

LIBERTY MEDIA CORP /DE/
Form S-4
February 06, 2006

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As filed with the Securities and Exchange Commission on February 6, 2006

REGISTRATION NO. 333-[]

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

LIBERTY MEDIA CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

4841
(Primary Standard Industrial
Classification code number)

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

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

(Address, including zip code, and telephone number, including area code, of Registrant's
principal executive offices)

Charles Y. Tanabe
Liberty Media Corporation
12300 Liberty Boulevard
Englewood, Colorado 80112
(720) 875-5400

(Name, address, including zip code, and telephone
number, including area code, of agent for service)

Copy to:
Robert W. Murray Jr.
Baker Botts L.L.P.
30 Rockefeller Plaza
New York, New York 10112-4998
(212) 408-2500

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective and all other conditions to the proposed reclassification described herein have been satisfied or waived, as applicable.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering	Proposed Maximum Aggregate	Amount of Registration Fee(3)
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		Price Per Unit	Offering Price(2)	
Series A Liberty Interactive common stock, par value \$.01 per share	670,380,089	N/A		
Series B Liberty Interactive common stock, par value \$.01 per share	30,265,706	N/A		
Series A Liberty Capital common stock, par value \$.01 per share	1,340,760,178	N/A		
Series B Liberty Capital common stock, par value \$.01 per share	60,531,412	N/A	\$22,003,909,855.60	\$2,354,418.35

- (1) The number of shares of Series A Liberty Interactive common stock, par value \$.01 per share, of the Registrant being registered is equal to the product of (x) 2,681,520,356 shares of Liberty Media Corporation Series A common stock, par value \$.01 per share ("Series A Common Stock"), expected to be exchanged in the reclassification (based upon outstanding share information as of December 13, 2005), multiplied by (y) the exchange ratio of .25. The number of shares of Series B Liberty Interactive common stock, par value \$.01 per share, of the Registrant being registered is equal to the product of (x) 121,062,825 shares of Liberty Media Corporation Series B common stock, par value \$.01 per share ("Series B Common Stock"), expected to be exchanged in the reclassification (based upon outstanding share information as of December 13, 2005), multiplied by (y) the exchange ratio of .25. The number of shares of Series A Liberty Capital common stock, par value \$.01 per share, of the Registrant being registered is equal to the product of (x) 2,681,520,356 shares of Series A Common Stock, expected to be exchanged in the reclassification (based upon outstanding share information as of December 13, 2005), multiplied by (y) the exchange ratio of .05. The number of shares of Series B Liberty Capital common stock, par value \$.01 per share, of the Registrant being registered is equal to the product of (x) 121,062,825 shares of Series B Common Stock, expected to be exchanged in the reclassification (based upon outstanding share information as of December 13, 2005), multiplied by (y) the exchange ratio of .05.
- (2) Pursuant to Rule 457(c) and 457(f)(1), the proposed maximum aggregate offering price is estimated based upon the averages of the high and low prices reported for the Series A Common Stock and the Series B Common Stock, respectively, on the New York Stock Exchange on December 13, 2005, which were \$7.85 and \$7.88, respectively. The proposed maximum aggregate offering price is obtained by: (1) multiplying (x) the number of shares of Series A Common Stock expected to be exchanged in the merger by (y) \$7.85, and (2) adding thereto the product of (x) the number of shares of Series B Common Stock expected to be exchanged in the merger multiplied by (y) \$7.88.
- (3) Calculated on the basis of \$107.00 per million of the proposed maximum aggregate offering price. Fee in the amount of \$2,354,418.35 was previously paid on December 16, 2005, with the Registrant's preliminary proxy statement/prospectus on Schedule 14A (Commission File No. 001-16615).

