims arising out of the gross negligence or willful misconduct of, or any failure to make payments in accordance with this Section 4.9(k) by, such Trustee.

(l) *Purchase Right in Stock Transferred to Trustee.* Excess Shares shall be deemed to have been offered for sale to the Corporation, or its designee, at a price per share equal to the price per share of the class or series of Equity Stock (or SplitCo Equity Stock) paid by the Prohibited Owner in the purported Transfer that resulted in the transfer of such Excess Shares (or SplitCo Excess Shares) to the Trust. If such Non-Transfer Event is a Non-Transfer Event in which the Prohibited Owner received Excess Shares (or SplitCo Excess Shares) (e.g., if the shares were received through a gift or devise), the Market Price of the class or series of Equity Stock (or SplitCo Equity Stock) on the date of such Non-Transfer Event shall be used to determine the price per share of the applicable series of Equity Stock (or SplitCo Equity Stock) on the date of such Non-Transfer Event. If such Non-Transfer Event is a Non-Transfer Event in which the Prohibited Owner received Excess Shares (or SplitCo Excess Shares) in a Trust pursuant to the fourth sentence of Section 4.9(f) hereof, then the price per share or Market Price, as applicable, of the applicable series of SplitCo Equity Stock shall be adjusted to reflect the SplitCo Exchange Ratio (as defined in the Merger Agreement). The Corporation shall have the right to accept reflect the price per share of the applicable series of SplitCo Equity Stock (or SplitCo Excess Shares) to be used to determine the price per share of the applicable series of Equity Stock (or SplitCo Equity Stock) on the date of such Non-Transfer Event.

[Table of Contents](#)

(q) *Exemption.* Notwithstanding anything set forth in this Section 4.9 to the contrary, (A) (i) any shares of Equity Stock that are Beneficially Owned (as defined in the Malone Agreement for purposes of this Section 4.9(q)) by a Malone and (ii) any shares of Equity Stock issued or issuable in respect of any Malone Awards (as well as the Malone Awards themselves) shall not be subject to this Section 4.9 and such shares of Equity Stock shall not be automatically transferable to a Trust or otherwise treated as Excess Shares, and any transfer of such shares of Equity Stock (or Malone Awards) by a Malone that is made in accordance with the terms of the Malone Agreement shall not constitute a Tr Shares,





[Table of Contents](#)

"Market Price" of any class or series of



[Table of Contents](#)

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:

G-27

FAIRNESS OPINION OF GOLDMAN, SACHS & CO.

[Letterhead of Goldman, Sachs & Co.]

PERSONAL AND CONFIDENTIAL

May 3, 2009

Board of Directors
Liberty Media Corporation
12300 Liberty Boulevard
Englewood, CO 80112

Gentlemen:

You have requested our opinion as to the fairness from a financial point of view to those holders (other than Dr. John C. Malone, Mrs. Leslie Malone, the Tracy Malone Neal Trust A dated April 30, 2002 and the Evan D. Malone Trust A dated April 30, 2002 (collectively, the "Malone Persons") and their respective affiliates) of the outstanding shares of Series A Liberty Entertainment common stock, par value \$0.01 per share ("LMDIA Shares"), and Series B Liberty Entertainment common stock, par value \$0.01 per share ("LMDIB Shares," and together with the LMDIA Shares, the "Liberty Entertainment Shares"), of Liberty Media Corporation ("LMC"), who receive shares of Series A common stock, par value \$0.01 per share ("Series A Splitco Common Stock"), of Liberty Entertainment, Inc. ("Splitco") and Series B common stock, par value \$0.01 per share, of Splitco ("Series B Splitco Common Stock," and together with Series A Splitco Common Stock, the "Splitco Common Stock") as a result of the Redemption (as defined below), taken in the aggregate, of the Splitco Exchange Ratio (as defined in the Merger Agreement) to be received for each share of Splitco Common Stock pursuant to the Agreement and Plan of Merger, dated as of May 3, 2009 (the "Merger Agreement"), by and among LMC, Splitco, the DirecTV Group, Inc. ("DTV"), DirecTV, a wholly-owned subsidiary of DTV ("Holdings"), DTVG One, Inc., a wholly-owned subsidiary of Holdings ("Merger Sub One") and DTVG Two, Inc., a wholly-owned subsidiary of Holdings ("Merger Sub Two").

Pursuant to the Merger Agreement, (i) Merger Sub One will merge with and into DTV (the "DTV Merger"), with DTV continuing as the surviving corporation and a wholly-owned subsidiary of Holdings, and each issued and outstanding share of common stock of DTV, par value \$0.01 per share (the "DTV Common Stock"), (other than shares of DTV Common Stock beneficially owned by LMC, Splitco or DTV) will be converted into the right to receive one share of Class A common stock, par value \$0.01 per share, of Holdings ("Holdings Class A Common Stock") (the "DTV Exchange") and (ii) Merger Sub Two will merge with and into Splitco (the "Splitco Merger," and together with the DTV Merger, the "Merger"), with Splitco continuing as the surviving corporation and a wholly-owned subsidiary of Holdings, and each share of Splitco Common Stock will be converted into the right to receive a number of shares of Holdings Class A Common Stock equal to the Splitco Exchange Ratio.

You have informed us that prior to the consummation of the Merger, among other things, Splitco will enter into a Reorganization Agreement with LMC (the "Reorganization Agreement") pursuant to which LMC will transfer to Splitco all of LMC's interest in DTV, Game Show Network, LLC ("GSN")

In connection with this opinion, we have reviewed, among other things, the Merger Agreement; a form of Reorganization Agreement; the Voting Agreement; the Preliminary Proxy Statement on Schedule 14A as filed by LMC with the Securities and Exchange Commission on April 24, 2009; annual reports to stockholders and Annual Reports on Form 10-K of LMC and DTV for the five fiscal years ended December 31, 2008; certain interim reports to stockholders and Quarterly Reports on Form 10-Q of LMC and DTV; certain other communications from LMC and DTV to their respective stockholders; certain historical financial data for the RSNs and GSN prepared by their respective managements; certain publicly available research analyst estimates of the future financial performance of DTV that you instructed us to use for purposes of rendering this opinion (the "DTV Estimates"); certain internal financial analyses and forecasts for DTV prepared by its management; and certain internal financial analyses and forecasts for the RSNs prepared by management of the RSNs and certain internal financial analyses and forecasts for GSN prepared by its management, in each case, as approved for

LMC



THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

**SPECIAL MEETING OF STOCKHOLDERS OF LIBERTY ENTERTAINMENT COMMON STOCK
NOVEMBER 19, 2009**

The undersigned hereby appoint(s) Charles Y. Tanabe and Christopher W. Shean, or either of them, as proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Series A Liberty Entertainment common stock or Series B Liberty Entertainment common stock held by the undersigned at the special meeting of holders of Liberty Entertainment common stock to be held at 9:30 a.m., NYC time on November 19, 2009 at the Sheraton New York Hotel & Towers, 811 7th Avenue (53rd Street), New York, NY 10019, and any adjournment or postponement thereof, with all the powers the undersigned would possess if present in person. All previous proxies given with respect to the meeting are revoked.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED BY THE UNDERSIGNED. IF NO SUCH DIRECTIONS ARE MADE, THIS PROXY WILL BE VOTED FOR EACH PROPOSAL.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED REPLY ENVELOPE

Address Changes/Comments: _____

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side of this proxy card.)
