

NORTHERN TRUST CORP
Form 4
April 19, 2012

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
SLARK MARTIN P

2. Issuer Name and Ticker or Trading Symbol
NORTHERN TRUST CORP
[NTRS]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)
04/17/2012

Director 10% Owner
 Officer (give title below) Other (specify below)

50 SOUTH LASALLE STREET

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

CHICAGO, IL 60606

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock ⁽¹⁾	04/17/2012		A		1,920.2	A	\$ 0
Common Stock					1,849 ⁽²⁾	I	
Common Stock					1,000	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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(9-02)

number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned (Instr. 5)
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Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SLARK MARTIN P 50 SOUTH LASALLE STREET CHICAGO, IL 60606		X		

Signatures

Paul A. Bernacki, Attorney-in-Fact for Martin P. Slark
Date: 04/19/2012

**Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Represents stock units payable automatically on a 1-for-1 basis in shares of the Corporation's common stock.
- (2) On April 19, 2012, 1849.19 already reported and vested stock units were distributed as common stock directly to the reporting person. The fractional share was paid in cash.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. **GES TO THE REFERENCE SHARES** As of the date of this prospectus, Time Warner is the reference company and one share of Time Warner common stock represents one reference share. The reference company may change over the 20-year term of the debentures, or there may be one or more additional reference companies. A change in, or the addition of, a reference company will result in a change in, or the addition to, the reference shares attributable to the debentures. The reference shares attributable to each debenture may from time to time include one or more fractions of a reference share. The initial reference shares attributable to each debenture are 57.4079 shares of Time Warner common stock. The reference shares attributable to each debenture will be affected by the following events, in the manner described below: Dividends and Distributions. If a reference company makes a

dividend or distribution on its reference shares consisting of additional reference shares of the same class, then the number of reference shares attributable to each debenture will equal the sum of: - the number of reference shares attributable to each debenture immediately prior to the dividend or distribution; and - the number of additional reference shares that a holder of the number of reference shares attributable to each debenture receives as a result of the dividend or distribution. 36 If a reference company makes a distribution on its reference shares consisting of publicly traded common equity securities of another class of that reference company or of another issuer, then the reference shares attributable to each debenture will consist (except in the case of such an extraordinary distribution that gives rise to a final distribution) of the following: - the number of reference shares attributable to each debenture immediately prior to the distribution; and - the number and type of new common equity securities that a holder of the number of reference shares attributable to each debenture receives as a result of the distribution; and the other issuer shall also be deemed a reference company. Any change in the reference shares attributable to a debenture that results from a dividend or distribution by a reference company will be deemed to have occurred on the date the dividend or distribution is made by the reference company. Combinations, Subdivisions and Reclassifications. If a reference company combines or subdivides its reference shares or issues by reclassification of its reference shares any shares of any other class of its publicly traded common equity securities (including any reclassification that is effected in connection with a merger in which the reference company is the continuing corporation), the reference shares will be adjusted so that the reference shares of such reference company attributable to each debenture will become the number and kind of reference shares that a holder of the reference shares of such reference company attributable to each debenture immediately prior to the combination, subdivision or reclassification owns immediately following that action. Any change in the reference shares attributable to a debenture that results from a combination, subdivision or reclassification by a reference company will be deemed to have occurred immediately after the effective time of the combination, subdivision or reclassification. Mergers and Consolidations. If a reference company merges or consolidates with another company where the reference shares are exchanged for other publicly traded common equity securities, the reference shares will be adjusted so that the reference shares of such reference company attributable to each debenture will become the number and kind of publicly traded common equity securities that a holder of the number of reference shares of such reference company attributable to each debenture immediately prior to the merger or consolidation owns immediately following the merger or consolidation. To the extent the consideration received by the holders of reference shares in a merger or consolidation consists of cash or assets other than publicly traded common equity securities, the cash and assets so received will be treated as though they were part of an extraordinary distribution by the reference company or the successor reference company, and shall be the object of an additional distribution by Liberty. See "-- Additional Distributions" above. If an election is offered to holders of reference shares as to the form of consideration they may receive in any merger or consolidation, such election shall be deemed a reference share offer and treated in the manner described under "-- Tender or Exchange Offer, Elections" below. Any change in the reference shares attributable to a debenture that results from a merger or consolidation will be deemed to have occurred immediately after the effective time of the merger or consolidation. Statutory Share Exchange. If a reference company participates in a statutory share exchange with another company where the reference shares are exchanged for other publicly traded common equity securities, the reference shares will be adjusted so that the reference shares of such reference company attributable to each debenture will become the number and kind of publicly traded common equity securities that a holder of the number of reference shares of such reference company attributable to each debenture immediately prior to the share exchange owns immediately following the share exchange. To the extent the consideration received by the holders of reference shares in a share exchange consists of cash or assets other than publicly traded common equity securities, the cash and assets so exchanged will be treated as though they were part of an extraordinary distribution by the reference company or the successor reference company, and shall be the object of an additional distribution by Liberty. See "-- Additional Distributions" above. 37 If an election is offered to holders of reference shares as to the form of consideration they may receive in any statutory exchange, such election shall be deemed a reference share offer and treated in the manner described under "-- Tender or Exchange Offer; Elections" below. Any change in the reference shares attributable to a debenture that results from a share exchange will be deemed to have occurred immediately after the effective time of the share exchange. Liquidation or Dissolution. If a reference company liquidates or dissolves, the reference shares will be adjusted so that the reference shares of such reference company attributable to each debenture will become the number and kind of publicly traded common equity securities, if any, that a holder of the number of reference shares attributable to each

debenture immediately prior to the liquidation or dissolution owns immediately thereafter. To the extent the consideration received by the holders of reference shares in a liquidation or dissolution consists of cash or assets other than publicly traded common equity securities, the cash and assets so exchanged will be treated as though they were part of an extraordinary distribution by the reference company, and shall be the subject of an additional distribution by Liberty. See "-- Additional Distributions" above. Any change in the reference shares attributable to a debenture that results from the liquidation or dissolution of a reference company will be deemed to have occurred immediately after the effective time of the liquidation or dissolution. Tender or Exchange Offer; Elections. The reference shares will be adjusted in the event of any tender or exchange offer for 30% or more of the outstanding reference shares of any reference company. In the event of such a tender offer, or any consolidation, merger or statutory share exchange involving a reference company in which an election is given to holders of reference shares as to the consideration to be received in the transaction, a reference share offer shall be deemed to have been made. If a reference share offer is made, we will make a reference share offer adjustment, which consists of the following: - the number of reference shares, of the type subject to the reference share offer, that are included in the reference shares attributable to each debenture, will be reduced proportionately, in accordance with the following formula: $R = X/N$ WHERE: R = the fraction by which the number of reference shares that are the subject of the reference share offer and attributable to each debenture will be reduced. X = the aggregate number of such reference shares that are surrendered and accepted in the reference share offer. N = the aggregate number of reference shares of the class that is subject to the reference share offer outstanding immediately prior to the closing of the reference share offer. - if any portion of the average transaction consideration paid in a reference share offer consists of publicly traded common equity securities, then the reference shares attributable to each debenture will include, immediately after the closing of the reference share offer, for each reference share of the type subject to the reference share offer that were included in the reference shares attributable to each debenture (before the proportionate reduction of such reference shares described above), the portion of the average transaction consideration that consists of publicly traded common equity securities. The term "average transaction consideration" means, as to each reference share subject to the reference share offer, the quotient derived by dividing (1) the aggregate amount of consideration actually distributed or paid to all holders of reference shares that participated in the reference share offer, by (2) the total number of reference shares outstanding immediately prior to the closing of the reference share offer of the type entitled to participate in that reference share offer. 38 Any portion of the average transaction consideration that does not consist of publicly traded common equity securities will be treated as though it were part of an extraordinary distribution by the reference company and shall be the object of an additional distribution by Liberty. See "-- Additional Distributions" above. Any change in the reference shares attributable to a debenture that results from a reference share offer will be deemed to have occurred immediately after the closing of the tender or exchange offer or the effective time of the merger, consolidation or statutory share exchange involving an election, as the case may be. If following any merger, consolidation, liquidation, dissolution, exchange offer or tender offer no reference shares were to remain outstanding, the maturity of the debentures would not be accelerated and the debentures would continue to remain outstanding until the stated maturity date, unless the debentures were earlier redeemed or purchased at your option by us. At the stated maturity or upon redemption or purchase by us at your option, holders of the debentures would only be entitled to receive the adjusted principal amount of the debentures, plus any accrued but unpaid interest. **CALCULATIONS IN RESPECT OF THE DEBENTURES** We will be responsible for making all calculations called for under the debentures. These calculations include determination of: - the adjusted principal amount of the debentures; - the current market price of the reference shares; - the current market price of shares of our Series A common stock; - the exchange market value of the reference shares; - any final period distribution on the debentures; - the cash value of any property distributed on the reference shares; - the average transaction consideration in a reference share offer and the related reference share offer adjustment; - the number and composition of the reference shares attributable to a debenture; and - the amount of accrued interest payable upon redemption or at maturity of the debentures. We will make all these calculations in good faith and, absent manifest error, our calculations will be final and binding on holders of the debentures. We will provide a schedule of our calculations to the trustee, and the trustee is entitled to rely upon the accuracy of our calculations without independent verification. **OUR SERIES A COMMON STOCK** We have the right to pay all or a portion of the consideration payable to holders of debentures in connection with any exercise of the exchange right, or any purchase of debentures by us at the option of the holder, by delivery of shares of our Series A common stock. When we refer to our Series A common stock, we mean the Series A common stock, par value \$.01

per share, of Liberty as it currently exists, or any other publicly traded common stock of Liberty, or of any successor entity to Liberty that assumes the debentures and the indenture by executing and delivering a supplemental indenture in proper form, into which such Series A common stock may be converted, changed or exchanged pursuant to any merger, consolidation, reclassification, combination, subdivision, statutory exchange or similar transaction. For more information regarding our Series A common stock, see "Description of our Common Stock." Our right to issue Series A common stock in respect of an exchange or purchase of debentures, in whole or in part, is subject to our satisfying various conditions, including: - the listing of such shares on the principal United States securities exchange on which our Series A common stock is then listed or, if not so listed, on Nasdaq; 39 - the registration of the shares of our Series A common stock under the Securities Act, if required; and - any necessary qualification or registration under applicable state securities law or the availability of an exemption from such qualification and registration.