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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

Subject to completion dated February 6, 2006

LIBERTY MEDIA CORPORATION

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

[], 2006

Dear Stockholder:

A special meeting of stockholders of Liberty Media Corporation will be held at 9:00 a.m., local time, on [], 2006 at []. At the special meeting you will be asked to consider and vote on a proposal which will allow us to amend our certificate of incorporation to reclassify our outstanding common stock into two new tracking stocks: Liberty Interactive common stock and Liberty Capital common stock. We refer to the amendment to our charter as the charter amendment and the proposal to adopt the charter amendment as the reclassification proposal. Each tracking stock is intended to track and reflect the separate economic performance of one of two newly designated groups, the Interactive Group in the case of the Liberty Interactive common stock and the Capital Group in the case of the Liberty Capital common stock. All of our businesses, assets and liabilities will be attributed to one of these two groups. The Interactive Group will initially have attributed to it our subsidiary QVC, Inc., our interest in IAC/InterActiveCorp and approximately \$4.01 billion principal amount of existing parent company debt (as of September 30, 2005). The Capital Group will have attributed to it all of our businesses, assets and liabilities that are not part of the Interactive Group and the principal amount of our remaining parent company debt, totaling approximately \$5.39 billion (as of September 30, 2005). **An investment in Liberty Interactive common stock, however, will not represent an ownership interest in the Interactive Group, and an investment in Liberty Capital common stock will not represent an ownership interest in the Capital Group. Rather, an investment in either of these tracking stocks will represent an ownership interest in our consolidated company.**

Pursuant to the reclassification contemplated by the charter amendment:

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

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

Also, holders of our outstanding Series A common stock and holders of our outstanding Series B common stock will receive cash in lieu of any fractional shares of Liberty Interactive common stock or Liberty Capital common stock. As a result of the foregoing exchange ratios:

a holder must own 4 shares of one series of our outstanding common stock to receive one share of the same series of Liberty Interactive common stock in the reclassification, and

a holder must own 20 shares of one series of our outstanding common stock to receive one share of the same series of Liberty Capital common stock in the reclassification.

Our restated certificate of incorporation will also authorize the creation of Liberty Interactive Series C common stock and Liberty Capital Series C common stock, none of which will be issued at the time the reclassification is completed.

HOW YOU CAN FIND ADDITIONAL INFORMATION

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

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

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

See "Additional Information Where You Can Find More Information" beginning on page 90.

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vote at the special meeting or at any adjournment or postponement thereof. Holders of record of Series A common stock and Series B common stock on the record date will vote together as a single class.

Our board of directors has carefully considered and approved the reclassification proposal and recommends that you vote "**FOR**" the reclassification proposal.

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

By order of the board of directors,

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

Englewood, Colorado
[], 2006

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

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QUESTIONS AND ANSWERS

The questions and answers below highlight only selected information about the special meeting and how to vote your shares. You should read carefully the entire proxy statement/prospectus, including the appendices included herein, and the additional documents incorporated by reference in this proxy statement/prospectus to fully understand the reclassification proposal. Unless the context clearly indicates otherwise, all references in this proxy statement/prospectus to "we," "us," "our," "our company" and "Liberty" refer to Liberty Media Corporation.

Q:
When and where is the special meeting?

A:
The special meeting will be held at 9:00 a.m., local time, on [], at [].

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

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

Q:
What is the purpose of the special meeting?

A:
To consider and vote on a proposal, which we refer to as the "**reclassification proposal**," that our certificate of incorporation be amended to provide for the creation of two new tracking stocks intended to track and reflect the separate economic performance of a new Interactive Group and a new Capital Group, which are described in detail in this proxy statement/prospectus. The terms of the two tracking stocks would, among other things:

provide for the creation of three series within each tracking stock which have different voting rights;

provide the board of directors with broad discretion as to, among other things:

the businesses, assets and liabilities to be attributed to each group;

the creation, form and adjustment of any inter-group interests;

the timing of any conversion of the Liberty Interactive common stock into shares of Liberty Capital common stock (except during the first year after the issuance of the tracking stock); and

the redemption of shares of either group and the consideration to be used to effect such redemption;

provide a different per-share liquidation value for each tracking stock, based largely on the initial relative trading values of the two tracking stocks; and

in some cases permit the sale of all or substantially all of the assets of a group without a vote of the holders of the stock of that group, if the net proceeds of such sale are distributed to holders of that stock by means of a dividend or redemption, that stock is converted into stock of the other group or a combination of the foregoing is effected.

