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LIBERTY MEDIA CORP /DE/
Form S-3
July 06, 2001

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 6, 2001
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

LIBERTY MEDIA CORPORATION
(Exact name of Registrant as specified in its charter)

DELAWARE	4841	84-1288730
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification code number)	(I.R.S. Employer Identification No.)

9197 SOUTH PEORIA STREET,
ENGLEWOOD, COLORADO 80112,
(720) 875-5400
(Address, including zip code, and telephone number, including area code, of
Registrant's principal executive offices)

CHARLES Y. TANABE, ESQ.
LIBERTY MEDIA CORPORATION
9197 SOUTH PEORIA STREET
ENGLEWOOD, COLORADO 80112
(720) 875-5400
(Name, address, including zip code, and
telephone number, including area code, of
agent for service)

Copy To:
ROBERT W. MURRAY JR., ESQ.
BAKER BOTTS L.L.P.
599 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022-6030
(212) 705-5000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon
as practicable after the effective date hereof.

If any of the securities being registered on this Form are to be offered on
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933, check the following box:

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	AMOUNT TO BE REGISTERED
3 1/2% Senior Exchangeable Debentures due 2031.....	\$600,000,000	100%(1)	\$15,000,000

(1) Exclusive of accrued interest. Estimated pursuant to Rule 457 under the Securities Act of 1933 solely for the purpose of calculating the registration fee.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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PROSPECTUS

\$600,000,000

LIBERTY MEDIA CORPORATION [LIBERTY LOGO]
 3 1/2% SENIOR EXCHANGEABLE DEBENTURES DUE 2031
 (Exchangeable for Motorola Inc. Common Stock or cash based on the value of that stock)

This prospectus relates to \$600,000,000 original principal amount of our 3 1/2% senior exchangeable debentures due 2031, which may be sold from time to time by the selling security holders named herein.

The debentures are exchangeable by the holders for the exchange market value of the reference shares, calculated as described in this prospectus. The reference shares currently consist of 36.8189 shares of Motorola Inc. common stock per debenture.

In addition to paying interest on the debentures, we will distribute, as an

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additional distribution on each debenture, cash or securities (other than common equity securities) that correspond to any dividends, distributions or other payments made in respect of the reference shares. If any common equity securities are distributed in respect of the reference shares, those securities will themselves become reference shares.

We may redeem the debentures at any time beginning on and after January 15, 2006, at the redemption prices described in this prospectus.

The debentures were initially sold by us in a private placement to qualified institutional buyers and pursuant to offers and sales that occurred outside the United States in accordance with Regulation S under the Securities Act of 1933. This prospectus has been made available to the selling security holders in fulfillment of our obligations under a registration rights agreement.

The selling security holders may offer and sell the debentures directly to purchasers or through underwriters, brokers, dealers or agents, who may receive compensation in the form of discounts, concessions or commissions. The debentures may be sold in one or more transactions at fixed or negotiated prices or at prices based on prevailing market prices at the time of sale.

We will not receive any proceeds from the sale of the debentures by the selling security holders. We are, however, responsible for the costs of registering, under the Securities Act of 1933, the offer and sale of the debentures by the selling security holders.

INVESTING IN THE DEBENTURES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 6.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is July , 2001

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NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE

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STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATION OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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PROSPECTUS SUMMARY

The following summary highlights selected information from this prospectus to help you understand Liberty and the debentures. For a more complete understanding of Liberty and the debentures, we encourage you to read this entire document, including the "Risk Factors" section, and all of the documents that we incorporate by reference into this prospectus. All references to "Liberty," "we," "us" and words to similar effect refer to Liberty Media Corporation and, unless the context indicates otherwise, its consolidated subsidiaries.

LIBERTY MEDIA CORPORATION

We are a leading media, entertainment and communications company with interests in a diverse group of public and private companies that are market leaders in their respective industries. Our subsidiaries and business affiliates are engaged in a broad range of programming, communications, technology and Internet businesses and have some of the most recognized and respected brands. These brands include Encore, STARZ!, Discovery, TV Guide, Fox, USA, QVC, CNN, TBS, Motorola and Sprint PCS.

Our management team, led by Dr. John C. Malone, our Chairman, and Mr. Robert R. Bennett, our President and Chief Executive Officer, has extensive expertise in creating and developing new businesses and opportunities for our subsidiaries and business affiliates and in building scale, brand power and market leadership. This expertise dates back to the mid-1980s when members of our management were instrumental in identifying and executing strategic transactions to provide TCI, our former parent, with quality programming for its cable television systems. Today, our management team continues to leverage its expertise and industry relationships on behalf of our subsidiaries and business affiliates to identify and execute strategic transactions that improve the value of their businesses and that allow us to take full advantage of new developments in consumer and technological trends.

The media, entertainment and communications industries are currently undergoing tremendous changes due in part to the growth of new distribution technologies, led by the Internet and the implementation of digital compression. The growth in distribution technologies has, in turn, created strong demand for an ever increasing array of multimedia products and services. We are working with our subsidiaries and business affiliates to extend their established brands, quality content and networks across multiple distribution platforms to keep them at the forefront of these ongoing changes.

The following table lists our principal subsidiaries and business affiliates and our direct equity interests or indirect attributed equity interests, based on ownership of capital stock. Our direct or attributed equity interest in a particular company does not necessarily represent our voting interest in that company. Our indirect attributed interest is determined by multiplying our ownership interest in the holder of an equity interest by that

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equity holder's ownership interest in the listed subsidiary or business affiliate. The ownership percentages are approximate, calculated as of May 15, 2001, and, in the case of convertible securities we hold, assume conversion to common stock by us and, to the extent known by us, other holders. In some cases our interest is subject to buy/sell procedures, rights of first refusal or other obligations.

SUBSIDIARY/BUSINESS AFFILIATE	ATTRIBUTED OWNERSHIP %
Starz Encore Group LLC.....	100%
Liberty Digital, Inc.	92%
Discovery Communications, Inc.	49%
QVC Inc.	42%
Telewest Communications plc.....	25%
Sprint PCS Group.....	21%
USA Networks, Inc.	21%
The News Corporation Limited.....	18%
AOL Time Warner Inc.	4%
Gemstar-TV Guide International, Inc.....	4%
Motorola Inc.	4%

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Our principal executive offices are located at 9197 South Peoria Street, Englewood, Colorado 80112. Our main telephone number is (720) 875-5400.

BUSINESS STRATEGY

Our business strategy is to maximize our value by (1) working with the management teams of our existing subsidiaries and business affiliates to grow their established businesses and create new businesses; (2) identifying and executing strategic transactions that improve the value or optimize the efficiency of our assets; and (3) managing our capital structure to maintain liquidity, reduce risk and preserve a prudent debt structure. Key elements of our business strategy include the following:

- Promoting the internal growth of our subsidiaries and business affiliates;
- Maintaining significant involvement in governance;
- Participating with experienced management and strategic partners; and
- Executing strategic transactions that optimize the efficiency of our assets; and
- Participating in financial transactions to optimize our financial structure.

SPLIT OFF FROM AT&T CORP.

We have been a subsidiary of AT&T Corp. since March 9, 1999. On that date, AT&T acquired by merger our parent company, the former Tele-Communications, Inc., which has since been converted into a limited liability company and renamed AT&T Broadband, LLC. As part of that merger, AT&T issued AT&T common stock (NYSE: T) and Class A and Class B Liberty Media Group common stock (NYSE:

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LMG.A and LMG.B). AT&T's Liberty Media Group common stock is a tracking stock designed to reflect the economic performance of the businesses and assets of AT&T attributed to the "Liberty Media Group." We are included in the Liberty Media Group, and our businesses and assets and those of our subsidiaries constitute all of the businesses and assets of the Liberty Media Group.

We have had a substantial degree of managerial autonomy from AT&T as a result of our corporate governance arrangement with AT&T. Our board of directors is controlled by persons designated by TCI prior to its acquisition by AT&T, and our management consists of individuals who managed the businesses of Liberty prior to the AT&T merger. We have entered into agreements with AT&T which provide us with a level of financial and operational separation from AT&T, define our rights and obligations as a member of AT&T's consolidated tax group, enable us to finance our operations separately from those of AT&T and provide us with certain programming rights with respect to AT&T's cable systems.

On October 25, 2000, AT&T announced a restructuring of its businesses. In this restructuring, we will be split off from AT&T, and we will become an independent, publicly traded company. The split off is scheduled to occur at 9:00 a.m., New York City time, on August 10, 2001. In the split off, our common stock will be recapitalized, and each outstanding share of AT&T Class A Liberty Media Group tracking stock will be redeemed for one share of our new Series A common stock, and each outstanding share of AT&T Class B Liberty Media Group tracking stock will be redeemed for one share of our new Series B common stock. Although we anticipate that the split off will occur as scheduled, the split off is subject to certain conditions and we cannot assure you that it will be consummated as currently contemplated or at all.