FORM, DENOMINATION AND REGISTRATION So long as DTC, or its nominee is the registered owner of a global debenture, the depository or its nominee, as the case may be, will be the sole holder of the debentures represented by the global debenture for all purposes under the indenture. Except as otherwise provided in this section, the beneficial owners of the global debentures representing the debentures will not be entitled to receive physical delivery of certificated debentures and will not be considered the holders of the debentures for any purpose under the indenture, and no global debenture representing the book-entry debentures will be exchangeable or transferable. Accordingly, each beneficial owner must rely on the procedures of the depository and, if the beneficial owner is not a participant of the depository, then the beneficial owner must rely on the procedures of the participant through which the beneficial owner owns its interest in order to exercise any rights of a holder under the global debentures or the indenture. The laws of some jurisdictions may require that certain purchasers of debentures take physical delivery of the debentures in certificated form. Such limits and laws may impair the ability to transfer beneficial interests in a global debenture representing the debentures. The global debentures representing the debentures will be exchangeable for certificated debentures of like tenor and terms and of differing authorized denominations aggregating a like principal amount, only if: - the depository notifies Liberty that it is unwilling or unable to continue as depository for the global debentures; - the depository ceases to be a clearing agency registered under the Exchange Act; - Liberty in its sole discretion determines that the global debentures shall be exchangeable for certificated debentures; or - there shall have occurred and be continuing an event of default under the indenture with respect to the debentures. Upon any exchange, the certificated debentures shall be registered in the names of the beneficial owners of the global debentures representing the debentures, which names shall be provided by the depository's relevant participants (as identified by the depository) to the trustee.

Information Relating to the Depository. The following is based on information furnished by the depository: The depository will act as the depository for the debentures. The debentures will be issued as fully registered senior debt securities registered in the name of Cede & Co., which is the depository's partnership nominee. Fully registered global debentures will be issued for the debentures and will be deposited with the depository. The depository is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. The depository holds debentures that its participants deposit with the depository. The depository also facilitates the settlement among participants of securities transactions, including transfers and pledges, in deposited debentures through electronic computerized book-entry changes to participants' accounts, thereby eliminating the need for physical movement of senior debt securities certificates. Direct participants of the depository include securities brokers and dealers, including the initial purchasers of the debentures, banks, trust companies, clearing corporations and certain other organizations. The depository is owned by a number of its direct participants, including the initial purchasers of the debentures and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the 40 National Association of Securities Dealers, Inc. Access to the depository's system is also available to indirect participants, which includes securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to the depository and its participants are on file with the SEC. Purchases of debentures under the depository's system must be made by or through direct participants, which will receive a credit for the debentures on the depository's record. The ownership interest of each beneficial owner, which is the actual purchaser of each debenture, represented by global debentures, is in turn to be recorded on the direct and indirect participants' records. Beneficial owners will not receive written confirmation from the depository of their purchase, but beneficial owners

are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participants through which the beneficial owner entered into the transaction. Transfers of ownership interests in the global debentures representing the debentures are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners of the global debentures representing the debentures will not receive certificated debentures representing their ownership interests therein, except in the event that use of the book-entry system for the debentures is discontinued. To facilitate subsequent transfers, all global debentures representing the debentures which are deposited with, or on behalf of, the depository are registered in the name of the depository's nominee, Cede & Co. The deposit of global debentures with, or on behalf of, the depository and their registration in the name of Cede & Co. effect no change in beneficial ownership. The depository has no knowledge of the actual beneficial owners of the global debentures representing the debentures; the depository's records reflect only the identity of the direct participants to whose accounts the debentures are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the depository to direct participants, by direct participants to indirect participants, and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Neither the depository nor Cede & Co. will consent or vote with respect to the global debentures representing the debentures. Under its usual procedure, the depository mails an omnibus proxy to Liberty as soon as possible after the applicable record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the debentures are credited on the applicable record date (identified in a listing attached to the omnibus proxy). Principal and/or interest payments and additional distributions on the global debentures representing the debentures will be made to the depository. The depository's practice is to credit direct participants' accounts on the applicable payment date in accordance with their respective holdings shown on the depository's records unless the depository has reason to believe that it will not receive payment on the date. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with debentures held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the participant and not of the depository, the trustee or Liberty, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and/or interest and additional distributions to the depository is the responsibility of Liberty or the trustee, disbursement of the payments to direct participants will be the responsibility of the depository, and disbursement of the payments to the beneficial owners will be the responsibility of direct and indirect participants. The depository may discontinue providing its services as securities depository with respect to the debentures at any time by giving reasonable notice to Liberty or the trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificated debentures are required to be printed and delivered. 41 Liberty may decide to discontinue use of the system of book-entry transfers through the depository or a successor securities depository. In that event, certificated debentures will be printed and delivered. Trading. Beneficial interests in the global debentures will trade in the depository's same-day funds settlement system until maturity or earlier redemption, and secondary market trading activity in the global debentures will therefore settle in immediately available funds, subject in all cases to the rules and operating procedures of the depository. Transfers between participants in the depository will be effected in the ordinary way in accordance with the depository's rules and operating procedures and will be settled in same-day funds. The information in this subsection "-- Form, Denomination and Registration" concerning the depository and its book-entry systems has been obtained from source that Liberty believes to be reliable, but Liberty takes no responsibility for its accuracy. CERTAIN COVENANTS The covenants set forth below are contained in the indenture and are applicable to Liberty and its Subsidiaries. Limitation on Liens. Liberty will not, and will not permit any Restricted Subsidiary to, create, incur or assume any Lien, except for Permitted Liens, on any Principal Property to secure the payment of Funded Indebtedness of Liberty or any Restricted Subsidiary if, immediately after the creation, incurrence or assumption of such Lien, the sum of (A) the aggregate outstanding principal amount of all Funded Indebtedness of Liberty and the Restricted Subsidiaries that is secured by Liens (other than Permitted Liens) on any Principal Property and (B) the Attributable Debt relating to any Sale and Leaseback Transaction which would otherwise be subject to the provisions of clause 2(A)(i) of the "Limitation on Sale and Leaseback" covenant would exceed 15% of the Consolidated Asset Value, unless effective provision is made whereby the debentures (together with, if Liberty shall so determine, any other Funded Indebtedness ranking equally with the debentures, whether then existing or thereafter created) are secured

equally and ratably with (or prior to) such Funded Indebtedness (but only for so long as such Funded Indebtedness is so secured). The foregoing limitation on Liens shall not apply to the creation, incurrence or assumption of the following Liens ("Permitted Liens"): (1) Any Lien which arises out of a judgment or award against Liberty or any Restricted Subsidiary with respect to which Liberty or such Restricted Subsidiary at the time shall be prosecuting an appeal or proceeding for review (or with respect to which the period within which such appeal or proceeding for review may be initiated shall not have expired) and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review or with respect to which Liberty or such Restricted Subsidiary shall have posted a bond and established adequate reserves (in accordance with generally accepted accounting principles) for the payment of such judgment or award; (2) Liens on assets or property of a person existing at the time such person is merged into or consolidated with Liberty or any Restricted Subsidiary or becomes a Restricted Subsidiary; provided that such Liens were in existence prior to the contemplation of such merger, consolidation or acquisition and do not secure any property of Liberty or any Restricted Subsidiary other than the property and assets subject to the Liens prior to such merger, consolidation or acquisition; (3) Liens existing on the date of original issuance of the debentures; (4) Liens securing Funded Indebtedness (including in the form of Capitalized Lease Obligations and purchase money indebtedness) incurred for the purpose of financing the cost (including without limitation the cost of design, development, site acquisition, construction, integration, manufacture or acquisition) of real or personal property (tangible or intangible) which is incurred contemporaneously therewith or within 60 days thereafter; provided (i) such Liens secure Funded Indebtedness in an amount not in excess of the cost of such property (plus an amount equal to the reasonable fees and expenses incurred in connection with the incurrence of such Funded Indebtedness) and (ii) such Liens do not extend to any property of Liberty or any Restricted Subsidiary other than the property for which such Funded Indebtedness was incurred; (5) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business; (6) Liens to secure the debentures; (7) Liens granted in favor of Liberty; and (8) Any Lien in respect of Funded Indebtedness representing the extension, refinancing, renewal or replacement (or successive extensions, refinancings, renewals or replacements) of Funded Indebtedness secured by Liens referred to in clauses (2), (3), (4), (5), (6) and (7) above, provided that the principal of the Funded Indebtedness secured thereby does not exceed the principal of the Funded Indebtedness secured thereby immediately prior to such extension, renewal or replacement, plus any accrued and unpaid interest or capitalized interest payable thereon, reasonable fees and expenses incurred in connection therewith, and the amount of any prepayment premium necessary to accomplish any refinancing; provided, that such extension, renewal or replacement shall be limited to all or a part of the property (or interest therein) subject to the Lien so extended, renewed or replaced (plus improvements and construction on such property). Limitation on Sale and Leaseback. Liberty will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; provided that Liberty or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if: (1) the gross cash proceeds of the Sale and Leaseback Transaction are at least equal to the fair market value, as determined in good faith by the Board of Directors and set forth in a board resolution delivered to the trustee, of the Principal Property that is the subject of the Sale and Leaseback Transaction, and (2) either (A) Liberty or the Restricted Subsidiary, as applicable, either (i) could have incurred a Lien to secure Funded Indebtedness in an amount equal to the Attributable Debt relating to such Sale and Leaseback Transaction pursuant to the "Limitation on Liens" covenant, or (ii) makes effective provision whereby the debentures (together with, if Liberty shall so determine, any other Funded Indebtedness ranking equally with the debentures, whether then existing or thereafter created) are secured equally and ratably with (or prior to) the obligations of Liberty or the Restricted Subsidiary under the lease of the Principal Property that is the subject of the Sale and Leaseback Transaction, or (B) within 180 days, Liberty or the Restricted Subsidiary either (i) applies an amount equal to the fair market value of the Principal Property that is the subject of the Sale and Leaseback Transaction to purchase the debentures or to retire other Funded Indebtedness, or (ii) enters into a bona fide commitment to expend for the acquisition or improvement of a Principal Property an amount at least equal to the fair market value of such Principal Property. Designation of Restricted Subsidiaries. Liberty may designate an Unrestricted Subsidiary as a Restricted Subsidiary or designate a Restricted Subsidiary as an Unrestricted Subsidiary at any time, provided that (1) immediately after giving effect to such designation, Liberty and its Restricted Subsidiaries would have been permitted to incur at least \$1.00 of additional Funded Indebtedness secured by a Lien pursuant to the "Limitation on Liens" covenant, (2) no default or event of default shall have occurred and be continuing, and (3) an Officers' Certificate with respect to such designation

is delivered to the trustee within 75 days after the end of the fiscal quarter of Liberty in which such designation is made (or, in the case of a designation made during the last fiscal quarter of Liberty's fiscal year, within 120 days after the end of such fiscal year), which Officers' Certificate shall state the effective date of such designation. 43