We refer to our certificate of incorporation, as amended in the manner contemplated by the reclassification proposal, as the "**charter amendment**" and to the transactions contemplated by the reclassification proposal collectively as the "**reclassification**."

Q: **What stockholder vote is required to approve the reclassification proposal?**

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

Each share of our Series A common stock is entitled to one vote, and each share of our Series B common stock is entitled to ten votes on the reclassification proposal.

As of January 3, 2006, our directors and executive officers beneficially owned approximately 33.4% of the total voting power of our outstanding common stock.

Q: What do stockholders need to do to vote on the reclassification proposal?

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

Q: If shares are held in "street name" by a broker, bank or other nominee, will the broker, bank or other nominee vote those shares for the beneficial owner on the reclassification proposal?

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

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

A: Yes. Before their proxy is voted at the special meeting, stockholders who want to change their vote on the reclassification 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: []

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

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

Q: When will the reclassification proposal be implemented?

A: We currently expect that if the reclassification proposal is approved, we will file the charter amendment in Delaware as soon as practicable after the special meeting and our receipt of an opinion from Baker Botts L.L.P. with respect to certain tax matters and thereby effect the reclassification. However, the board of the directors has the right to decide not to file the charter amendment and thereby abandon the reclassification at any time, even after the reclassification proposal has been approved by our stockholders.

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 we refer to or that we incorporate by reference in this document, please call Investor Relations at (877) 722-1518.

SUMMARY

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

General

At the special meeting you will be asked to vote on a proposal which will allow us to amend our certificate of incorporation and reclassify our outstanding common stock. If this proposal is approved, then, as a result of the reclassification, all of our outstanding common stock will be converted into two new tracking stocks, Liberty Interactive common stock and Liberty Capital common stock, with each tracking stock intended to track and reflect the economic performance of one of two newly designated groups, the Interactive Group and the Capital Group, respectively. The Interactive Group will initially have attributed to it our subsidiary QVC, Inc. and our interest in IAC/InterActiveCorp. In addition, we will attribute \$4.01 billion principal amount (as of September 30, 2005) of our existing parent company debt to the Interactive Group. The Capital Group will have attributed to it all of our businesses, assets and liabilities that are not part of the Interactive Group and our remaining existing parent company debt totaling approximately \$5.39 billion (as of September 30, 2005).

Tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. While the Interactive Group and the Capital Group will have separate collections of businesses, assets and liabilities attributed to them, neither group will be a separate legal entity and therefore cannot own assets, issue securities or enter into legally binding agreements. Holders of tracking stocks have no direct claim to the group's stock or assets and are not represented by a separate board of directors. Instead, holders of tracking stock are stockholders of the parent corporation, with a single board of directors and subject to all of the risks and liabilities of the parent corporation.

In the reclassification:

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

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

with, in each case, cash in an amount equal to the value of any fractional share interests, determined as described under "The Reclassification Proposal The Reclassification."

The charter amendment will also authorize the creation of Liberty Interactive Series C common stock and Liberty Capital Series C common stock, none of which will be issued at the time the reclassification is completed.

Liberty Media Corporation

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

Our principal executive offices are located at 12300 Liberty Boulevard, Englewood, Colorado 80112. Our main telephone number is (720) 875-5400, and our company website is located at www.libertymedia.com.

Interactive Group

The term "Interactive Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which we attribute to it. If the reclassification is completed, our assets and businesses will be attributed to either the Interactive Group or the Capital Group. The assets and businesses we attribute to the Interactive Group will be those engaged in video and on-line commerce, and will initially include our subsidiary QVC, Inc. and our interest in IAC/InterActiveCorp, and thereafter will include such other businesses that our board of directors may in the future determine to attribute to the Interactive Group, including such other businesses as we may acquire for the Interactive Group. In addition, we will attribute \$4.01 billion principal amount (as of September 30, 2005) of our existing parent company debt to the Interactive Group.