TERMS OF THE DEBENTURES

On January 11, 2001 and January 17, 2001, we completed the private placement of \$600,000,000 aggregate principal amount of our 3 1/2% Senior Exchangeable Debentures due 2031. On January 11, 2001, we entered into a registration rights agreement with the initial purchaser, in which we agreed to file for the benefit of the holders of the debentures a shelf registration statement covering public resales of the debentures. This prospectus is part of that shelf registration statement, and the debentures being offered hereby are those initially sold by us in the private placement.

Set forth below is a summary description of the terms of the debentures being offered hereby. We refer you to "Description of the Debentures," beginning on page 20, for a more complete description of the debentures.

Issuer.....	Liberty Media Corporation
Debentures offered.....	\$600,000,000 aggregate original principal amount of 3 1/2% Senior Exchangeable Debentures due 2031. The debentures are being offered by the selling security holders.
Ranking.....	The debentures are our unsecured senior obligations and rank equally with all of our existing and future unsecured and unsubordinated obligations. As of March 31, 2001, we had approximately \$4.0 billion of unsecured and unsubordinated indebtedness, all of which ranked equally with the

debentures. The debentures will be effectively subordinated to all of our secured indebtedness to the extent of the value of the assets securing that indebtedness, and will be effectively subordinated to all liabilities of our consolidated subsidiaries. As of March 31, 2001, we had approximately \$315 million of secured indebtedness and our consolidated subsidiaries had outstanding approximately \$15.0 billion of liabilities, all of which effectively ranks senior to the debentures.

Denominations; Principal Amount.....

The minimum denomination is \$1,000 original principal amount, which we refer to as a debenture, and debentures may be transferred in integral multiples of \$1,000 original principal amount. The principal amount of the debentures is subject to adjustment as described in this prospectus. Because the principal amount is subject to change, we refer to the principal amount, at any time of determination, as the adjusted principal amount.

Exchangeability.....

At your option, each debenture can be exchanged for the exchange market value, calculated in the manner described in this prospectus, of the reference shares attributable to that debenture. At the date of this prospectus, the reference shares consist of 36.8189 shares of Motorola Inc. common stock per debenture; however, the composition of the reference shares is subject to change as described in this prospectus.

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We may pay the exchange market value of each debenture that you present for exchange, at our election, as follows:

- in cash;
- by delivering the reference shares attributable to the debenture; or
- in a combination of cash and reference shares.

Motorola and its Relationship to the Debentures.....

According to publicly available information, Motorola is a global leader in providing integrated communications solutions and embedded electronic solutions. Neither Motorola

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nor any other reference company will have any obligations whatsoever under the debentures. This prospectus relates solely to the debentures and does not relate to any offering of the Motorola stock or any other securities of Motorola or any successor reference company.

Maturity.....	The debentures have a stated maturity of January 15, 2031.
Interest.....	We will pay you interest at the rate of 3 1/2% per annum on the original principal amount of the debentures. Interest will be paid semi-annually on each January 15 and July 15, beginning on July 15, 2001. The interest rate on the debentures is subject to increase (by up to an additional 1.00%) in the event this prospectus becomes unusable for more than 30 days in any twelve-month period.
Additional Distributions.....	<p>We will distribute, as an additional distribution on each debenture, (i) regular cash dividends on the reference shares in excess of the regular quarterly cash dividend of \$0.04 per share currently being paid on the Motorola stock, and (ii) cash or securities (other than publicly traded common equity securities) that correspond to any other dividends, distributions or other payments made in respect of the reference shares. If any common equity securities are distributed in respect of the reference shares, those securities will themselves become reference shares.</p> <p>Any additional distribution that we pay as a result of a regular cash dividend on the reference shares in excess of the \$0.04 per share quarterly cash dividend currently being paid by Motorola, which we refer to as an excess regular cash dividend amount, will be distributed to you with the next semi-annual interest payment on the debentures. All other additional distributions will be paid or made within 20 business days after the payment or delivery of the related dividends or distributions on the reference shares.</p>
Adjusted Principal Amount.....	The adjusted principal amount of the debentures will not be reduced by any excess regular cash dividend amount that we distribute to holders of the debentures.

The original principal amount of the debentures will be reduced by the amount of all additional distributions that we make to holders of the debentures that are attributable to extraordinary distributions on or in respect of the reference shares. The adjusted principal amount will also be reduced on subsequent interest payment dates to the extent necessary so that the annualized yield on the debentures paid by us does not exceed 3 1/2% per annum. In no event will the adjusted principal amount ever be less than zero. Reductions to the adjusted principal amount will not affect the amount of the semi-annual interest payment received by a holder of debentures, which is based on the original principal amount.

Optional Redemption.....

We may redeem the debentures, in whole or in part, at any time on or after January 15, 2006, at the redemption prices described herein. If we make a partial redemption, debentures with an aggregate principal amount of at least \$100 million must remain outstanding.

Covenants.....

The indenture governing the debentures contains covenants with respect to:

- limitations on liens;
- limitations on sale and leaseback; and
- limitations on certain merger, consolidation and similar transactions. These covenants are subject to a number of important qualifications and exceptions. See "Description of the Debentures -- Certain Covenants."

Use of Proceeds.....

We will not receive any of the proceeds from the secondary sale by the selling security holders of debentures. This prospectus fulfills an obligation of ours under a registration rights agreement that we entered into with the initial purchaser of the debentures.

Book-entry only.....

The debentures have been issued in book-entry form and are represented by global debentures deposited with The Bank of New York on behalf of The Depository Trust Company. Except to the

extent described herein, interests in the global debentures will be shown on, and transfers will be effected only through, records maintained by DTC and its participants.

RISK FACTORS

An investment in the debentures involves risks. See "Risk Factors" beginning on the next page for a discussion of factors you should carefully consider before deciding to purchase any debentures.

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RISK FACTORS

An investment in the debentures involves risk. You should carefully consider the following factors, as well as the other information included in this prospectus and in the documents we have incorporated by reference before deciding to purchase the debentures. Any of the following risks could have a material adverse effect on the value of the debentures.

FACTORS RELATING TO THE DEBENTURES

The return to investors on the debentures depends on the value of the Motorola stock. The terms of the debentures differ from those of ordinary debt securities because:

- the effective yield on the debentures may change depending upon the dividend policy of Motorola or any other reference company;
- the debentures are exchangeable by the holder for (1) cash in an amount based on the then exchange market value of the reference shares, (2) the reference shares themselves or (3) a combination of cash and reference shares, at the election of Liberty; and
- the principal amount of the debentures will be reduced by the amount of an additional distribution that is made by Liberty following any extraordinary distribution being made on or in respect of the reference shares.

Accordingly, the return that a holder of the debentures will realize may be less than that of an ordinary fixed income debt security that may be issued by us.

We do not have any control over the dividend policy of Motorola. As of the date of this prospectus, Motorola's stated dividend policy is to pay a quarterly cash dividend of \$0.04 per share on the Motorola stock. You will not receive an additional distribution for regular quarterly cash dividends with respect to the reference shares, except to the extent those dividends exceed Motorola's current cash dividend. We cannot assure you that Motorola will increase its quarterly dividend or that it will not reduce its quarterly dividend.

It is not possible to predict whether the price of the Motorola stock will rise or fall. Trading prices of the Motorola stock will be influenced by Motorola's operating results and by complex and interrelated political, economic, financial and other factors that can affect the capital markets generally, the New York Stock Exchange and the market segments of which Motorola is a part.

Motorola has no obligations with respect to the debentures. Motorola is

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not involved in the offering of the debentures, and neither Motorola nor any other reference company will have any obligations with respect to the debentures, including any obligation to take our interests or your interests into consideration for any reason or under any circumstance. Holders of the debentures will not be entitled to any rights with respect to the Motorola stock or any other reference shares other than indirectly pursuant to the express terms of the debentures or at such time, if any, that the debentures are tendered for exchange and we elect to deliver reference shares in connection therewith.

The number of reference shares attributable to the debentures will not adjust for some dilutive transactions involving the reference shares. If specific dilutive or anti-dilutive events occur with respect to the reference shares, the number and type of reference shares that will be used to calculate the amount of cash or reference shares you will receive upon exchange, maturity or redemption of a debenture will be adjusted to reflect such events. These adjustments will not take into account various other events, such as offerings of reference shares by a reference company for cash or business acquisitions by a reference company with the reference shares, that may adversely affect the price of the reference shares and may adversely affect the trading price and market value of the debentures. We cannot assure you that a reference company will not make offerings of the reference shares or other equity securities or enter into such business acquisitions in the future.

Purchasing the debentures involves potential adverse tax consequences. Before purchasing the debentures, you should recognize that the amount of interest income required to be included in income by

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you for each year will be in excess of the semi-annual interest payments you actually receive. Any gain recognized by you on the sale or exchange of the debentures will be ordinary income; any loss will be ordinary loss to the extent of the interest previously included in income, and thereafter, capital loss. See "Certain United States Federal Income Tax Considerations."