SUCCESSOR CORPORATION Liberty may not consolidate with or merge into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its assets and the properties and assets of its Subsidiaries (taken as a whole) to, any entity or entities (including limited liability companies) unless (1) the successor entity or entities, each of which shall be organized under the laws of the United States or a State thereof, shall assume by supplemental indenture all the obligations of Liberty under the debentures and the indenture and (2) immediately after giving effect to the transaction or series of transactions, no default or event of default shall have occurred and be continuing. Thereafter, all such obligations of Liberty shall terminate.

EVENTS OF DEFAULT The term "event of default" means any one of the following events with respect to the debentures: (1) default in the payment of any interest or distributions on any debenture when the interest or distributions becomes due and payable, and continuance of the default for a period of 30 days; (2) default in the payment of the principal of any debenture when the principal becomes due and payable at their maturity; (3) failure of Liberty to comply with its obligations to deliver the requisite consideration in exchange for debentures as described above under "-- Exchange Option"; (4) failure of Liberty to comply with any of its obligations described above under "-- Successor Corporation"; (5) default in the performance, or breach, of any covenant or warranty of Liberty in the indenture or the debentures (other than a covenant or warranty a default in the performance or the breach of which is elsewhere in the indenture specifically dealt with or which has been expressly included in the indenture solely for the benefit of a series of senior debt securities other than the debentures), and continuance of the default or breach for a period of 60 days after there has been given, by registered or certified mail, to Liberty by the trustee or to Liberty and the trustee by the holders of at least 25% in principal amount of the outstanding debentures, a written notice specifying the default or breach and requiring it to be remedied and stating that the notice is a "Notice of Default" under the indenture; (6) if any event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness of Liberty, whether the Indebtedness now exists or shall hereafter be created, shall happen and shall result in Indebtedness in an aggregate principal amount (or, if applicable, with an issue price and accreted original issue discount) in excess of \$100 million becoming or being declared due and payable prior to the date on which it would otherwise become due and payable, and (i) the acceleration shall not be rescinded or annulled. (ii) such Indebtedness shall not have been paid or (iii) Liberty shall not have contested such acceleration in good faith by appropriate proceedings and have obtained and thereafter maintained a stay of all consequences that would have a material adverse effect on Liberty, in each case within a period of 30 days after there shall have been given, by registered or certified mail, to Liberty by the trustee or to Liberty and the trustee by the holders of at least 25% in principal amount of the outstanding debentures, a written notice specifying the default or breaches and requiring it to be remedied and stating that the notice is a "Notice of Default" or other notice as prescribed in the indenture; provided, however, that if after the expiration of such period, such event of default shall be remedied or cured by Liberty or be waived by the holders of such Indebtedness in any manner authorized by such mortgage, indenture or instrument, then the event of default with respect to the debentures or by reason thereof shall, without further action by Liberty, the trustee or any holder of the debentures be deemed cured and not continuing; (7) the entry by a court having competent jurisdiction of: (A) a decree or order for relief in respect of Liberty or any Material Subsidiary in an involuntary proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law and the decree or order shall remain unstayed and in effect for a period of 60 consecutive days; 44 (B) a decree or order adjudging Liberty or any Material Subsidiary to be insolvent, or approving a petition seeking reorganization, arrangement, adjustment or composition of Liberty or any Material Subsidiary and the decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or (C) a final and non-appealable order appointing a custodian, receiver, liquidator, assignee, trustee or other similar official of Liberty or any Material Subsidiary or of any substantial part of the property of Liberty or any Material Subsidiary or ordering the winding up or liquidation of the affairs of Liberty; or (8) the commencement by Liberty or any Material Subsidiary of a voluntary proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law or of a voluntary proceeding seeking to be adjudicated insolvent or the consent by Liberty or any Material Subsidiary to the entry of a decree or order for relief in an involuntary proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law or to the commencement of any insolvency proceedings against it, or the filing by Liberty or any Material Subsidiary of

a petition or answer or consent seeking reorganization or relief under any applicable law, or the consent by Liberty or any Material Subsidiary to the filing of the petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or similar official of Liberty or any Material Subsidiary or any substantial part of the property of Liberty or any Material Subsidiary or the making by Liberty or any Material Subsidiary of an assignment for the benefit of creditors, or the taking of corporate action by Liberty or any Material Subsidiary in furtherance of any such action. **ACCELERATION OF THE DEBENTURES** If an event of default with respect to the debentures outstanding (other than an event of default specified in clause (7) or (8) above) occurs and is continuing, then the trustee or the holders of not less than 25% in principal amount of the outstanding debentures may declare the principal of all the debentures to be due and payable immediately, by a notice in writing to Liberty (and to the trustee if given by the holders), and upon any declaration the principal or such lesser amount shall become immediately due and payable. If an event of default specified in clause (7) or (8) above occurs, all unpaid principal of and accrued interest on the outstanding debentures shall become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder of any debenture. At any time after a declaration of acceleration or automatic acceleration with respect to the debentures has been made and before a judgment or decree for payment of the money due has been obtained by the trustee, the holders of not less than a majority in principal amount of the outstanding debentures, by written notice to Liberty and the trustee, may rescind and annul the declaration and its consequences if: (1) Liberty has paid or deposited with the trustee a sum of money sufficient to pay all overdue installments of any interest and distributions on all debentures and additional amounts payable with respect thereto and the principal of and any premium on the debentures which have become due otherwise than by the declaration of acceleration and interest on the debentures; and (2) all events of default with respect to the debentures, other than the non-payment of the principal of, any premium, interest and distributions on, and any additional amounts with respect to the debentures which shall have become due solely by the acceleration, shall have been cured or waived. No rescission shall affect any subsequent default or impair any right consequent thereon. If the maturity of the debentures is accelerated following an event of default, the amount payable for each debenture will be determined in the same manner as the amount payable at stated maturity. See "-- Payment at Stated Maturity" above. **45 CERTAIN DEFINITIONS** The following are certain of the terms defined in the indenture and used under "-- Certain Covenants" above: "Attributable Debt" in respect of a Sale and Leaseback Transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such Sale and Leaseback Transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with generally accepted accounting principles. "Capitalized Lease Obligation" of any person means any obligation of such person to pay rent or other amounts under a lease with respect to any property (whether real, personal or mixed) acquired or leased by such person and used in its business that is required to be accounted for as a liability on the balance sheet of such person in accordance with generally accepted accounting principles and the amount of such Capitalized Lease Obligation shall be the amount so required to be accounted for as a liability. "Closing Price" means, with respect to any security on any date of determination, the closing sale price (or, if no closing sale price is reported, the last reported sale price) of such security on the NYSE on such date or, if such security is not listed for trading on the NYSE on such date, as reported in the composite transactions (or comparable system) for the principal United States national or regional securities exchange on which such security is so listed or a recognized international securities exchange, or, if such security is not listed on a U.S. national or regional securities exchange or on a recognized international securities exchange, as reported by the Nasdaq Stock Market, or, if such security is not so reported, the last quoted bid price for such security in the over-the-counter market as reported by the National Quotation Bureau or similar organization, or, if such bid price is not available, the market value of such security on such date as determined by a nationally recognized independent investment banking firm retained for this purpose by Liberty; provided that, (1) with respect to options, warrants and other rights to purchase Marketable Securities, the Closing Price shall be the value based on the Closing Price of the underlying Marketable Security minus the exercise price and (2) with respect to securities exchangeable for or convertible into Marketable Securities, the Closing Price shall be the Closing Price of the exchangeable or convertible security or, if it has no Closing Price, the fully converted value based upon the Closing Price of the underlying Marketable Security. "Consolidated Asset Value" shall mean, with respect to any date of determination, the sum of: (A) the amount of cash of Liberty and its Restricted Subsidiaries on the last day of the preceding month,