Capital Group

The term "Capital Group" also does not represent a separate legal entity, rather it represents all of our businesses, assets and liabilities other than those which will be attributed to the Interactive Group. If the reclassification is completed, the assets and businesses we attribute to the Capital Group will initially include our subsidiaries Starz Entertainment Group LLC, On Command Corporation, OpenTV Corp. and TruePosition, Inc., our equity affiliates Courtroom Television Network LLC, GSN, LLC, Expedia, Inc. and WildBlue Communications, Inc. and our interests in Motorola, Inc., News Corporation, Sprint Nextel Corporation, Time Warner, Inc., Viacom, Inc. and IDT Corporation, and thereafter will include such other businesses that our board of directors may in the future determine to attribute to the Capital Group, including such other businesses as we may acquire for the Capital Group. In addition, we will attribute \$5.39 billion principal amount (as of September 30, 2005) of our existing parent company debt to the Capital Group.

Recent Developments

Acquisition of Majority Interest in FUN Technologies plc.

On November 22, 2005, we entered into a share purchase and support agreement with FUN Technologies plc, a public company which develops and provides online games, online fantasy sports platforms and sports information, pursuant to which we have agreed to acquire a majority interest in FUN for aggregate consideration of approximately GBP 83.7 million and US \$50 million. Completion of the transaction, which is subject to customary closing conditions including approval by the stockholders of FUN and the High Court of Justice in England and Wales, is expected to occur in the first quarter of 2006. If this transaction is not completed, we will have the right (but not the obligation) to purchase an approximate 16% economic interest in FUN for aggregate cash and stock consideration of US \$50 million and to obtain representation on FUN's board of directors. If the transaction is completed, we will attribute our interest in FUN to the Capital Group.

Acquisition of Provide Commerce, Inc.

On December 4, 2005, we entered into a merger agreement providing for our acquisition by merger of Provide Commerce, Inc., an operator of an on-line commerce marketplace of websites for flowers and other perishable goods, for aggregate consideration of approximately \$477 million. The transaction, which is subject to customary closing conditions including approval by the stockholders of Provide Commerce, is expected to close in the first quarter of 2006. If the transaction is completed, we will attribute our interest in Provide to the Interactive Group.

Debt Retirements

During the fourth quarter of 2005, we retired approximately \$340 million principal amount of our parent company debt, \$332 million of which related to debt to be attributed to the Interactive Group.

The Reclassification Proposal

The Charter Amendment

If the reclassification proposal is approved at the special meeting and the reclassification is completed, our restated certificate of incorporation (which we refer to as our "**amended charter**") will provide for two separate tracking stocks, the Liberty Interactive common stock and the Liberty Capital common stock. The Liberty Interactive common stock is intended to reflect the separate economic performance of the businesses and interests attributed to the Interactive Group, while the Liberty Capital common stock is intended to reflect the separate economic performance of the businesses and interests attributed to the Capital Group. Each group's common stock will be further divided into three series: the Series A common stock, the Series B common stock and the Series C common stock. The Series B common stock of each group will entitle the holder to 10 votes per share, the Series A common stock of each group will entitle the holder to 1 vote per share and the Series C common stock of each group will not entitle the holder to any votes, except to the extent required under Delaware law. Other differences between the common stocks of the two groups, and among the series of each group's common stock, are described under "The Reclassification Proposal Comparison of Liberty Common Stock with Liberty Interactive Common Stock and Liberty Capital Common Stock" and "Description of the Liberty Interactive Common Stock and the Liberty Capital Common Stock."