The debentures are a recent issue of securities for which there is currently no active trading market. The debentures are a recent issue of securities with no active trading market. If a trading market does not develop or is not maintained, holders of the debentures may experience difficulty in reselling the debentures or may be unable to sell them at all. We cannot assure you that an active public market or other market for the debentures will develop or be maintained. If a market for the debentures develops, it may be discontinued at any time.

The liquidity of any market for the debentures will depend upon the number of holders of the debentures, our operating performance, the operating performance of Motorola or any other reference company, the interest of securities dealers in making a market in the debentures and other factors. A liquid trading market may not develop for the debentures. Furthermore, the market price for the debentures may be subject to substantial fluctuations. Factors such as the following may have a significant effect on the market price of the debentures:

- the market price of the Motorola stock or any other reference shares;
- hedging or arbitrage trading activity that may develop involving the debentures and the Motorola stock or any other reference shares;
- actual or anticipated fluctuations in our operating results;
- our perceived business prospects;

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- general economic conditions, including prevailing interest rates; and
- the market for similar securities.

FACTORS RELATING TO LIBERTY

Our holding company structure could restrict access to funds of our subsidiaries that may be needed to service the debentures. Creditors of our subsidiaries have a claim on their assets that is senior to that of holders of the debentures. Liberty is a holding company with no significant assets other than its equity interests in its subsidiaries and cash, cash equivalents and marketable securities. Liberty is the only company obligated to make payments under the debentures. Our subsidiaries are separate and distinct legal entities and they have no obligation, contingent or otherwise, to pay any amounts due under the debentures or to make any funds available for any of those payments. In addition, neither AT&T nor any of its subsidiaries other than Liberty have any obligation to make payments under the debentures or to make any funds available for those payments.

All of the liabilities of our subsidiaries effectively rank senior to the debentures. A substantial portion of the consolidated liabilities of Liberty consists of liabilities incurred by its subsidiaries. Moreover, the indenture governing the debentures does not limit the amount of indebtedness that may be incurred by Liberty's subsidiaries in the future. The rights of Liberty and of its creditors, including holders of the debentures, to participate in the distribution of assets of any subsidiary upon the latter's liquidation or reorganization will be subject to prior claims of the subsidiary's creditors, including trade creditors, except to the extent Liberty may itself be a creditor with recognized claims against the subsidiary. Where Liberty is itself a creditor of a subsidiary, its claims will still be subject to the prior claims of any secured creditor of that subsidiary and to the claims of any holder of indebtedness that is senior to the claim held by Liberty. As of March 31, 2001, the aggregate amount of the total liabilities of our consolidated subsidiaries was approximately \$15.0 billion, of which approximately \$10.9 billion was deferred income taxes.

We could be unable in the future to obtain a sufficient amount of cash with which to service our financial obligations. Our ability to meet our debt service requirements, including those with respect to the

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debentures, is dependent upon our ability to access cash. Liberty's sources of cash include its available cash balances, net cash from the operating activities of its subsidiaries, dividends and interest from its investments, availability under credit facilities and proceeds from asset sales. Although at March 31, 2001, Liberty had cash and cash equivalents of approximately \$2,089 million and short-term investments of approximately \$444 million, there is no requirement in the indenture governing the debentures that any of Liberty's cash or cash equivalents or proceeds from the sale of any of its marketable securities be reserved for the payment of Liberty's obligations under the debentures. We cannot assure you that Liberty will maintain significant amounts of cash, cash equivalents or marketable securities in the future.

Liberty obtained from its subsidiaries net cash of \$7.5 million in the first three months of 2001, \$5 million in calendar year 2000 and \$6 million in calendar year 1999. The ability of Liberty's operating subsidiaries to pay dividends or to make other payments or advances to Liberty depends on their individual operating results and any statutory, regulatory or contractual restrictions to which they may be or may become subject. Some of our

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subsidiaries are subject to loan agreements that restrict sales of assets and prohibit or limit the payment of dividends or the making of distributions, loans or advances to stockholders and partners.

Liberty generally does not receive cash, in the form of dividends, loans, advances or otherwise, from its business affiliates (those companies in which Liberty has less than a majority interest). In this regard, we do not have voting control over most of our business affiliates and cannot cause those companies to pay dividends or make other payments or advances to their partners or shareholders (including us).

AT&T has no obligation to provide financing for our operations and we do not expect AT&T to provide us with any financing during the term of the debentures. In addition, AT&T does not guarantee any of our indebtedness, and it will have no obligations to the holders of the debentures in the event of a payment default or other default by Liberty. Moreover, AT&T has publicly announced the pending split off of Liberty. Please see "Prospectus Summary -- Split Off from AT&T Corp." for information regarding the split off.

We may secure future indebtedness of Liberty with the capital stock of our subsidiaries or other securities, in which case that indebtedness will effectively rank senior to the debentures. The indenture does not restrict the ability of Liberty to pledge shares of capital stock or other securities that it owns to secure indebtedness. To the extent Liberty pledges shares of capital stock or other securities to secure indebtedness, the indebtedness so secured will effectively rank senior to the debentures to the extent of the value of the shares or other securities pledged. The indenture also does not restrict the ability of Liberty's subsidiaries to pledge shares of capital stock or other assets that they own to secure indebtedness.

We have entered into bank credit agreements that contain restrictions on how we finance our operations and operate our business, which could impede our ability to engage in transactions that would be beneficial for us. Liberty and its subsidiaries are subject to significant financial and operating restrictions contained in outstanding credit facilities. These restrictions will affect, and in some cases significantly limit or prohibit, among other things, our ability or the ability of our subsidiaries to:

- borrow more funds;
- pay dividends or make other distributions;
- make investments;
- engage in transactions with affiliates; or
- create liens.

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The restrictions contained in these credit agreements could have the following adverse effects on us, among others:

- we could be unable to obtain additional capital in the future to
 - fund capital expenditures or acquisitions that could improve the value of Liberty;
 - permit us to meet our loan and capital commitments to our business affiliates or allow us to help fund their operating losses or future development; or

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- allow us to conduct necessary corporate activities;
- we could be unable to access the net cash of our subsidiaries to help meet our own financial obligations;
- we could be unable to invest in companies in which we would otherwise invest; and
- we could be unable to obtain lower borrowing costs that are available from secured lenders or engage in advantageous transactions that monetize our assets.

In addition, some of the credit agreements to which our subsidiaries are a party require them to maintain financial ratios, including ratios of total debt to operating cash flow and operating cash flow to interest expense. If Liberty or its subsidiaries fail to comply with the covenant restrictions contained in their credit agreements, that could result in a default which accelerates the maturity of the indebtedness borrowed pursuant to those agreements. Such a default could also result in indebtedness under other credit agreements and the debentures becoming due and payable due to the existence of cross-default or cross-acceleration provisions of our credit agreements and in the indenture governing the debentures.

We have agreements with AT&T that restrict our ability to incur debt and impede our ability to use AT&T Liberty Media Group tracking stock to effect acquisitions or engage in other transactions. Liberty has entered into an Inter-Group Agreement with AT&T that restricts the amount of indebtedness that Liberty may incur as a member of the Liberty Media Group. Under the Inter-Group Agreement, no subsidiary of AT&T that is attributed to the Liberty Media Group may incur any debt, other than the refinancing of debt without any increase in amount, that would cause the total indebtedness of all the subsidiaries of AT&T that are attributed to the Liberty Media Group at any time to be in excess of 25% of the total market capitalization of the Class A and Class B Liberty Media Group tracking stock, unless the excess would not adversely affect the credit rating of AT&T. To the extent we are unable to incur additional debt due to this restriction, the effects set forth in the preceding risk factor arising out of restrictions on our ability to borrow funds will be exacerbated. The AT&T Liberty Media Group tracking stock is a common stock of AT&T, and we cannot use that stock to effect acquisitions or for any other purpose without the prior approval of the AT&T board of directors or of a three person capital stock committee of the AT&T board of directors. Only one member of that committee, Dr. John C. Malone, is also a director of Liberty. All of Liberty's common stock is currently owned by a subsidiary of AT&T.

Notwithstanding the foregoing, AT&T has publicly announced the pending split off of Liberty, pursuant to which Liberty will cease to be a member of the Liberty Media Group and will become an independent, publicly traded company. The split off is, however, subject to certain conditions, and we cannot assure you that the split off will occur as currently contemplated or at all.

We may make significant capital contributions and loans to our subsidiaries and business affiliates to cover operating losses and fund development and growth, which could limit the amount of cash available to pay Liberty's own financial obligations. The development of video programming, communications, technology and Internet businesses involves substantial costs and capital expenditures. As a result, many of our business affiliates have incurred operating and net losses to date and are expected to continue to incur significant losses for the foreseeable future. Our results of operations include ours and our consolidated subsidiaries' share of the net losses of their affiliates. The share of net losses amounted to \$1,302 million for the first three months of 2001, \$3,485 million for the calendar year 2000 and \$970 million

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for calendar year 1999.