plus the following assets owned by Liberty and its Restricted Subsidiaries on the last day of the preceding month that have the indicated ratings and maturities no greater than 270 days: - the aggregate principal amount of certificates of deposit and bankers' acceptances rated A/2 or P/2 or higher by the Rating Agencies; - the aggregate principal amount of participations in loans with obligors with short-term ratings of A/2 or P/2 or higher by the Rating Agencies or long-term ratings of Baal or BBB+ or higher by the Rating Agencies; - the aggregate principal amount of repurchase agreements of securities issued by the U.S. government or any agency thereof with counterparties with short-term ratings of A/2 or P/2 or higher by the Rating Agencies or long-term ratings of Baal or BBB- or higher by the Rating Agencies; and - the aggregate principal amount at maturity of commercial paper rated A/2 or P/2 or higher by the Rating Agencies; 46 (B) the aggregate value of all Marketable Securities owned by Liberty and its Restricted Subsidiaries based upon the Closing Price of each Marketable Security on the last day of the preceding month, or if such day is not a trading day, on the immediately preceding trading day; and (C) the arithmetic mean of the aggregate market values (or the midpoint of a range of values) of the assets of Liberty and its Restricted Subsidiaries having a value in excess of \$200 million, other than the assets referred to in clauses (A) and (B) above, as of a date within 90 days of the date of determination (or to the extent the research reports referred to below have not been issued within such 90-day period, as of a date within 180 days of the date of determination) as evidenced either: - by research reports issued by three nationally recognized independent investment banking firms selected by Liberty; or - if three such research reports have not been issued within 180 days prior to the date of determination, by an appraisal by two nationally recognized independent investment banking or appraisal firms retained by Liberty for this purpose. "Fair market value" means, with respect to any asset or property, the price which could be negotiated in an arm's-length transaction, for cash, between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy. Fair market value shall be determined by the Board of Directors of Liberty acting in good faith evidenced by a board resolution thereof delivered to the trustee. "Funded Indebtedness" of any person means, as of the date as of which the amount thereof is to be determined, without duplication, all Indebtedness of such person and all Capitalized Lease Obligations of such person, which by the terms thereof have a final maturity, duration or payment date more than one year from the date of determination thereof (including, without limitation, any balance of such Indebtedness or obligation which was Funded Indebtedness at the time of its creation maturing within one year from such date of determination) or which has a final maturity, duration or payment date within one year from such date of determination but which by its terms may be renewed or extended at the option of such person for more than one year from such date of determination, whether or not theretofore renewed or extended; provided, however, that "Funded Indebtedness" shall not include (1) any Indebtedness of Liberty or any Subsidiary to Liberty or another Subsidiary, (2) any guarantee by Liberty or any Subsidiary of Indebtedness of Liberty or another Subsidiary, provided that such guarantee is not secured by a Lien on any Principal Property, (3) any guarantee by Liberty or any Subsidiary of the Indebtedness of any person (including, without limitation, a business trust), if the obligation of Liberty or such Subsidiary under such guaranty is limited in amount to the amount of funds held by or on behalf of such person that are available for the payment of such Indebtedness, (4) liabilities under interest rate swap, exchange, collar or cap agreements and all other agreements or arrangements designed to protect against fluctuations in interest rates or currency exchange rates, and (5) liabilities under commodity hedge, commodity swap, exchange, collar or cap agreements, fixed price agreements and all other agreements or arrangements designed to protect against fluctuations in prices. For purposes of determining the outstanding principal amount of Funded Indebtedness at any date, the amount of Indebtedness issued at a price less than the principal amount at maturity thereof shall be equal to the amount of the liability in respect thereof at such date determined in accordance with generally accepted accounting principles. "Indebtedness" of any person means: (1) any indebtedness of such person (i) for borrowed money or (ii) evidenced by a note, debenture or similar instrument (including a purchase money obligation) given in connection with the acquisition of any property or assets, including securities; (2) any guarantee by such person of any indebtedness of others described in the preceding clause (1); and 47 (3) any amendment, renewal, extension or refunding of any such indebtedness or guarantee. "Liberty" means Liberty Media Corporation, a Delaware corporation, until a successor replaces it pursuant to the applicable provisions of the indenture and thereafter means the successor. "Lien" means any mortgage, pledge, lien, security interest, or other similar encumbrance. "Marketable Securities" means any securities listed on a U.S. national securities exchange or reported by the Nasdaq Stock Market or listed on a recognized international securities exchange or traded in the over-the-counter market and quoted by at least two broker-dealers as reported by the National Quotation Bureau or similar organization, including as

Marketable Securities options, warrants and other rights to purchase, and securities exchangeable for or convertible into, Marketable Securities. "Material Subsidiary" means, at any relevant time, any Subsidiary that meets any of the following conditions: (1) Liberty's and its other Subsidiaries' investments in and advances to the Subsidiary exceed 10% of the total consolidated assets of Liberty and its Subsidiaries; (2) Liberty's and its other Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Subsidiary exceeds 10% of the total consolidated assets of Liberty and its Subsidiaries; (3) Liberty's and its other Subsidiaries' proportionate share of the total revenues (after intercompany eliminations) of the Subsidiary exceeds 10% of the total consolidated revenue of Liberty and its Subsidiaries; or (4) Liberty's and its other Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Subsidiary exceeds 10% of such income of Liberty and its Subsidiaries; all as calculated by reference to the then latest fiscal year-end accounts (or consolidated fiscal year-end accounts, as the case may be) of such Subsidiary and the then latest audited consolidated fiscal year-end accounts of Liberty and its Subsidiaries. "Nasdaq Stock Market" means The Nasdaq Stock Market, a subsidiary of the National Association of Securities Dealers, Inc. "Principal Property" means, as of any date of determination, (a) any cable system or manufacturing or production facility, including land and buildings and other improvements thereon and equipment located therein, owned by Liberty or a Restricted Subsidiary and used in the ordinary course of its business and (b) any executive offices, administrative buildings, and research and development facilities, including land and buildings and other improvements thereon and equipment located therein, of Liberty or a Restricted Subsidiary, other than any such property which, in the good faith opinion of the Board of Directors, is not of material importance to the business conducted by Liberty and its Restricted Subsidiaries taken as a whole. "Rating Agencies" means (i) Standard & Poor's, a division of The McGraw-Hill Companies, Inc. and (ii) Moody's Investors Service, Inc. and (iii) if S&P or Moody's or both shall not make a rating publicly available, a nationally recognized United States securities rating agency or agencies, as the case may be, selected by Liberty, which shall be substituted for S&P or Moody's or both, as the case may be. "Restricted Subsidiary" means, as of any date of determination, a corporation a majority of whose voting stock is owned by Liberty and/or one or more Restricted Subsidiaries, which corporation has been, or is then being, designated a Restricted Subsidiary in accordance with the "Designation of Restricted Subsidiaries" covenant, unless and until designated an Unrestricted Subsidiary in accordance with such covenant. 48 "Sale and Leaseback Transaction" means any arrangement providing for the leasing to Liberty or a Restricted Subsidiary of any Principal Property (except for temporary leases for a term, including renewals, of not more than three years) which has been or is to be sold by Liberty or such Restricted Subsidiary to the lessor. "Subsidiary" means any corporation, association, limited liability company, partnership or other business entity of which a majority of the total voting power of the capital stock or other interests (including partnership interests) entitled (without regard to the incurrence of a contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned, directly or indirectly, by (i) Liberty, (ii) Liberty and one or more of its Subsidiaries or (iii) one or more Subsidiaries of Liberty- "Unrestricted Subsidiary" means, as of any date of determination, any Subsidiary of Liberty that is not a Restricted Subsidiary. MODIFICATION AND WAIVER Modification and amendments of the indenture may be made by Liberty and the trustee with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding debentures, provided, however, that no modification or amendment may, without the consent of the holder of each outstanding debenture, (1) change the stated maturity of the principal of, or any premium or installment of interest or distributions on, or any additional amounts with respect to, any debenture; (2) reduce the principal amount of, or the rate (or modify the calculation of the rate) of interest or distributions on, or any additional amounts with respect to, or any premium payable upon the redemption of, any debenture; (3) change the redemption provisions of any debenture or adversely affect the right of repayment at the option of any holder of any debenture; (4) change the place of payment or the coin or currency in which the principal of, any premium or installment of interest or distributions on any debenture is payable; (5) impair the right to institute suit for the enforcement of any payment on or after the stated maturity of any debenture (or, in the case of redemption, on or after the redemption date or, in the case of repayment at the option of any holder, on or after the date for repayment); (6) reduce the percentage in principal amount of the outstanding debentures, the consent of whose holders is required in order to take certain actions; (7) reduce the requirements for quorum or, voting by holders of debentures as provided in the indenture; (8) modify any of the provisions in the indenture regarding the waiver of past defaults and the waiver of certain covenants by the holders of debentures except to increase any percentage vote required or to provide that certain other provisions of the indenture cannot be modified or waived

without the consent of the holder of each debenture affected thereby; (9) reduce the amount of cash or reference shares or our shares of Series A common stock deliverable upon exchange of the debentures; or (10) modify any of the above provisions. Modifications and amendments of the indenture may be made by Liberty and the trustee without the consent of the holders of outstanding debentures, for the following purposes: (1) to evidence the succession of, and assumption by, another person of the indenture and the covenants under the indenture and the debentures; (2) to add the covenants under the indenture for the benefit of the holders of debentures or to surrender any right or power conferred upon Liberty in the indenture; (3) to evidence and provide for the acceptance of appointment hereunder by a successor trustee with respect to the debentures and to add to or change any of the provisions of the indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee; (4) to cure any ambiguity or to correct or supplement any provision of the indenture which may be defective or inconsistent with any other provision of the indenture, or to make any other provisions with respect to matters or questions arising under the indenture which shall not adversely affect the interests of the holders of outstanding debentures in any material respect; (5) to add any additional Events of Default with respect to the debentures; (6) to secure the debentures; (7) to make provisions with respect to conversion or exchange rights of holders of the debentures; (8) to amend or supplement any provision contained in the indenture or in any supplemental indenture, provided that no such amendment or supplement shall materially adversely affect the interests of the holders of the debentures then outstanding; or (9) to qualify the indenture under the Trust Indenture Act of 1939. The holders of at least a majority in aggregate original principal amount of the debentures may, on behalf of the holders of all debentures, waive compliance by Liberty with certain restrictive provisions of the indenture. The holders of not less than a majority in aggregate original principal amount of the outstanding debentures may, on behalf of the holders of all debentures, waive any past default and its consequences under the indenture with respect to the debentures, except a default - in the payment of principal (or premium, if any), or any interest or distributions on, or any additional amounts with respect to, the debentures, or - in respect of a covenant or provision of the indenture that cannot be modified or amended without the consent of the holder of each debenture. Under the indenture, Liberty is required to furnish the trustee annually a statement as to performance by Liberty of certain of its obligations under the indenture and as to any default in the performance. Liberty is also required to deliver to the trustee, within five calendar days after becoming aware thereof, written notice of any event of default or any event which after notice or lapse of time or both would constitute an event of default.