Management and Allocation Policies

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

Conversion of Liberty Common Stock

If the reclassification proposal is approved and the reclassification is completed, each share of our outstanding Series A common stock will be converted into 0.25 shares of Liberty Interactive Series A common stock and 0.05 shares of Liberty Capital Series A common stock, and each share of our outstanding Series B common stock will be converted into 0.25 shares of Liberty Interactive Series B common stock and 0.05 shares of Liberty Capital Series B common stock. No shares of Liberty Interactive Series C common stock or Liberty Capital Series C common stock will be issued at the time the reclassification is effected.

No fractional shares will be issued in the reclassification. Instead, holders will be entitled to receive cash in an amount equal to the value of any fractional share interests, determined as described under "The Reclassification Proposal The Reclassification."

Reasons for the Reclassification Proposal

We expect the implementation of the reclassification proposal to:

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

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

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

Not a Spin Off

The reclassification proposal will not result in a spin off of the assets attributed to either group. All of the businesses, assets and liabilities attributed to the Interactive Group and the Capital Group will remain part of our company.

The board of directors believes that shareholder value may be enhanced by creating separate series of stock intended to track and reflect the economic performance of the businesses, assets and liabilities attributed to each of the Interactive Group and the Capital Group. The Interactive Group and the Capital Group, however, each currently benefit from the synergies of being part of the same company, such as an enhanced "consolidated" credit rating, possible tax benefits and shared treasury, finance and other functions. In the event the businesses of the Interactive Group and the Capital Group were separated into separate companies, through a spin off or similar transaction, these synergies and benefits would no longer be available. Under the reclassification proposal, the

Interactive Group and the Capital Group will remain part of the same company and continue to benefit from the financial and other available synergies, while the creation of the two tracking stocks is expected to permit the public markets to focus on the separate performance of each group. It is possible, however, that the benefits of both groups being in the same company will not exceed the potential value that could be realized if the groups were separate companies.

Although we are not spinning off assets in the reclassification, the charter amendment will enable the board of directors, without seeking stockholder approval, but subject to certain other restrictions, to subsequently:

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

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

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

If the reclassification proposal is approved and the reclassification is completed, holders of Liberty Interactive common stock and Liberty Capital common stock will have rights that differ significantly from those of holders of our existing Series A common stock and Series B common stock. Please see "The Reclassification Proposal Comparison of Liberty Common Stock with Liberty Interactive Common Stock and Liberty Capital Common Stock" for a summary of these differences.

Effect on Management

No changes in management are currently planned as a result of the transactions contemplated by the reclassification proposal.

Effect on Future Financial Statements

For purposes of preparing the financial information of the Interactive Group and the Capital Group included in this proxy statement/prospectus, we have attributed all of our consolidated assets, liabilities, revenue, expenses and cash flows to either the Interactive Group or the Capital Group. Following the reclassification, we will present consolidated financial statements and consolidating financial statement information that will show the attribution of our assets, liabilities, revenue, expenses and cash flow to either the Interactive Group or the Capital Group. In addition, we will present earnings per share for each of the Liberty Interactive common stock and the Liberty Capital common stock. We will, however, retain all beneficial ownership and control of the assets and operations of both the Interactive Group and the

Capital Group and you will be subject to the risks associated with an investment in Liberty as a whole.

U.S. Federal Income Tax Considerations

It is a nonwaivable condition to the completion of the reclassification that we receive the opinion of Baker Botts L.L.P. to the effect that:

the reclassification will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

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

except with respect to cash received instead of fractional shares, holders of our common stock will not recognize income, gain or loss as a result of the conversion of their shares of our outstanding common stock into shares of Liberty Interactive common stock and Liberty Capital common stock in the reclassification; and

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

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

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

No Appraisal Rights

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

No Regulatory Approvals

No state or federal regulatory approvals are required for the reclassification.

Recommendation of our Board of Directors

Our board of directors has approved the reclassification proposal and recommends that you vote "FOR" the reclassification proposal.

Risk Factors

Please see "Risk Factors" starting on page 13 for a discussion of risks that should be considered in connection with the reclassification proposal and an investment in our proposed tracking stocks.