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We may make significant capital contributions and loans to our existing and future subsidiaries and business affiliates to help cover their operating losses and fund the development and growth of their respective businesses and assets. We have assisted, and may in the future assist, our subsidiaries and business affiliates in their financing activities by guaranteeing bank and other financial obligations. At March 31, 2001, we had guaranteed various loans, notes payable, letters of credit and other obligations of certain of our subsidiaries and business affiliates totaling \$1,681 million.

To the extent Liberty makes loans and capital contributions to its subsidiaries and business affiliates or Liberty is required to expend cash due to a default by a subsidiary or business affiliate of any obligation guaranteed by Liberty, there will be that much less cash available to Liberty with which to pay its own financial obligations, including the debentures.

If we fail to meet required capital calls to a subsidiary or business affiliate, we could be forced to sell our interest in that company, our interest in that company could be diluted or we could forfeit important rights. We are parties to shareholder and partnership agreements that provide for possible capital calls on shareholders and partners. Our failure to meet a capital call, or other commitment to provide capital or loans to a particular company, may have adverse consequences to us. These consequences may include, among others, the dilution of our equity interest in that company, the forfeiture of our right to vote or exercise other rights, the right of the other shareholders or partners to force us to sell our interest at less than fair value, the forced dissolution of the company to which we have made the commitment or, in some instances, a breach of contract action for damages against us. Our ability to meet capital calls or other capital or loan commitments is subject to our ability to access cash. See "-- We could be unable in the future to obtain a sufficient amount of cash with which to service our financial obligations" above.

The liquidity and value of our interests in our business affiliates may be adversely affected by shareholder agreements and similar agreements to which we are a party. A significant portion of the equity securities we own is held pursuant to shareholder agreements, partnership agreements and other instruments and agreements that contain provisions that affect the liquidity, and therefore the realizable value, of those securities. Most of these agreements subject the transfer of the stock, partnership or other interests constituting the equity security to consent rights or rights of first refusal of the other shareholders or partners. In certain cases, a change in control of Liberty or of the subsidiary holding our equity interest will give rise to rights or remedies exercisable by other shareholders or partners, such as a right to initiate or require the initiation of buy/sell procedures. Our proposed split off from AT&T will not be deemed a change of control event for these purposes. Some of our subsidiaries and business affiliates are parties to loan agreements that restrict changes in ownership of the borrower without the consent of the lenders. All of these provisions will restrict our ability to sell those equity securities and may adversely affect the price at which those securities may be sold. For example, in the event buy/sell procedures are initiated at a time when we are not in a financial position to buy the initiating party's interest, we could be forced to sell our interest at a price based on the value established by the initiating party, and that price might be significantly less than what we might otherwise obtain.

We do not have the right to manage our business affiliates, which means we cannot cause those affiliates to operate in a manner that is favorable to

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Liberty. We do not have the right to manage the businesses or affairs of any of our business affiliates in which we have less than a majority voting interest. Rather, our rights, at most, may take the form of representation on the board of directors or a partners' or similar committee that supervises management or possession of veto rights over significant or extraordinary actions. The scope of our veto rights varies from agreement to agreement. Although our board representation and veto rights may enable us to prevent the sale by a business affiliate in which we own less than a majority voting interest of assets or prevent it from paying dividends or making distributions to its stockholders or partners, they do not enable us to cause these actions to be taken.

Our business is subject to risks of adverse government regulation. Programming services, cable television systems, satellite carriers, television stations and internet companies are subject to varying degrees of regulation in the United States by the Federal Communications Commission and other entities. Such regulation and legislation are subject to the political process and have been in constant flux over the past

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decade. In addition, substantially every foreign country in which Liberty has, or may in the future make, an investment regulates, in varying degrees, the distribution and content of programming services and foreign investment in programming companies and wireline and wireless cable communications, satellite, telephony and Internet services. Further material changes in the law and regulatory requirements must be anticipated, and there can be no assurance that our business will not be adversely affected by future legislation, new regulation or deregulation.

We are subject to the risk of possibly becoming an investment company. Because Liberty is a holding company and a significant portion of its assets consists of investments in companies in which Liberty owns less than a 50% interest, Liberty runs the risk of inadvertently becoming an investment company that is required to register under the Investment Company Act of 1940. Registered investment companies are subject to extensive, restrictive and potentially adverse regulation relating to, among other things, operating methods, management, capital structure, dividends and transactions with affiliates. Registered investment companies are not permitted to operate their business in the manner Liberty operates its business, nor are registered investment companies permitted to have many of the relationships that Liberty has with its affiliated companies.

To avoid regulation under the Investment Company Act, Liberty monitors the value of its investments and structures transactions with an eye toward the Investment Company Act. As a result, Liberty may structure transactions in a less advantageous manner than if Liberty did not have Investment Company Act concerns, or Liberty may avoid otherwise economically desirable transactions due to those concerns. In addition, events beyond Liberty's control, including significant appreciation or depreciation in the market value of certain of our publicly traded holdings, could result in us becoming an inadvertent investment company. If we were to become an inadvertent investment company, we would have one year to divest of a sufficient amount of investment securities and/or acquire other assets sufficient to cause us to no longer be an investment company.

If it were established that Liberty is an unregistered investment company, there would be a risk, among other material adverse consequences, that we could become subject to monetary penalties or injunctive relief, or both, in an action brought by the SEC, that we would be unable to enforce contracts with third parties or that third parties could seek to obtain rescission of transactions with us undertaken during the period it was established that we were an

unregistered investment company.

We are dependent on a limited number of potential customers for carriage of our programming services. The cable television and direct-to-home satellite industries are currently undergoing a period of consolidation. As a result, the number of potential buyers of our programming services and those of our business affiliates is decreasing. AT&T's cable television subsidiaries and affiliates, which as a group comprise one of the two largest operators of cable television systems in the United States, are collectively the largest single customer of Liberty's programming companies. With respect to some of our programming services and those of our business affiliates, this is the case by a significant margin. The existing agreements between AT&T's cable television subsidiaries and affiliates and the program suppliers owned or affiliated with Liberty were entered into prior to the AT&T merger. There can be no assurance that our owned and affiliated program suppliers will be able to negotiate renewal agreements with AT&T's cable television subsidiaries and affiliates. Although AT&T has agreed to extend any existing affiliation agreement of Liberty and its affiliates that expires on or before March 9, 2004 to a date not before March 9, 2009, that agreement is conditioned on mutual most favored nation terms being offered and the arrangements being consistent with industry practice.

This prospectus contains forward looking statements concerning future events that are subject to risks, uncertainties and assumptions. Certain statements made in this prospectus under the captions entitled "Prospectus Summary," and "Risk Factors," and elsewhere in this prospectus are forward-looking statements. These forward-looking statements are based on our current expectations and projections about future events. When used in this prospectus, the words "believe," "anticipate," "intend," "estimate," "expect" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements are subject to risks,

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uncertainties and assumptions about us and our subsidiaries and business affiliates, including, among other things, the following:

- general economic and business conditions and industry trends;
- the continued strength of the industries in which we are involved;
- uncertainties inherent in our proposed business strategies;
- our future financial performance, including availability, terms and deployment of capital;
- availability of qualified personnel;
- changes in, or our failure or inability to comply with, government regulations and adverse outcomes from regulatory proceedings;
- changes in the nature of key strategic relationships with partners and business affiliates;
- uncertainties inherent in the change over the year 2001;
- rapid technological changes;
- our inability to obtain regulatory or other necessary approvals of any strategic transactions; and

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- social political and economic situations in foreign countries where we do business.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus. In light of these risks, uncertainties and other assumptions, the forward-looking events discussed in this prospectus might not occur.

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the debentures by the selling security holders. We have filed, and have caused to become effective, the registration statement of which this prospectus is a part solely to satisfy our obligation to register the debentures pursuant to the terms of a registration rights agreement with the initial purchaser of the debentures.

MOTOROLA INC.

We refer to Motorola's common stock, par value \$3.00 per share, as Motorola stock. In describing the debentures, the Motorola stock will initially comprise the reference shares. As of the date of this prospectus, 36.8189 reference shares are attributable to each debenture. The reference shares will also include any other publicly traded common equity securities that may be distributed on or in respect of the Motorola stock, or on or with respect to any publicly traded common equity security into which any of those securities may be converted or exchanged. In describing the debentures, we refer to Motorola and any other company which may in the future become an issuer of reference shares as the reference company.