GOVERNING LAW The indenture and the debentures will be governed by, and construed in accordance with, the laws of the State of New York.

REGARDING THE TRUSTEE The trustee is permitted to engage in other transactions with Liberty and its subsidiaries from time to time, provided that if the trustee acquires any conflicting interest it must eliminate the conflict upon the occurrence of an event of default, or else resign.

DESCRIPTION OF OUR COMMON STOCK AUTHORIZED CAPITAL STOCK Our authorized capital stock consists of four billion four hundred fifty million (4,450,000,000) shares, of which four billion four hundred million (4,400,000,000) shares are designated common stock, par value \$0.01 per share, and fifty million (50,000,000) shares are designated preferred stock, par value \$0.01 per share. Our common stock is divided into two series. We have authorized four billion (4,000,000,000) shares of Series A common stock and four hundred million (400,000,000) shares of Series B common stock. As of October 31, 2003, we had outstanding 2,691,592,648 shares of our Series A common stock and 211,818,776 shares of our Series B common stock, excluding outstanding stock options and warrants to purchase shares of our common stock.

OUR COMMON STOCK The holders of our Series A common stock and Series B common have equal rights, powers and privileges, except as otherwise described below.

VOTING RIGHTS The holders of our Series A common stock will be entitled to one vote for each share held, and the holders of our Series B common stock will be entitled to ten votes for each share held, on all matters voted on by our stockholders, including elections of directors. Our charter does not provide for cumulative voting in the election of directors.

DIVIDENDS Subject to any preferential rights of any outstanding series of our preferred stock created by our board from time to time, the holders of our common stock will be entitled to such dividends as may be declared from time to time by our board from funds available therefor. Except as otherwise described under "-- Distributions," whenever a dividend is paid to the holders of one of our series of common stock, we shall also pay to the holders of the other series of our common stock an equal per share dividend. We do not anticipate paying any dividends on our common stock in the foreseeable future because we expect to retain our future earnings for use in the operation and expansion of our business. Our payment and amount of dividends, however, will be subject to the discretion of our board of directors and will depend, among other things, upon our results of operations, financial condition, cash

requirements, future prospects and other factors which may be considered relevant by our board of directors.

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

DISTRIBUTIONS Distributions made in shares of our Series A common stock, our Series B common stock or any other security with respect to our Series A common stock or Series B common stock may be declared and paid only as follows: - a share distribution consisting of shares of our Series A common stock (or securities convertible therefor) to holders of our Series A common stock and Series B common stock, on an equal per share basis; or consisting of shares of our Series B common stock (or securities convertible therefor) to holders of our Series A common stock and Series B common stock, on an equal per share basis; or consisting of shares of our Series A common stock (or securities convertible therefor) to holders of our Series A common stock and, on an equal per share basis, shares of our Series B common stock (or securities convertible therefor) to holders of our Series B common stock; and - a share distribution consisting of shares of any class or series of securities of us or any other person, other than our Series A common stock or Series B common stock (or securities convertible therefor), either on the basis of a distribution of identical securities, on an equal per share basis, to holders of 51 our Series A common stock and Series B common stock or on the basis of a distribution of one class or series of securities to holders of our Series A common stock and another class or series of securities to holders of our Series B common stock, provided that the securities so distributed do not differ in any respect other than their relative voting rights and related differences in designation, conversion and share distribution provisions, with holders of shares of Series B common stock receiving the class or series having the higher relative voting rights, and provided further that if the securities so distributed constitute capital stock of one of our subsidiaries, such rights shall not differ to a greater extent than the corresponding differences in voting rights, designation, conversion and share distribution provisions between our Series A common stock and Series B common stock, and provided further in each case that the distribution is otherwise made on an equal per share basis. We may not reclassify, subdivide or combine either series of our common stock without reclassifying, subdividing or combining the other series of our common stock, on an equal per share basis.

LIQUIDATION AND DISSOLUTION In the event of our liquidation, dissolution or winding up, after payment or provision for payment of our debts and liabilities and subject to the prior payment in full of any preferential amounts to which our preferred stock holders may be entitled, the holders of our Series A common stock and Series B common stock will share equally, on a share for share basis, in our assets remaining for distribution to our common stockholders.

ANTI-TAKEOVER EFFECTS OF PROVISIONS OF OUR RESTATED CERTIFICATE OF INCORPORATION AND BYLAWS Board of Directors Our restated certificate of incorporation and bylaws provide that, subject to any rights of the holders of any series of our preferred stock to elect additional directors, the number of our directors shall not be less than three and the exact number shall be fixed from time to time by a resolution adopted by the affirmative vote of 75% of the members of our board then in office. The members of our board, other than those who may be elected by holders of our preferred stock, are divided into three classes. Each class consists, as nearly as possible, of a number of directors equal to one-third of the then authorized number of board members. The term of office of our Class I directors expires at the annual meeting of our stockholders in 2005. The term of office of our Class II directors expires at the annual meeting of our stockholders in 2003. The term of office of our Class III directors expires at the annual meeting of our stockholders in 2004. At each annual meeting of our stockholders, the successors of that class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of our stockholders held in the third year following the year of their election. The directors of each class will hold office until their respective successors are elected and qualified. Our restated certificate of incorporation provides that, subject to the rights of the holders of any series of our preferred stock, our directors may be removed from office only for cause upon the affirmative vote of the holders of at least a majority of the total voting power of our outstanding capital stock entitled to vote at an election of directors, voting together as a single class. Our restated certificate of incorporation provides that, subject to the rights of the holders of any series of our preferred stock, vacancies on our board resulting from death, resignation, removal, disqualification or other cause, and newly created directorships resulting from any increase in the number of directors on our board, shall be filled only by the affirmative vote of a majority of the remaining directors then in office (even though less than a quorum) or by the sole remaining director. Any director so elected shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred or to which the new directorship is apportioned, and until that director's successor shall have been elected and qualified. No decrease in the number of directors constituting our board shall shorten the term of any incumbent director, except as may be provided in any

certificate of designation with respect to a series of our preferred stock with respect to any additional director elected by the holders of the series of our preferred stock. These provisions would preclude a third party from removing incumbent directors and simultaneously gaining control of our board by filling the vacancies created by removal with its own nominees. Under the 52 classified board provisions described above, it would take at least two elections of directors for any individual or group to gain control of our board. Accordingly, these provisions could discourage a third party from initiating a proxy contest, making a tender offer or otherwise attempting to gain control of us. No Stockholder Action By Written Consent; Special Meetings Our restated certificate of incorporation provides that, except as otherwise provided in the terms of any series of preferred stock, any action required to be taken or which may be taken at any annual meeting or special meeting of stockholders may not be taken without a meeting and may not be effected by any consent in writing by such holders. Except as otherwise required by law and subject to the rights of the holders of any series of our preferred stock, special meetings of our stockholders for any purpose or purposes may be called only by our Secretary (1) upon the written request of holders of not less than 66 2/3% of the total voting power of our outstanding capital stock or (2) at the request of at least 75% of the members of our board then in office. No business other than that stated in the notice of special meeting shall be transacted at any special meeting. Advance Notice Procedures Our bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors or to bring other business before an annual meeting of our stockholder. All nominations by stockholders shall be made pursuant to timely notice in proper written form to our Secretary. To be timely, a stockholder's notice shall be given to our Secretary at our offices: (1) with respect to any election to be held at an annual meeting of our stockholders which is called for a date that is within thirty days before or after the anniversary date of the immediately preceding annual meeting of our stockholders, not less than ninety days in advance of such meeting nor more than one-hundred twenty days prior to such anniversary date, and (2) with respect to an election (A) to be held at an annual meeting of our stockholders which is called for a date that is not thirty days before or after the anniversary date of the immediately preceding annual meeting of our stockholders or (B) to be held at a special meeting of our stockholders for election of directors, not later than the close of business on the tenth day following the day on which notice of such meeting is mailed to our stockholders or public disclosure of the date of the meeting was made, whichever occurred first. The public announcement of an adjournment or postponement of a meeting of our stockholders does not commence a new time period (or extend any time period) for the giving of any such stockholder notice. However, if the number of directors to be elected to our board at any meeting is increased, and we do not make a public announcement naming all of the nominees for director or specifying the size of the increased board at least one hundred days prior to the anniversary date of the immediately preceding annual meeting, a stockholder's notice shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to our Secretary at our offices not later than the close of business on the tenth day following the day on which we first make the relevant public announcement. For other business to be properly requested to be brought before an annual meeting by one of our stockholders, the stockholder must have given timely notice of such business in proper written form to our Secretary. To be timely, a stockholder's notice must be received at our offices (1) in the case of an annual meeting that is called for a date that is within thirty days before or after the anniversary date of the immediately preceding annual meeting of our stockholders, not less than ninety days nor more than one-hundred twenty days prior to the meeting, and (2) in the case of an annual meeting that is called for a date that is not within thirty days before or after the anniversary date of the immediately preceding annual meeting, not later than the close of business on the tenth day following the day on which notice of the date of the meeting was communicated to stockholders or public disclosure of the date of the meeting was made, whichever occurs first. The public announcement of an adjournment or postponement of a meeting of our stockholders does not commence a new time period (or extend any time period) for the giving of any such stockholder notice. 53 Amendment Our restated certificate of incorporation provides that, subject to the rights of the holders of any series of our preferred stock, the affirmative vote of the holders of at least 66 2/3% of the voting power of our outstanding capital stock, voting together as a single class, is required to adopt, amend or repeal any provision of our restated certificate of incorporation or the addition or insertion of other provisions in the certificate, provided that the foregoing voting requirement shall not apply to any adoption, amendment, repeal, addition or insertion (1) as to which the General Corporation Law of Delaware, as then in effect, does not require the consent of our stockholders or (2) which at least 75% of the members of our board then in office has approved. Our restated certificate of incorporation further provides that the affirmative vote of the holders of at least 66 2/3% of the voting power of our