No Material Refinancing, Equity Repurchase or Restructuring Presently Contemplated

We have no plans at the present time to effect any material refinancing of our outstanding parent company debt or to effect any material repurchase of outstanding shares of Liberty Capital common stock or Liberty Interactive common stock after the consummation of the reclassification. Consummation of the reclassification will not trigger any changes to, or accelerate any obligations under, our outstanding debt. None of our contracts with vendors, customers or others with whom we have a material business relationship will change as a result of the reclassification.

We currently expect to increase the maximum borrowings allowed under QVC's bank credit facility from \$2 billion to \$3.5 billion, which would be effected regardless of whether the reclassification is completed. It is anticipated that any funds drawn under the increased facility would be used to fund QVC's capital and operating requirements and other requirements of the Interactive Group after the consummation of the reclassification, including possible acquisitions and the repayment of parent company debt attributed to the Interactive Group as that debt becomes due.

While considering the reclassification proposal, our board of directors also considered creating a new public holding company of which we would become a wholly owned subsidiary and then convert into a limited liability company. The purpose of this holding company structure would be to provide us with more flexibility in accomplishing asset segmentations and capital restructurings in the event we decided to pursue any in the future. In connection with the possible implementation of this holding company structure, we have requested a ruling from the Internal Revenue Service, which is currently under review, to the effect that such a restructuring would not cause a "modification" of our outstanding publicly traded debt for U.S. federal income tax purposes. We cannot assure you that our ruling request will be granted, nor can we assure you that, if it is granted, we will complete such a restructuring in the near future or at all.

Summary Attributed Historical Financial Information

Liberty Media Corporation

The following table sets forth our historical financial data for each of the two years in the period ended December 31, 2004 and for the nine-month periods ended September 30, 2005 and 2004, and for each period presented pro forma earnings (loss) from continuing operations attributable to the Interactive Group and the Capital Group, and the earnings (loss) per common share attributable to the Liberty Interactive common stock and the Liberty Capital common stock. Such information is derived from, and should be read in conjunction with, our audited financial statements and the notes thereto for the years ended December 31, 2004 and 2003 included in Part 1 of Annex B to this proxy statement/prospectus and our unaudited financial statements and the notes thereto for the nine months ended September 30, 2005 and 2004 included in Part 1 of Annex B to this proxy statement/prospectus.

	September 30, 2005	December 31,	
		2004	2003

amounts in millions

Summary Balance Sheet Data:

Current assets	\$ 5,101	4,576	5,854
Cost investments	\$ 18,442	21,847	19,566
Equity investments	\$ 1,926	784	745
Total assets	\$ 41,943	50,181	54,225
Long-term debt	\$ 6,455	8,566	9,417
Deferred income taxes	\$ 8,644	9,701	9,729
Equity	\$ 19,034	24,586	28,842

	Nine months ended September		Year ended December 31	
	2005	2004	2004	2003(1)(2)

amounts in millions

Summary Operations Data:

Revenue	\$ 5,510	4,879	7,051	3,230
Operating income (loss)	\$ 570	540	725	(940)
Interest expense	\$ (444)	(448)	(615)	(508)
Earnings (loss) from continuing operations	\$ 26	96	100	(1,229)
Earnings (loss) from continuing operations per common share	\$.01	.03	.04	(.44)
Pro forma earnings from continuing operations attributable to the Interactive Group	\$ 151	66	220	79
Pro forma earnings (loss) from continuing operations attributable to the Capital Group	\$ (125)	30	(120)	(1,308)
Pro forma earnings (loss) from continuing operations per common share(3):				
Attributable to the Liberty Interactive common stock	\$.22		.31	
Attributable to the Liberty Capital common stock	\$ (.89)		(.86)	

(1) We acquired a controlling interest in QVC in September 2003. We have consolidated QVC's results of operations and financial position since that date. Prior to that date, we accounted for QVC as an equity affiliate.

(2) Operating loss and loss from continuing operations include an impairment charge of long-lived assets charges of \$1,362 million.