According to publicly available documents, Motorola is a global leader in providing integrated communications solutions and embedded electronic solutions. These include:

- Software-enhanced wireless telephone, two-way radio and messaging products and systems, as well as networking and Internet-access products, for consumers, network operators, and commercial, government and industrial customers.
- End-to-end systems for the delivery of interactive digital video, voice and high-speed data solutions for broadband operations.
- Embedded semiconductor solutions for customers in networking and computing, transportation, wireless communications and digital consumer/home networking markets.
- Embedded electronic systems for automotive, industrial, transportation, navigation, communications and energy systems markets.

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Motorola is required to file reports and other information with the SEC. Copies of these reports and other information may be inspected and copied at the SEC offices specified under "Where to Find More Information" below.

This prospectus relates only to the debentures and does not relate to the Motorola stock or other securities of Motorola. Motorola has no obligations whatsoever under the debentures. All disclosures contained in this prospectus regarding Motorola are derived from the publicly available documents referred to in the preceding paragraph. We have not participated in the preparation of Motorola's documents nor made any due diligence inquiry with respect to the information provided in those documents. The initial purchaser has not made any due diligence inquiry with respect to the information provided in Motorola's

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documents in connection with the offering of the debentures. Neither we nor the initial purchaser represent that Motorola's publicly available documents or any other publicly available information regarding Motorola are accurate or complete. Neither we nor the initial purchaser can provide you with any assurance that all events occurring prior to the date of this prospectus, including events that would affect the accuracy or completeness of the publicly available documents described in the preceding paragraph that would affect the trading price of the Motorola stock, and therefore the issue price of the debentures, have been publicly disclosed. Subsequent disclosure of any such event or the disclosure of or failure to disclose material future events concerning Motorola could affect the trading price of the debentures.

We, our affiliates and the initial purchaser do not make any representation to you as to the performance of Motorola, the Motorola stock or any other securities of Motorola.

PRICE RANGE AND DIVIDEND HISTORY OF THE MOTOROLA STOCK

The Motorola stock is listed and traded on the NYSE under the symbol "MOT."

The following table sets forth, for the calendar quarters indicated, the range of high and low sale prices of the Motorola stock as reported on the NYSE Composite Tape during the last two years. On June 1, 2000, Motorola effected a 3-for-1 common stock split in the form of a 200% dividend. The prices listed in the table below have been adjusted to give effect to the stock split as if it had occurred on January 1, 1999.

	MOTOROLA STOCK	
	HIGH	LOW
1999:		
First quarter.....	25.79	20.85
Second quarter.....	33.04	24.58
Third quarter.....	33.83	27.33
Fourth quarter.....	49.83	28.33
2000:		
First quarter.....	61.54	39.67
Second quarter.....	52.64	28.88
Third quarter.....	39.75	27.25
Fourth quarter.....	29.81	15.81
2001:		
First quarter.....	24.69	14.00
Second quarter.....	16.90	10.50
Third quarter (through July 5).....	17.04	15.84

During the last two years, Motorola has paid a quarterly cash dividend of \$0.04 per share (\$0.12 per share prior to the 3-for-1 common stock split effected by Motorola on June 1, 2000).

The last reported sale price on the NYSE of one share of Motorola stock on July 5, 2001 was \$16.01.

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SELLING SECURITY HOLDERS

We issued and sold the debentures in a private placement that was exempt from the registration requirements of the Securities Act. We understand that the initial purchaser of the debentures subsequently resold the debentures in compliance with Rule 144A and Regulation S. Prior to the date of this prospectus, the debentures were transferable in accordance with Rule 144A and Regulation S and were eligible for trading in Nasdaq's Private Offerings, Resales and Trading Through Automated Linkages (PORTAL) market. The selling security holders listed below (including their transferees, pledgees, donees or successors) may offer and sell pursuant to this prospectus any or all of the debentures owned by them from time to time.

In accordance with the terms of a registration rights agreement that we entered into with the initial purchaser of the debentures, we have made this prospectus available to the selling security holders so that they may publicly resell their debentures.

The following table sets forth information with respect to each selling security holder and the principal amount of debentures owned by it. The entire principal amount of the debentures owned by each of the selling security holders named in the table may be sold pursuant to this prospectus. Because each selling security holder may sell all or some of its debentures from time to time under this prospectus, no estimate can be given at this time as to the principal amount of debentures that will be held by a particular selling security holder following any sale of debentures by it. In addition, some of the selling security holders named in the table may have sold, transferred, loaned or otherwise disposed of all or a portion of their debentures since the date they last advised us of their holdings. Hence, the total principal amount of debentures included in the following table does not equal the maximum aggregate principal amount of debentures to which this prospectus relates. Changes in the information concerning the selling security holders will be set forth in supplements to this prospectus, when and if necessary.

NAME	PRINCIPAL AMOUNT OF DEBENTURES THAT MAY BE SOLD (\$)	PERCENTAGE OF OUTSTANDING DEBENTURES
----	-----	-----
Alexandra Global Investment Fund 1, Ltd.....	3,000,000	*
Allstate Insurance Company.....	3,000,000	*
Allstate Life Insurance Company.....	5,100,000	*
Alta Partners Holdings, LDC.....	4,700,000	*
American Country Insurance Company.....	700,000	*
American Fidelity Assurance Company.....	125,000	*
American Public Entity Excess Pool.....	60,000	*
American Skandia Trust.....	250,000	*
Amerisure Companies/Michigan Mutual Insurance Company.....	300,000	*
Ameritas Life Insurance Company.....	600,000	*
AMWEST Surety Insurance Company.....	550,000	*
ARBCO Associates, L.P.	2,500,000	*
Associated Electric & Gas Insurance Services Limited.....	1,000,000	*
Aventis Pension Master Trust.....	300,000	*
Baltimore Life Insurance Company.....	360,000	*
BankAmerica Pension Plan.....	2,500,000	*
Bank Austria Cayman Island Ltd.	9,800,000	1.6%
Bankers Life Insurance Company of New York.....	50,000	*
B.C. McCabe Foundation.....	300,000	*

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BCS Life Insurance Company.....	550,000	*
Blue Cross Blue Shield of Florida.....	1,300,000	*
Boilermaker -- Blacksmith Pension Fund.....	2,150,000	*
BP Amoco PLC, Master Trust.....	2,000,000	*

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NAME -----	PRINCIPAL AMOUNT OF DEBENTURES THAT MAY BE SOLD (\$) -----	PERCENTAGE OF OUTSTANDING DEBENTURES -----
BS Debt Income Fund -- Class A.....	15,000	*
Buckeye State Mutual Insurance Company.....	25,000	*
CALAMOS Convertible Portfolio -- CALAMOS Advisors Trust.....	180,000	*
Canal Insurance Company.....	250,000	*
CapitalCare, Inc.	35,000	*
CareFirst of Maryland, Inc.	325,000	*
Catholic Mutual Relief Society of America.....	900,000	*
Catholic Relief Insurance Company of America.....	750,000	*
Celina Mutual Insurance Company.....	10,000	*
Central States Health & Life Company of Omaha.....	200,000	*
CGU Life Insurance Co. of America.....	2,000,000	*
Chicago Mutual Insurance Company.....	100,000	*
City of Albany Pension Plan.....	190,000	*
City of Birmingham Retirement & Relief System.....	750,000	*
City of Knoxville Pension System.....	450,000	*
Clarica Life Insurance Co. -- U.S.	300,000	*
Coastal Convertibles Ltd.	500,000	*
The Cockrell Foundation.....	150,000	*
Colonial Lloyd Insurance Company.....	20,000	*
Commonwealth Dealers -- CDLIC.....	120,000	*
Condor Insurance Company.....	185,000	*
Convertible Securities Fund.....	245,000	*
Credit Suisse Anlagestiftung.....	1,000,000	*
Credit Suisse First Boston Corporation.....	3,000,000	*
Cumberland Insurance Company.....	160,000	*
Cumberland Mutual Fire Insurance Company.....	600,000	*
Custodial Agreement Between VESTA Capital INS. SYND. A Member of INEX INS. Exchange, IASA as 3rd Party Beneficiary and American National Bank & Trust Co. of Chicago as Trustee.....	700,000	*
Dakota Truck Underwriters.....	40,000	*
Davis Convertible Securities Fund.....	1,500,000	*
Michael P. DeBlasio & Kathleen E. DeBlasio.....	200,000	*
Deeprook & Co.	1,500,000	*
Delta Airlines Master Trust.....	3,950,000	*
Delta Pilots Disability and Survivorship Trust.....	150,000	*
Dorinco Reinsurance Company.....	1,000,000	*
The Dow Chemical Company Employees' Retirement Plan.....	4,300,000	*
Duckbill & Co.	1,000,000	*
Dylan (IMA) Limited.....	3,000,000	*
Educators Mutual Life Insurance Company.....	210,000	*
Equity & Convertibles Fund.....	1,925,000	*
Farmers Mutual Protective Association.....	170,000	*
Federated Rural Electric Insurance Exchange.....	500,000	*