outstanding capital stock, voting together as a single class, is required to adopt, amend or repeal any provision of our bylaws, provided that the foregoing voting requirement shall not apply to any adoption, amendment or repeal approved by the affirmative vote of not less than 75% of the members of our board then in office. TRANSFER AGENT AND REGISTRAR EquiServe Trust Company, N.A. is the transfer agent and registrar for our common stock. SUMMARY OF REGISTRATION RIGHTS OF SELLING SECURITYHOLDERS We entered into a registration rights agreement with the initial purchasers pursuant to which we filed with the SEC a shelf registration statement of which this prospectus is a part. Under the registration rights agreement, we are required to: - use our commercially reasonable efforts to keep effective the shelf registration statement until two years after the issue date or until all of the debentures covered by the shelf registration statement have been sold, exchanged or redeemed or otherwise cease to be outstanding; and - use our commercially reasonable efforts to ensure that: - the shelf registration statement and any amendment thereto and any prospectus included therein comply in all material respects with the Securities Act; and - the shelf registration statement and any amendment thereto and any prospectus included therein do not, when the shelf registration statement or any amendment becomes effective, contain an untrue statement of a material fact. If the shelf registration statement is unusable by the holders for any reason for more than 30 days in the aggregate in any consecutive 12-month period, then the interest rate borne by the debentures will be increased by 0.25% per annum of the principal amount of the debentures for the first 90-day period (or portion thereof) beginning on the 31st day that the shelf registration statement ceased to be usable. This interest rate will be increased by an additional 0.25% per annum of the principal amount of the debentures at the beginning of each subsequent 90-day period, provided that the maximum aggregate increase in the interest rate will in no event exceed one percent (1%) per annum. Any amounts payable under this paragraph shall also be deemed "additional interest" for purposes of the registration rights agreement. Upon the shelf registration statement once again becoming usable, the interest rate borne by the debentures will be reduced to the original interest rate. Additional interest shall be computed based on the actual number of days elapsed in each 90-day period in which the shelf registration statement is unusable. Liberty shall notify the trustee within three business days of an event date, which is each and every date on which an event occurs in respect of which additional interest is required to be paid. Additional interest shall be paid by depositing with the trustee, in trust, for the benefit of the holders of the debentures, on or before the applicable semi-annual interest payment date, immediately available funds in sums sufficient to pay the additional interest then due. The additional interest due shall be payable on each interest payment date to the record holder of debentures entitled to receive the interest payment to be paid on such date as set forth in the indenture. Each obligation to pay additional interest shall be deemed to accrue from and including the date following the applicable event date. 54 The registration rights agreement has been filed as an exhibit to the registration statement of which this prospectus forms a part, and we refer you to the registration rights agreement for a complete description of its terms. See "Where to Find More Information." The registration rights agreement requires us to pay substantially all of the expenses incident to the registration, offering and sale of the debentures to the public, other than commissions, concessions and discounts of underwriters, dealers or agents, but including the fees and disbursements of one counsel for the selling security holders. We have agreed to indemnify the selling security holders and any underwriters they may use against certain civil liabilities, including liabilities under the Securities Act. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS The following is a summary of the material United States federal income tax consequences of the acquisition, ownership and disposition of the debentures and the receipt of any cash or reference shares (and in the case of an exercise of your right to exchange your debentures or your right to cause Liberty to purchase your debentures, our Series A common stock) for which the debentures may be exchanged. This summary is based upon the United States Internal Revenue Code of 1986, as amended (which we refer to as the "Code"), administrative pronouncements, judicial decisions, and existing and proposed Treasury Regulations, changes to any of which subsequent to the date of this prospectus may affect the tax consequences described in this prospectus, possibly with retroactive effect. This summary deals only with holders that will hold the debentures and reference shares (and in the case of an exercise of your right to exchange your debentures or your right to cause Liberty to purchase your debentures, our Series A common stock) for which the debentures may be exchanged as "capital assets" within the meaning of Section 1221 of the Code, and does not address tax considerations applicable to holders that may be subject to special tax rules, such as dealers or traders in securities, partnerships or other pass-through entities, financial institutions, insurance companies, tax-exempt entities, certain expatriates, holders that hold the debentures as a part of a hedging, straddle, conversion or other integrated transaction, or U.S. Holders (as defined below) whose functional

currency is not the United States dollar. This summary does not address the effect of any state, local or foreign tax laws that may apply, or the application of the federal estate or gift tax or the alternative minimum tax. This summary assumes that the consideration received upon maturity, exchange or redemption of the debentures will consist of cash and/or reference shares (and in the case of an exercise of your right to exchange your debentures or your right to cause Liberty to purchase your debentures, our Series A common stock), or any combination thereof. The discussion set out below is intended only as a summary of certain United States federal income tax consequences of an investment in the debentures. Prospective investors are urged to consult their tax advisors as to the tax consequences of an investment in the debentures, including the application to their particular situations of the tax considerations discussed below, as well as the application of state, local or foreign tax laws. The "issue price" means the first price at which a substantial amount of the debentures are sold (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers), which is \$985 per debenture. "U.S. Holder" means a beneficial owner of the debentures, reference shares or our Series A common stock, as the case may be, that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation, or other entity taxable as a corporation, that is organized under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if the trust has a valid election in effect to be treated as a U.S. person. "Non-U.S. Holder" means a beneficial owner of the debentures, reference shares or our Series A common stock, as the case may be, that is not a U.S. Holder or partnership (which for purposes of this discussion includes any entity treated as a partnership for United States federal income tax purposes). 55 If a partnership holds debentures, reference shares or our Series A common stock, the tax treatment of a partner generally will depend on the status of the partner and on the activities of the partnership. Partners of partnerships holding debentures, reference shares or our Series A common stock should consult their tax advisors. TAX

CONSEQUENCES TO U.S. HOLDERS Interest Accrual on the Debentures. For United States federal income tax purposes, the debentures will be subject to Treasury Regulations relating to contingent payment debt instruments (which we refer to as the "contingent payment debt regulations"). Under the contingent payment debt regulations, a U.S. Holder will be required to accrue interest income on the debentures (in amounts described in the next paragraph) regardless of whether such U.S. Holder uses the cash or accrual method of tax accounting. As a result, a U.S. Holder will be required to include interest in taxable income each year in excess of the semi-annual interest payments received in that year. Under the contingent payment debt regulations, for each accrual period prior to and including the maturity date of the debentures, the amount of interest that accrues, as original issue discount, on a debenture equals the product of (a) the adjusted issue price (as defined below) as of the beginning of the accrual period and (b) the comparable yield (as defined below) (adjusted for the length of the accrual period). This amount is ratably allocated to each day in the accrual period and is includable as ordinary interest income by a U.S. Holder for each day in the accrual period on which the U.S. Holder holds the debentures. The "adjusted issue price" means the issue price of the debenture, increased by any interest previously accrued (determined without regard to any adjustments to interest accruals described below) and decreased by the amount of any projected payments (as defined below) with respect to the debenture. The "comparable yield" means the annual yield we would pay, as of the issue date, on a fixed-rate debt security with no exchange right or other contingent payments but with terms and conditions otherwise comparable to those of the debentures. Amounts treated as interest under the contingent payment debt regulations are treated as original issue discount for all purposes of the Code. We have determined that the comparable yield is 5.6%, compounded semi-annually. Under the contingent payment debt regulations, we are required, solely for United States federal income tax purposes, to provide holders a schedule of the projected amounts of payments (which we refer to as "projected payments") on the debentures. This schedule must produce the comparable yield. Based on our determination of the comparable yield, the schedule of projected payments (assuming a principal amount of \$1,000 and an issue price of \$985 or with respect to each integral multiple thereof) consists of (a) a payment of stated interest equal to \$3.85 on September 30, 2003, (b) payments of stated interest equal to \$3.75 on all subsequent semi-annual interest payment dates (excluding the stated semi-annual interest on the debentures payable on the maturity date) and (c) a payment of a projected amount upon a hypothetical exchange of the debentures on the latest date on which an exchange could be permitted (excluding the stated semi-annual interest on the debentures payable on the maturity date) equal to \$2,708.19. For United States federal income tax purposes, a U.S. Holder is required to use the