(3)

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Pro forma earnings (loss) per common share attributable to the Interactive Group and the Capital Group for all periods presented has been calculated based on 700.6 million shares of Liberty Interactive common stock and 140.1 million shares of Liberty Capital common stock, which are the number of shares that would have been issued if the reclassification had been completed on September 30, 2005.

Interactive Group

The following table supplementally sets forth selected historical attributed financial data for the Interactive Group for each of the two years in the period ended December 31, 2004 and for the nine-month periods ended September 30, 2005 and 2004. The following information is qualified in its entirety by, and should be read in conjunction with, our financial statements and notes thereto for the years ended December 31, 2004 and 2003 included in Part 1 of Annex B to this proxy statement/prospectus and the nine-month periods ended September 30, 2005 and 2004 included in Part 1 of Annex B to this proxy statement/prospectus as well as the attributed financial information included in Parts 2 and 3 to Annex B to this proxy statement/prospectus.

	September 30, 2005	December 31,	
		2004	2003

amounts in millions

Summary Balance Sheet Data:

Current assets	\$	2,413	2,307	2,225
Cost investments	\$	1,918	3,844	4,697
Equity investments	\$	2	78	77
Total assets	\$	16,728	18,853	19,716
Long-term debt	\$	3,255	5,444	6,170
Deferred income taxes	\$	2,736	3,349	3,847
Attributed net assets	\$	7,710	8,580	8,388

	Nine months ended September		Year ended December 31,	
	2005	2004	2004(1)	2003

amounts in millions

Summary Operations Data:

Revenue	\$	4,418	3,864	5,687	1,973
Operating income	\$	569	466	748	291
Interest expense	\$	(239)	(242)	(325)	(251)
Earnings from continuing operations	\$	151	66	220	79

Capital Group

The following table supplementally sets forth selected historical attributed financial data for the Capital Group for each of the two years in the period ended December 31, 2004 and for the nine-month periods ended September 30, 2005 and 2004. The following information is qualified in its entirety by, and should be read in conjunction with, our financial statements and notes thereto for the years ended December 31, 2004 and 2003 included in Part 1 of Annex B to this proxy statement/prospectus and the nine-month periods ended September 30, 2005 and 2004 included in Part 1 of Annex B to this proxy statement/prospectus as well as the attributed financial information included in Parts 2 and 3 to Annex B to this proxy statement/prospectus.

	September 30, 2005	December 31,	
		2004	2003

amounts in millions

Summary Balance Sheet Data:

Current assets	\$	2,688	2,269	3,629
Cost investments	\$	16,524	18,003	14,869
Equity investments	\$	1,924	706	668
Total assets	\$	25,215	31,328	34,509
Long-term debt	\$	3,200	3,122	3,247
Deferred income taxes	\$	5,908	6,352	5,882
Attributed net assets	\$	11,324	16,006	20,454

	Nine months ended September		Year ended December 31,	
	2005	2004	2004	2003(2)

amounts in millions

Summary Operations Data:

Revenue	\$	1,092	1,015	1,364	1,257
Operating income (loss)	\$	1	74	(23)	(1,231)
Interest expense	\$	(205)	(206)	(290)	(257)
Earnings (loss) from continuing operations	\$	(125)	30	(120)	(1,308)

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

RISK FACTORS

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

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

risks that relate to the reclassification proposal and the ownership of tracking stock;

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

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

The risks described below and elsewhere in this proxy statement/prospectus are not the only ones that relate to the reclassification proposal, our businesses or our proposed capitalization. The risks described below are considered to be the most material. However, there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that also could have material adverse effects on our company or the businesses attributed to either or both of the Interactive Group and the Capital Group in the future. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

If any of the events described below were to occur, the businesses, prospects, financial condition, results of operations and/or cash flows of our company and either or both groups could be materially adversely affected. In any such case, the price of either or both the Liberty Interactive common stock and the Liberty Capital common stock could decline, perhaps significantly.

For the purposes of these risk factors, unless the context otherwise indicates, we have assumed that the reclassification proposal is approved and our outsta