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FIST Franklin Convertible Securites Fund.....	5,000,000	*
FIST Franklin Equity Income Fund.....	4,800,000	*
Founders Insurance Company.....	20,000	*

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NAME	PRINCIPAL AMOUNT OF DEBENTURES THAT MAY BE SOLD (\$)	PERCENTAGE OF OUTSTANDING DEBENTURES
----	-----	-----
Franklin Custodian Funds -- Growth and Income Fund.....	13,000,000	2.1%
Franklin Templeton Variable Insurance Product Trust -- Growth and Income Securities.....	8,300,000	1.3%
FreeState Health Plan, Inc.....	90,000	*
FSS Franklin Strategic Income Fund.....	2,500,000	*
FTVIPT Franklin Strategic Income Securities Fund.....	100,000	*
Fuji U.S. Income Open.....	1,000,000	*
General Motors Welfare Benefit Trust (VEBA).....	1,000,000	*
GLG Market Neutral Fund.....	30,000,000	5%
GM Employees Global Grp Pen Tr (Abs Return Portfolio).....	2,000,000	*
Granville Capital Corporation.....	6,207,000	1%
Greek Catholic Union.....	30,000	*
Greek Catholic Union II.....	25,000	*
Green Tree Perpetual Assurance Company.....	250,000	*
Group Hospitalization and Medical Services, Inc.....	200,000	*
Guarantee Trust Life Insurance Company.....	1,000,000	*
Guaranty Income Life Insurance Company.....	550,000	*
Hannover Life Reassurance Company of America.....	1,200,000	*
HealthNow New York, Inc.	100,000	*
H.K. Porter Company, Inc.	50,000	*
Holy Family Society.....	60,000	*
IL Annuity and Insurance Company.....	6,950,000	1.1%
The Income Fund of America, Inc.....	55,000,000	9.1%
Jackson County Employees' Retirement System.....	275,000	*
Jefferies & Company, Inc.....	3,000,000	*
J.P. Morgan Securities, Inc.....	3,862,000	*
Kayne Anderson Capital Income Partners (Q.P.), L.P.	500,000	*
KD Offshore Fund C.V.....	1,000,000	*
Kellner, DiLeo & Co.....	500,000	*
Kettering Medical Center Funded Depreciation Account.....	130,000	*
Knoxville Utilities Board Retirement System.....	310,000	*
Landmark Life Insurance Company.....	30,000	*
Lehman Brothers Inc.....	11,000,000	1.8%
Lincoln Memorial Life Insurance Company.....	300,000	*
Lincoln National Global Asset Allocation Fund, Inc.....	62,000	*
Lipper Convertibles, L.P.	3,000,000	*
Lipper Offshore Convertibles, L.P.	4,000,000	*
Lord Abbett Bond Debenture Fund.....	10,000,000	1.6%
Louisiana Workers' Compensation Corporation.....	200,000	*
Loyal Christian Benefit Association.....	70,000	*
Lutheran Brotherhood.....	4,500,000	*
Lydian Overseas Partners Master Fund.....	40,000,000	6.6%
Macomb County Employees' Retirement System.....	200,000	*
Managed Assets Trust.....	100,000	*
Richard C.W. Mauran.....	1,000,000	*

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NAME -----	PRINCIPAL AMOUNT OF DEBENTURES THAT MAY BE SOLD (\$) -----	PERCENTAGE OF OUTSTANDING DEBENTURES -----
Medico Life Insurance Company.....	1,000,000	*
Mega Lite & Health Insurance Co.....	250,000	*
MET Investors Bond Debenture Fund.....	1,000,000	*
Michigan Professional Insurance Exchange.....	90,000	*
Morgan Stanley & Co.....	2,500,000	*
Museum of Fine Arts, Boston.....	30,000	*
Mutual Protective Insurance Company.....	1,000,000	*
Nashville Electric Service.....	125,000	*
National Mutual Insurance Company.....	35,000	*
Nations Convertible Securities Fund.....	5,330,000	*
New Era Life Insurance Company.....	300,000	*
Nicholas Applegate Investment Grape Convertible.....	11,000	*
NORCAL Mutual Insurance Company.....	225,000	*
The Northern Trust Company.....	3,820,000	*
Oak Casualty Insurance Company.....	40,000	*
Oppenheimer Capital Income Fund.....	22,500,000	3.7%
Oppenheimer Convertible Securities Fund.....	5,000,000	*
Oxford, Lord Abbett & Co.....	1,000,000	*
Pacific Life Insurance Company.....	2,000,000	*
Paloma Securities LLC.....	12,500,000	2.0%
Parker-Hannifin Corporation.....	90,000	*
Peoples Benefit Life Insurance Company.....	5,000,000	*
Peoples Benefit Life Insurance Company TEAMSTERS.....	5,000,000	*
PHICO Insurance Company.....	300,000	*
Physicians Mutual Insurance Company.....	800,000	*
Port Authority of Allegheny County Retirement and Disability Allowance Plan for the Employees Represented by Local 85 of the Amalgamated Transit Union.....	2,300,000	*
Premera Blue Cross.....	800,000	*
PrimeConvertible Fund.....	1,000,000	*
Primerica Life Insurance Company.....	760,000	*
Princeton Insurance Company/Edward P. Kalogeros (INVESCO)...	2,250,000	*
Putnam Asset Allocation Funds -- Balanced Portfolio.....	1,260,000	*
Putnam Asset Allocation Funds -- Conservative Portfolio.....	970,000	*
Putnam Convertible Income -- Growth Trust.....	14,100,000	2.3%
Putnam Convertible Opportunities and Income Trust.....	120,000	*
Putnam Variable Trust -- Putnam VT Global Asset Allocation Fund.....	131,000	*
Radian Guaranty Inc.....	1,000,000	*
Ramius Capital Group.....	1,500,000	*
RCG Latitude Master Fund.....	1,200,000	*
Republic Mutual Insurance Company.....	15,000	*
Retail Clerks Pension Trust.....	1,750,000	*
Retail Clerks Pension Trust #2.....	1,750,000	*
Sage Capital.....	4,100,000	*
Salomon Brothers Asset Management.....	62,950,000	10.4%
Salomon Smith Barney Inc.....	660,000	*

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NAME -----	PRINCIPAL AMOUNT OF DEBENTURES THAT MAY BE SOLD (\$) -----	PERCENTAGE OF OUTSTANDING DEBENTURES -----
SG Cowen Securities.....	15,000,000	2.5%
Southern Farm Bureau Life Insurance Company.....	1,250,000	*
St. Albans Partners Ltd.	2,000,000	*
Susquehanna Capital Group.....	5,500,000	*
TransGuard Insurance Company of America, Inc.	1,000,000	*
The Travelers Indemnity Company.....	2,503,000	*
The Travelers Insurance Company -- Life.....	1,287,000	*
The Travelers Insurance Company Separate Account TLAC.....	146,000	*
The Travelers Life and Annuity Company.....	154,000	*
Travelers Series Trust Convertible Bond Portfolio.....	250,000	*
Tribeca Investments, L.L.C.	10,000,000	1.6%
UBS O'Connor LLC F/B/O UBS Global Equity Arbitrage Master Ltd.....	1,000,000	*
Unifi, Inc. Profit Sharing Plan and Trust.....	210,000	*
Union Carbide Retirement Account.....	600,000	*
United Food and Commercial Workers Local 1262 and Employers Pension Fund.....	1,000,000	*
United Healthcare Insurance Company.....	800,000	*
United National Insurance Company.....	1,000,000	*
Van Waters & Rogers, Inc. Retirement Plan.....	600,000	*
Vesta-Inex Insurance Exchange IASA.....	700,000	*
Victory Capital Management as Agent for the Charitable Convertible Securities Fund.....	1,575,000	*
Victory Capital Management as Agent for the Charitable Income Fund.....	280,000	*
Victory Capital Management as Agent for the EB Convertible Securities Fund.....	1,675,000	*
Victory Capital Management as Agent for the Field Foundation of Illinois.....	65,000	*
Victory Capital Management as Agent for the GenCorp Foundation.....	65,000	*
Victory Capital Management as Agent for the Key Trust Convertible Securities Fund.....	280,000	*
Victory Capital Management as Agent for the Key Trust Fixed Income Fund.....	430,000	*
Victory Capital Management as Agent for the Parker Key/Convertible.....	405,000	*
Victory Capital Management as Agent for the Union Security Life Insurance Co.....	55,000	*
Victory Capital Management as Agent for the Victory Convertible Securities Fund.....	1,055,000	*
Victory Capital Management as Agent for the Victory Invest Quality Bond Fund.....	185,000	*
Victory Capital Management as Investment Manager for the California State Auto Assoc Inter-Insurance.....	670,000	*
Victory Capital Management as Investment Manager for the California State Auto Assoc Retirement Pension Plan.....	135,000	*
Victory Capital Management as Investment Manager for Health Foundation of Greater Cincinnati.....	240,000	*

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Victory Capital Management as Investment Manager for the JC Penney Life Insurance Co.....	1,175,000	*
Victory Capital Management as Investment Manager for Potlatch.....	1,100,000	*
Von Ernst Performa AG.....	100,000	*
Westfield Insurance Company.....	4,000,000	*
West Virginia Fire Insurance Company.....	10,000	*

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NAME	PRINCIPAL AMOUNT OF DEBENTURES THAT MAY BE SOLD (\$)	PERCENTAGE OF OUTSTANDING DEBENTURES
----	-----	-----
World Insurance Company.....	700,000	*
Yield Strategies Fund I, L.P.	800,000	*
Yield Strategies Fund II, L.P.....	3,000,000	*
Any other holder of debentures as of the date of this prospectus.....		**

* Less than 1%

** Information concerning other selling security holders will be listed in prospectus supplements from time to time, when and if required.