comparable yield and the schedule of projected payments in determining its interest accruals and adjustments thereof in respect of the debentures, unless such U.S. Holder timely discloses and justifies the use of other estimates to the Internal Revenue Service ("IRS"). The comparable yield and the schedule of projected payments are not provided for any purpose other than the determination of holders' interest accruals and adjustments thereof in respect of the debentures for United States federal income tax purposes and do not constitute a projection or representation regarding the actual amounts payable on the debentures. Adjustments to Interest Accruals. If, during any taxable year, the sum of any actual payments with respect to the debentures for that taxable year (including additional distributions, extraordinary distributions and the fair market value of any reference shares or our Series A common stock received by such holder, plus the fair market value of any other property received, plus the amount of cash received) exceeds the total amount of projected payments for that taxable year, the difference will produce a "net positive adjustment" under the contingent payment debt regulations, which will be treated as additional interest for the taxable year. If the actual amount received in a taxable year is less than the amount of projected payments for that taxable year, the difference will produce a "net negative adjustment" under the contingent payment debt regulations, which will (a) reduce the U.S. Holder's interest income on the debentures for that taxable year and (b) to the extent of any excess after the application of (a), give rise to an ordinary loss to the extent of the U.S. Holder's interest income on the debentures during prior taxable years (reduced to the extent such interest was offset by prior net negative adjustments). Purchase for Premium or Discount. A purchase of a debenture by a U.S. Holder will cause the new U.S. Holder to have a basis in the debenture equal to the amount paid for the debenture. A U.S. Holder is required to reasonably allocate any difference between the adjusted issue price of the debenture and such U.S. Holder's basis in the debenture to daily portions of interest or projected payments over the remaining term of debenture. If such basis in the debenture exceeds the debenture's adjusted issue price, the amount of the difference allocated to a daily portion of interest or to a projected payment is treated as a negative adjustment on the date the daily portion accrues or the payment is made. On the date of the adjustment, the U.S. Holder's adjusted basis in the debenture is reduced by the amount the U.S. Holder so treats as a negative adjustment. If the new U.S. Holder's basis in the debenture is less than the debenture's adjusted issue price, the amount of the difference allocated to a daily portion of interest or to a projected payment is treated as a positive adjustment on the date the daily portion accrues or the payment is made. On the date of the adjustment, the U.S. Holder's adjusted basis in the debenture is increased by the amount the U.S. Holder so treats as a positive adjustment. Sale, Exchange or Other Disposition of the Debentures. Upon the sale, exchange or retirement of the debentures (including, for instance, an exchange at the U.S. Holder's option for reference shares or our Series A common stock or the redemption of the debentures by us) prior to the maturity date, the U.S. Holder will recognize gain or loss equal to the difference between the amount realized and the U.S. Holder's adjusted basis. A U.S. holder will be treated as receiving an amount equal to the fair market value of any reference shares or our Series A common stock received, plus the fair market value of any other property received, plus the amount of any cash received. The adjusted basis will be the U.S. Holder's original basis in the debentures, increased by (i) the interest income previously included by the U.S. Holder with respect to the debentures (determined without regard to any adjustments to interest accruals described in the paragraph entitled "Adjustments to Interest Accruals") and (ii) any discount included in income under the paragraph entitled "Purchase for Premium or Discount" and decreased by (i) the projected amount of all prior payments with respect to the debentures and (ii) any adjustment or premium taken into account under the paragraph entitled "Purchase for Premium or Discount." Any gain upon sale or exchange of the debentures will be ordinary interest income; any loss will be ordinary loss to the extent of the interest previously included in income by the U.S. Holder with respect to the debentures, and thereafter, capital loss. The distinction between capital loss and ordinary loss is potentially significant in several respects. For example, limitations apply to a U.S. Holder's ability to offset capital losses against ordinary income. Distributions on Reference Shares. The gross amount of any distribution made by Time Warner to a U.S. Holder with respect to the reference shares generally will be includable in the income of a U.S. Holder as dividend income to the extent that such distribution is paid out of Time Warner's current or accumulated earnings and profits as determined under U.S. federal income tax principles. Subject to certain limitations, United States corporations holding reference shares that receive dividends thereon generally will be eligible for a dividends-received deduction equal to 70% of the dividends received. If the amount of any distribution exceeds Time Warner's current and accumulated earnings and profits as so computed, such excess first will be treated as a tax-free return of capital to the extent of the U.S. Holder's tax basis in its reference shares, and thereafter as gain from the sale or exchange of property. Dispositions of Reference Shares. A U.S. Holder

generally will recognize capital gain or loss for U.S. federal income tax purposes on the sale or disposition of reference shares in an amount equal to the difference between the amount realized on the sale or other disposition and the U.S. Holder's tax basis in the reference shares. Any such gain or loss will be long-term gain or loss if the U.S. Holder held the reference shares for more than one year. A U.S. Holder that received reference shares from Liberty in a disposition of a debenture either on or before the maturity date will have a basis in the reference shares equal to the shares' fair market value on the date of such disposition of the debenture. Additionally, the U.S. Holder's holding period in the reference shares will begin the day after such disposition of the debenture. Distributions on Our Series A Common Stock. The gross amount of any distribution made by Liberty to a U.S. Holder with respect to our Series A common stock generally will be includable in the income of a U.S. Holder as dividend income to the extent that such distribution is paid out of Liberty's current or accumulated earnings and profits as determined under U.S. federal income tax principles. Subject to certain limitations, United States corporations holding our Series A common stock that receive dividends thereon generally will be eligible for a dividends-received deduction equal to 70% of the dividends received. If the amount of any distribution exceeds Liberty's current and accumulated earnings and profits as so computed, such excess first will be treated as a tax-free return of capital to the extent of the U.S. Holder's tax basis in its shares of our Series A common stock, and thereafter as gain from the sale or exchange of property.

Dispositions of Our Series A Common Stock. A U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes on the sale or disposition of our Series A common stock in an amount equal to the difference between the amount realized on the sale or other disposition and the U.S. Holder's tax basis in our Series A common stock. Any such gain or loss will be long-term gain or loss if the U.S. Holder held our Series A common stock for more than one year. A U.S. Holder that received our Series A common stock from Liberty in a disposition of a debenture either on or before the maturity date will have a basis in that Series A common stock equal to that stock's fair market value on the date of such disposition of the debenture. Additionally, the U.S. Holder's holding period in our Series A common stock will begin the day after such disposition of the debenture.

Information Reporting and Backup Withholding. For each calendar year in which the debentures are outstanding, we, our agents or a broker may be required to provide the IRS with certain information, including the holder's name, address and taxpayer identification number, the aggregate amount of principal and interest paid to that holder during the calendar year and the amount of tax withheld, if any. This obligation, however, does not apply with respect to certain holders, including corporations, qualified pension and profit sharing trusts and individual retirement accounts. Information reporting requirements, subject to exceptions, also may apply to the cash proceeds of a sale of the reference shares or our Series A common stock. Certain noncorporate holders may be subject to backup withholding on payments of (i) principal and interest (including original issue discount) on, or the proceeds of the disposition of, the debentures and (ii) dividends received on, and the proceeds of the disposition of, the reference shares and our Series A common stock. In general, backup withholding at a rate of 28% will apply to "reportable payments" if a U.S. Holder fails to provide a correct taxpayer identification number or fails to report its full dividend and interest income. U.S. Holders should consult their tax advisors regarding their qualification for exemption from backup withholding and the procedure for obtaining such an exemption, if applicable. Backup withholding is not an additional tax; any amounts withheld under the backup withholding rules will be allowed as a refund or credit against such holder's U.S. federal income tax liability provided the required information is furnished to the IRS. The information reporting requirements may apply regardless of whether backup withholding is required.

TAX CONSEQUENCES TO NON-U.S. HOLDERS

Withholding. Under present United States federal income tax law, and subject to the discussion below concerning backup withholding, payments of principal and interest (including original issue discount) on the debentures by us or any paying agent to any Non-U.S. Holder, and gain realized on the sale or exchange of the debentures, reference shares and our Series A common stock by a Non-U.S. Holder, will be exempt from United States federal income or withholding tax, provided that: - such Non-U.S. Holder does not own, actually or constructively, 10 percent or more of the total combined voting power of all classes of our stock entitled to vote, is not a controlled foreign corporation related, directly or indirectly, to us through stock ownership, and is not a bank receiving interest described in Section 881(c)(3)(A) of the Code; 58 - the statement requirement set forth in Section 871(h) or Section 881(c) of the Code has been fulfilled with respect to the beneficial owner, as discussed below; - such Non-U.S. Holder is not an individual who is present in the United States for 183 days or more in the taxable year of disposition or who is subject to special rules applicable to former citizens and residents of the United States; - such payments and gain are not effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States; and - the reference

shares and our Series A common stock continue to be actively traded within the meaning of Section 871(h)(4)(C)(v)(I) of the Code (which, for these purposes and subject to certain exceptions, includes trading on the NYSE). The statement requirement referred to in the preceding paragraph will be fulfilled if the beneficial owner of a debenture certifies on an appropriate form (generally IRS Form W-8BEN), under penalties of perjury, that it is not a United States person and provides its name and address, and (a) the beneficial owner files that form with the withholding agent or (b) a securities clearing organization, bank or other financial institution holding customers' securities in the ordinary course of its trade or business holds the debentures on behalf of the beneficial owner, files with the withholding agent a statement that it has received the Form W-8BEN from the beneficial owner and furnishes the withholding agent with a copy thereof. With respect to any debentures held by a foreign partnership, unless the foreign partnership has entered into a withholding agreement with the IRS, each partner that is a Non-U.S. Holder will be required to supply this certification in order to avoid withholding with respect to such partner's share of interest (including original issue discount) and disposition proceeds paid with respect to the debentures to the foreign partnership. Distributions by Time Warner with respect to reference shares that are treated as dividends paid, as described above under "-- Tax Consequences to U.S. Holders -- Distributions on Reference Shares," to a Non-U.S. Holder (excluding dividends that are effectively connected with the conduct of a trade or business in the United States by such Holder and are taxable as described below) will be subject to United States federal withholding tax at a 30% rate (or lower rate provided under any applicable income tax treaty). Distributions by Liberty with respect to our Series A common stock that are treated as dividends paid, as described above under "-- Tax Consequences to U.S. Holders -- Distributions on Our Series A Common Stock," to a Non-U.S. Holder (excluding dividends that are effectively connected with the conduct of a trade or business in the United States by such Holder and are taxable as described below) also will be subject to United States federal withholding tax at a 30% rate (or lower rate provided under any applicable income tax treaty). If a Non-U.S. Holder of the debentures, reference shares or our Series A common stock is engaged in a trade or business in the United States, and if interest on the debentures, dividends on reference shares or our Series A common stock, or gain from the sale or exchange of the debentures, reference shares or our Series A common stock are effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from the withholding tax discussed in the preceding paragraphs, will generally be subject to regular United States federal income tax on such interest, dividends, or gain realized on the sale or exchange of the debentures, reference shares or our Series A common stock in the same manner as if it were a U.S. Holder. In lieu of the certificate described in the preceding paragraph, such a Non-U.S. Holder will be required to provide to the withholding agent a properly executed IRS Form W-8ECI (or successor form) in order to claim an exemption from withholding tax. In addition, if such a Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. Information Reporting and Backup Withholding. A Non-U.S. Holder's receipt of (i) interest (including original issue discount) on the debentures, (ii) dividends with respect to reference shares or our Series A common stock or (iii) cash proceeds from the sale, exchange or other disposition of the debentures, reference shares or our Series A common stock, may be subject to information reporting to the IRS as described above under "-- Tax Consequences to U.S. Holders -- Information Reporting and Backup Withholding." Copies of 59 these information returns also may be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides. Backup withholding (currently 28%) may apply to "reportable payments" if a Non-U.S. Holder fails to provide a correct taxpayer identification number and certain other information, fails to provide a certification of exempt status or fails to report the holder's full dividend and interest income. Payment of cash proceeds of the disposition of debentures, reference shares or our Series A common stock to or through the U.S. office of any broker, U.S. or foreign, generally will be subject to information reporting and backup withholding unless the Non-U.S. Holder certifies as to the holder's non-U.S. status under penalties of perjury or otherwise establishes that the holder qualifies for an exemption, provided that the broker does not have actual knowledge that the holder is a U.S. Holder or that the conditions of any other exemption are not in fact satisfied. Payment of cash proceeds of the disposition of debentures, reference shares or our Series A common stock to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding; however, if such broker has certain connections to the U.S., then information reporting, but not backup withholding, will apply unless the holder establishes its non-U.S. status. Backup withholding is not an additional tax; any amounts withheld under the backup withholding rules will be allowed as a refund or credit against the Non-U.S.