Lehman Brothers Inc. and Salomon Smith Barney Inc., which are selling security holders, have engaged in investment banking and other commercial dealings in the ordinary course of business with us. Each received customary fees and commissions for its services. The foregoing entities, and other selling security holders or their affiliates, may in the future engage in investment banking and other commercial dealings with us.

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DESCRIPTION OF THE DEBENTURES

The debentures were issued under an indenture dated as of July 7, 1999, between Liberty and The Bank of New York, as trustee, as supplemented by a fifth supplemental indenture dated as of January 11, 2001, between Liberty and the trustee. When we refer to the indenture, we mean the indenture as supplemented by the fifth supplemental indenture. The terms of the debentures include those stated in the indenture and those terms made part of the indenture by reference to the Trust Indenture Act of 1939, as amended. The following summary of certain provisions of the indenture and the debentures does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the indenture. A copy of the indenture has been filed as an exhibit to the registration statement of which this prospectus is a part. You can read the indenture, and obtain a copy of it, at the locations described under "Where to Find More Information."

GENERAL

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The indenture provides that senior debt securities may be issued by Liberty thereunder from time to time in one or more series. The senior debt securities that Liberty may issue under the indenture, including the debentures, are collectively referred to in this section as the "senior debt securities." The indenture does not limit the aggregate principal amount of senior debt securities that may be issued under it. Senior debt securities of each series issued under the indenture, including the debentures, may be reopened at any time and additional securities of that series may be issued.

The 3 1/2% senior exchangeable debentures due 2031 constitute a separate series of senior debt securities under the indenture. The debentures are unsecured senior obligations of Liberty and are initially limited to an aggregate original principal amount of \$600,000,000. They will mature on January 15, 2031, unless earlier exchanged by the holders or redeemed by Liberty. When we refer to a "debenture" in this section, we are referring to a debenture in the original principal amount of \$1,000.

The indenture does not contain any provision that restricts the ability of Liberty to incur additional indebtedness. It also does not afford holders of debentures any protection in the event of a decline in Liberty's credit quality as a result of a takeover, recapitalization or similar transaction involving Liberty. Subject to the limitations set forth under "-- Successor Corporation" below, Liberty may enter into transactions, including a sale of all or substantially all of its assets, a merger or a consolidation, that could substantially increase the amount of Liberty's indebtedness or substantially reduce or eliminate its assets, and which may have an adverse effect on Liberty's ability to service its indebtedness, including the debentures.

Liberty will make payments of principal, premium, if any, interest and distributions on the debentures through the trustee to DTC, as the registered holder of the debentures. See "-- Form, Denomination and Registration" below. Liberty will not have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global debentures registered in the name of DTC or its nominee, or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

If any payment or distribution on the debentures is to be made on a day that is not a business day, that payment or distribution will be made on the next business day, without interest or any other payment being made on account of the delay. A business day means any day that is not a Saturday, Sunday or legal holiday on which banking institutions or trust companies in The City of New York are authorized or obligated by law or regulation to close.

If the debentures at some date are reissued in certificated form, Liberty will make payments of principal, premium, if any, interest and distributions on the debentures to the registered holders thereof. Liberty will make payments due on the maturity date in immediately available funds upon presentation and surrender by the holder of a certificated debenture at the office or agency maintained by Liberty for this purpose in the Borough of Manhattan, The City of New York, which is expected to be the office of the trustee at 101 Barclay Street, New York, N.Y. 10286. Liberty will pay interest and additional distributions attributable to excess regular cash dividend amounts on the reference shares, if any, due on a certificated debenture on

any interest payment date other than the maturity date by check mailed to the address of the holder entitled to the payment as his address shall appear in the security register of Liberty. Notwithstanding the foregoing, a holder of \$10 million or more in aggregate original principal amount of certificated

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debentures will be entitled to receive such payments, on any interest payment date other than the maturity date, by wire transfer of immediately available funds if appropriate wire transfer instructions have been received in writing by the trustee not less than 15 calendar days prior to the interest payment date. Any wire transfer instructions received by the trustee will remain in effect until revoked by the holder. Any interest and any additional distribution due and not punctually paid or duly provided for on a certificated debenture on any interest payment date other than the maturity date will cease to be payable to the holder of that debenture as of the close of business on the related record date and may either be paid (1) to the person in whose name the certificated debenture is registered at the close of business on a special record date for the payment of the defaulted interest and any additional distribution that is fixed by Liberty, written notice of which will be given to the holders of the debentures not less than 30 calendar days prior to the special record date, or (2) at any time in any other lawful manner.

Liberty will pay or distribute additional distributions, if any, due on a certificated debenture to the holder of that debenture as of a special record date which will be the 10th business day after the date the related distribution is made on the reference shares, at the address shown for such holder in the security register of Liberty.

All moneys or in-kind distributions paid or made by Liberty to the trustee or any paying agent for the payment of principal, premium, if any, interest and/or distributions on any certificated debenture which remain unclaimed for two years after the payment or making thereof may be repaid or returned to Liberty and, thereafter, the holder of the debenture may look only to Liberty for payment.

RANKING AND HOLDING COMPANY STRUCTURE

The debentures, which constitute unsecured senior indebtedness of Liberty, rank equally with Liberty's existing and future unsubordinated unsecured indebtedness, and senior in right of payment to all subordinated indebtedness of Liberty. As of March 31, 2001, we had outstanding \$4.0 billion of unsecured and unsubordinated indebtedness, all of which ranks equally with the debentures. The debentures are effectively subordinated to all secured indebtedness of Liberty, to the extent of the value of the assets securing that indebtedness, and to all liabilities of Liberty's subsidiaries. As of March 31, 2001, we had approximately \$315 million of secured indebtedness and our consolidated subsidiaries had outstanding \$15.0 billion of liabilities, all of which effectively ranks senior to the debentures. See "Risk Factors -- Factors Relating to Liberty -- Our holding company structure could restrict access to funds of our subsidiaries that may be needed to service the debentures."

Liberty is a holding company and is largely dependent on dividends, distributions and other payments from its subsidiaries and business affiliates and other investments to meet its financial obligations, and will be dependent on those payments to meet its obligations under the debentures. Liberty's subsidiaries and business affiliates, as well as AT&T and its subsidiaries other than Liberty, have no obligation, contingent or otherwise, to pay any amounts due under the debentures or to make any funds available for any of those payments. See "Risk Factors -- Factors Relating to Liberty -- We could be unable in the future to obtain a sufficient amount of cash with which to service our financial obligations."

INTEREST

Liberty will pay interest on the debentures semi-annually on January 15 and July 15, beginning July 15, 2001, at the per annum rate of 3 1/2% of the original principal amount of each debenture. The debentures will begin to accrue interest on the date of original issuance of the debentures. Interest will be

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paid to the persons in whose names the debentures are registered at the close of business on the January 1 and July 1 preceding the interest payment date. We refer to these dates as the regular payment dates. Changes in the adjusted principal amount will not affect the amount of the semi-annual interest payments received by holders of the debentures, which is calculated based solely on the original principal amount. See "-- Adjusted Principal

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Amount" below. Interest payable at maturity, or upon any earlier date of redemption, will be payable to the person to whom principal shall be payable on that date. Interest on the debentures is calculated on the basis of a 360-day year of twelve 30-day months.

Until a debenture can be transferred in compliance with Rule 144(k) under the Securities Act, the interest rate on that debenture is subject to increase in the event this prospectus becomes unusable by the selling security holders for more than 30 days in any twelve-month period. Beginning on the 31st day, the interest rate will increase by one quarter of one percent (0.25%) of the original principal amount of the debenture for the first 90-day period thereafter, and will increase by an additional one quarter of one percent of the original principal amount of the debenture at the beginning of each subsequent 90-day period during which the prospectus remains unusable. However, the maximum interest rate that may be borne by the debentures is 4 1/2%. Upon the prospectus again becoming useable, the interest rate borne by the debentures will return to the original interest rate of 3 1/2%.