Holder's U.S. federal income tax liability provided the required information is furnished to the IRS. The information reporting requirements may apply regardless of whether backup withholding is required. 60 PLAN OF DISTRIBUTION We will not receive any of the proceeds from sales of debentures by selling security holders. The debentures may be sold from time to time: - directly by any selling holder to one or more purchasers; - to or through underwriters, brokers or dealers; - through agents on a best-efforts basis or otherwise; or - through a combination of such methods of sale. If debentures are sold through underwriters, brokers and dealers, the selling security holder will be responsible for underwriting discounts or agent's commissions. The debentures may be sold: - in one or more transactions at a fixed price or prices, which may be changed; - at prevailing market prices at the time of sale or at prices related to such prevailing prices; - at varying prices determined at the time of sale; or - at negotiated prices. Such sales may be effected in transactions (which may involve crosses or block transactions): - on any national securities exchange or quotation service on which the debentures may be listed or quoted at the time of sale; - in the over-the-counter market; - in transactions otherwise than on such exchanges or services or in the over-the-counter market; or - through the writing of options. In connection with the sale of the debentures, any selling security holder may: - enter into hedging transactions with brokers, dealers or others, which may in turn engage in short sales of the debentures in the course of hedging the positions they assume; - sell short or deliver debentures to close out such short positions; or - loan or pledge debentures to brokers, dealers or others that may in turn sell such securities. Any selling security holder may pledge or grant a security interest in some or all of the debentures owned by it, and if it defaults in the performance of its secured obligations, the pledgees or secured party may sell from time to time the pledged debentures pursuant to the registration statement of which this prospectus is a part. The selling security holders may also transfer and donate debentures in other circumstances in which case the transferees, donees, pledgees or other successors in interest will be the selling security holders for purposes of this prospectus. Underwriters, brokers, dealers and agents may receive compensation in the form of underwriting discounts, concessions or commissions from the selling security holders or the purchaser of debentures for whom they may act as agent. The selling security holders and any underwriters, dealers or agents that participate in the distribution of debentures may be deemed to be "underwriters" within the meaning of the Securities Act, and any profit on the sale of debentures by them and any discounts, commissions or concessions received by them might be deemed to be underwriting discounts and commissions under the Securities Act. There is currently no active public trading market for the debentures. We do not presently intend to list the debentures on any stock exchange. Therefore, any trading with respect to the debentures is expected to occur in over-the-counter markets. At the time a particular offering or sale of debentures is made, a prospectus supplement, if required, will be distributed which will set forth the aggregate amount of debentures offered or sold and the terms of the offering or sale, including the name or names of any underwriters, dealers or agents, any discounts, 61 commissions and other terms constituting compensation from the selling security holders and any discounts, commissions or concessions allowed or reallocated or paid to dealers. To comply with the securities laws of certain jurisdictions, if applicable, the debentures can be offered or sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain jurisdictions the debentures may not be offered or sold unless they have been registered or qualified for sale in such jurisdictions or an exemption from registration or qualification is available and is complied with. There is no assurance that the selling security holders will sell any of the debentures. In addition, any debentures covered by this prospectus which qualify for sale pursuant to Rule 144 or Rule 144A under the Securities Act may be sold pursuant to Rule 144 or Rule 144A rather than pursuant to this prospectus. LEGAL MATTERS The validity of the debentures will be passed upon for us by Baker Botts L.L.P., New York, New York. EXPERTS The consolidated balance sheets of Liberty Media Corporation and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2002 have been incorporated by reference herein in reliance upon the report, dated March 17, 2003, of KPMG LLP, independent certified public accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. As discussed in notes 3 and 7 to the consolidated financial statements, Liberty Media Corporation changed its method of accounting for intangible assets in 2002 and for derivative financial instruments in 2001. The consolidated balance sheets of Telewest Communications plc and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity/(deficit) and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2002, have been incorporated by reference herein in reliance upon the report, dated March 26, 2003, except for note 3, which is as of January 16, 2004, of KPMG

Audit Plc, independent chartered accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. The report of KPMG Audit plc dated March 26, 2003, except for note 3, which is as of January 16, 2004, contains an explanatory paragraph that states that Telewest Communications plc is undergoing financial restructuring which raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. As discussed in note 3 to the consolidated financial statements, the 2002 consolidated financial statements of Telewest Communications plc and subsidiaries have been restated. As discussed in note 4 to the consolidated financial statements, Telewest Communications plc changed its method of accounting for intangible assets in 2002 and derivative instruments in 2001.

WHERE TO FIND MORE INFORMATION We have filed with the Securities and Exchange Commission a registration statement on Form S-3 under the Securities Act with respect to the debentures that may be sold by this prospectus. This prospectus, which forms a part of the registration statement, does not contain all the information included in the registration statement and the exhibits thereto. You should refer to the registration statement, including its exhibits and schedules, for further information about our company and the securities being offered hereby. The Securities and Exchange Commission allows us to "incorporate by reference" information into this document, which means that we can disclose important information to you by referring you to other documents. The information incorporated by reference is an important part of this prospectus, and is deemed to be part of this document except for any information superseded by this document or any other document incorporated by reference into this document. Any statement, including financial statements, contained in our Annual Report on Form 10-K for the year ended December 31, 2002, as amended by Amendment No. 1 to the Annual Report on Form 10-K/A for the year ended December 31, 2002, and by Amendment No. 2 to the Annual Report on Form 10-K/A for the year ended December 31, 2002, shall be deemed to be modified or superseded to the extent that a statement, including financial statements, contained in this prospectus or in any other later incorporated document modifies or supersedes that statement. We incorporate by reference the documents listed below and any future filings made by us with the Securities and Exchange Commission under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934: - Annual Report on Form 10-K for the year ended December 31, 2002, filed on March 25, 2003, as amended by Amendment No. 1 to the Annual Report on Form 10-K/A for the year ended December 31, 2002, filed on April 9, 2003, and by Amendment No. 2 to the Annual Report on Form 10-K/A for the year ended December 31, 2002, filed on January 21, 2004. - Quarterly Report on Form 10-Q for the three months ended March 31, 2003, filed on May 14, 2003. - Quarterly Report on Form 10-Q for the six months ended June 30, 2003, filed on August 13, 2003. - Quarterly Report on Form 10-Q for the nine months ended September 30, 2003, filed on November 13, 2003. - Current Report on Form 8-K, filed on March 3, 2003. - Current Report on Form 8-K, filed on April 11, 2003. - Current Report on Form 8-K, filed on May 7, 2003. - Current Report on Form 8-K, filed on July 8, 2003. - Current Report on Form 8-K, filed on September 10, 2003. - Current Report on Form 8-K, filed on September 18, 2003, as amended by Current Report on Form 8-K/A, filed on September 24, 2003, and by Current Report on Form 8-K/A, filed on November 12, 2003. - Current Report on Form 8-K filed on September 23, 2003. - Current Report on Form 8-K, filed on December 2, 2003. - Current Report on Form 8-K, filed on December 4, 2003. - The description of our capital stock contained in Annex A to our Form 8-A filed under the Securities Exchange Act of 1934 on July 24, 2001, and any amendment or report filed for the purpose of updating such description. You may request a copy of these filings at no cost, by writing or telephoning the office of: Investor Relations Liberty Media Corporation 12300 Liberty Boulevard Englewood, Colorado 80112 Telephone: (877) 772-1518 Our annual, quarterly and special reports and other information are on file with the Securities and Exchange Commission. You may read and copy any document that we file at the Public Reference Room of the Securities and Exchange Commission at 450 Fifth Street, NW, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. You may also inspect our filings at the regional office of the Securities and Exchange Commission located at Citicorp, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 or over the Internet at the Securities and Exchange Commission's website at <http://www.sec.gov>. Information contained on any website referenced in this prospectus is not incorporated by reference in this prospectus. This prospectus incorporates by reference documents which include information concerning Ascent Media Group, Inc., Liberty Satellite & Technology, Inc., On Command Corporation, OpenTV Corp. and UnitedGlobalCom, Inc. among other companies. To the extent that such companies are public companies, they file reports and other information with the Securities and Exchange Commission in accordance with the requirements of the Securities Act of 1933 and the Securities Exchange

Act of 1934. Information incorporated by reference into this prospectus concerning those companies has been derived from the reports and other information filed by them with the Securities and Exchange Commission. Those reports and other 63 information are not incorporated by reference into this prospectus. You may read and copy any reports and other information filed by those companies with the Securities and Exchange Commission as set forth above. On July 1, 2003, November 12, 2003 and December 5, 2003, respectively, Ascent Media Group, Inc., Liberty Satellite & Technology, Inc. and On Command Corporation ceased to be public companies and to file such reports and other information with the Securities and Exchange Commission. You should rely only on the information contained or incorporated by reference into this prospectus or to which we have referred you. We have not authorized any person to provide you with different information or to make any representation not contained in this prospectus. 64