EXCHANGE OPTION

The holder of a debenture may at any time, except during the periods described below under "-- Payment at Stated Maturity" and "-- Redemption," exchange the debenture for the exchange market value of the reference shares attributable to that debenture. Liberty may pay the exchange market value of each debenture tendered for exchange as follows:

- in cash;
- by delivering the reference shares attributable to the debenture; or
- in a combination of cash and reference shares.

For so long as the debentures are represented by global debentures registered in the name of DTC or its nominee, exchanges may be effected only through DTC's Automated Tender Offer Program, or ATOP. If the debentures at some date are reissued in certificated form, the exchange right at that time will be exercisable as follows:

- by completing and manually signing an exchange notice in the form available from the exchange agent, which is initially the trustee, and delivering the exchange notice to the exchange agent at the office it maintains for this purpose;
- by surrendering the debentures to be exchanged to the exchange agent;
- if required, by furnishing appropriate endorsement and transfer documents; and
- if required, by paying all transfer or similar taxes.

If an exchange is made during the period between a regular record date and the next succeeding interest payment date, the exchanging holder will be

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required to tender funds equal to the interest and any additional distribution that is payable to the holders of debentures on that interest payment date.

We refer to the date on which all of the foregoing requirements for exchange of a particular debenture are satisfied as the exchange date for that debenture. The transmission of an agent's message requesting an exchange through ATOP, or delivery of an exchange notice to the exchange agent, shall be irrevocable. Liberty will advise a holder that tenders debentures for exchange of the form of consideration to be paid by Liberty for the exchange market value of the reference shares attributable to the debentures by 9:30 a.m., New York City time, on the first trading day after the exchange date. Such advice by Liberty shall be irrevocable.

At the date of this prospectus, the reference shares attributable to each debenture consist of 36.8189 shares of Motorola stock. If any other publicly traded common equity securities, including additional shares of Motorola stock, are issued as a distribution in respect of the Motorola stock or any other reference shares, or if any reference shares are exchanged for publicly traded common equity securities of a different

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issuer in an exchange offer, merger or other extraordinary transaction, then the reference shares will include the shares so issued, or be replaced by the shares issued in the exchange offer, merger or other transaction. See "-- Changes to the Reference Shares" below.

We will pay the consideration due upon an exchange of debentures as soon as reasonably practicable after the determination of the exchange market value, but in no event later than 10 trading days thereafter. The calculation of the exchange market value of a debenture will depend on when the notice of exchange for that debenture is delivered to the exchange agent. If the notice is delivered before January 15, 2002, the exchange market value will be the closing price of the reference shares attributable to that debenture on the twentieth trading day following its exchange date, unless the exchange agent receives notices of exchange for more than \$1,000,000 aggregate original principal amount of debentures on the same day, in which case the exchange market value of those debentures will be the average of the closing prices of the reference shares on the five trading days ending on the twentieth trading day following the exchange date.

If the notice of exchange for a debenture is delivered on or after January 15, 2002, the exchange market value will be the closing price of the reference shares attributable to that debenture on the trading day following its exchange date, unless the exchange agent receives notices of exchange for more than \$1,000,000 aggregate original principal amount of debentures on the same day, in which case the exchange market value of those debentures will be the average of the closing prices of the reference shares on the five trading days following the exchange date.

If more than \$1,000,000 aggregate original principal amount of debentures are tendered for exchange on any day, notice of that event will be given to DTC for dissemination through the DTC broadcast facility. Our failure to provide this notice, however, will not affect the determination of the exchange market value of the debentures tendered for exchange.

The closing price of a security on any date means:

- the closing sale price or, if no closing sale price is reported, the last reported sale price, of that security (regular way) on the NYSE; or

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- if the security is not listed for trading on the NYSE, as reported in the composite transactions for the principal United States national or regional securities exchange on which it is listed; or
- if the security is not listed on a United States national or regional securities exchange, as reported by the Nasdaq National Market, or if the security is not so reported, the last quoted bid price for the security in the over-the-counter market as reported by the National Quotation Bureau or a similar organization.

If the closing price of a security cannot be determined by any of the foregoing methods on a particular trading day, our board of directors will be entitled to determine the closing price on the basis of those quotations that it, in good faith, considers appropriate. However, a nationally recognized investment banking or appraisal firm retained by us will make that determination if the securities at issue are to be distributed to holders of the debentures and the aggregate value of those securities is expected to exceed \$100,000,000. With respect to options, warrants, and other rights to purchase a security, the closing price of the option, warrant or other right will be deemed to be the closing price of the underlying security, minus the exercise price. With respect to securities exchangeable for or convertible into another security, the closing price of the exchangeable or convertible security will be the closing price of that security determined as aforesaid or, if its closing price cannot be so determined, then the closing price will be deemed to be the fully exchanged or converted value based upon the closing price of the underlying security. If an "ex-dividend" date for a security occurs during the period used in determining that security's closing price, the closing price of the security on any day prior to the "ex-dividend" date used in calculating the closing price shall be reduced by the amount of the dividend. For this purpose, the amount of a non-cash dividend will be equal to the value of that dividend as determined by a nationally recognized investment banking firm that we retain for this purpose.

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ADDITIONAL DISTRIBUTIONS

If a reference company pays or makes a dividend or distribution on its reference shares, we may pay or make an additional distribution to holders of the debentures based on that dividend or distribution. At the date of this prospectus, the reference shares attributable to each debenture consist of 36.8189 shares of Motorola stock, and Motorola is the initial reference company. The reference shares and the reference company are subject to change as described under "-- Changes to the Reference Shares" below.

As of the date of this prospectus, Motorola's stated dividend policy is to pay a regular quarterly cash dividend of \$0.04 per share on the Motorola stock. This amounts to an aggregate \$1.4727 in respect of the number of reference shares initially attributable to each debenture, which we refer to as the regular cash dividend retention amount. Any regular cash dividend that is paid in respect of the number of reference shares attributable to each debenture on such payment date that does not exceed the regular cash dividend retention amount will not be distributed to holders of the debentures. We will, however, pay to the holder of each debenture, as an additional distribution, the amount of any regular cash dividend paid in respect of the number of reference shares attributable to each debenture to the extent (but only to the extent) that dividend exceeds the regular cash dividend retention amount. We refer to the portion of any regular cash dividend in respect of the number of reference shares attributable to each debenture that exceeds the regular cash dividend retention amount as the excess regular cash dividend amount. We will pay this additional distribution on the next semi-annual interest payment date for the debentures. The additional distribution will be paid to holders of the

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debentures as of 5:00 p.m., New York City time, on the regular record date for that interest payment date. We will treat as a regular cash dividend any cash dividend that is paid by a reference company in accordance with its publicly announced regular common equity dividend policy. We refer to any dividend or distribution by a reference company on its reference shares that is not a regular cash dividend as an extraordinary distribution.

Whether and what we pay or make by way of an additional distribution following an extraordinary distribution by a reference company on its reference shares will depend on the nature of the extraordinary distribution. If an extraordinary distribution consists of cash, we will pay to holders of the debentures, as an additional distribution on each debenture, the amount of the cash distribution received by a holder of the number of reference shares attributable to a debenture.

If an extraordinary distribution consists of publicly traded common equity securities, we will not make an additional distribution to holders of the debentures. Rather, the number of publicly traded common equity securities (including fractions thereof) distributed to a holder of the number of reference shares attributable to a debenture will be treated as reference shares that are also attributable to that debenture.

If an extraordinary distribution consists of publicly traded securities other than common equity securities, including options, warrants or similar rights to acquire reference shares, we will cause to be delivered to the holders of the debentures, as an additional distribution on each debenture, those securities received by a holder of the number of reference shares attributable to a debenture. We will not, however, deliver fractional securities. Instead, we will pay cash in an amount equal to the product of the fractional interest times the closing price of the security as of the special record date we set for the additional distribution. If Liberty is unable to distribute any securities as an additional distribution because necessary qualifications or registrations under applicable state or federal laws cannot be obtained on a timely basis, then the additional distribution may instead consist of cash. The cash payment will be based on the average, over the five trading days ending on the trading day next preceding the date the additional distribution is paid, of the closing prices of the security that would have otherwise been delivered.

If an extraordinary distribution consists of assets or property other than cash or publicly traded securities, we will pay to holders of the debentures, as an additional distribution on each debenture, an amount of cash equal to the fair market value of the assets or properties distributed to a holder of the number of reference shares attributable to a debenture. That fair market value will be determined, in good faith, by our board of directors. However, a nationally recognized investment banking or appraisal firm retained by us will make that determination if we expect the aggregate fair market value of the assets or properties distributed on the number of reference shares attributable to all of the outstanding debentures to exceed \$100,000,000.

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We will treat as an extraordinary distribution any consideration that is distributed in connection with a merger, consolidation, share exchange, liquidation or dissolution involving a reference company, except to the extent it consists of publicly traded common equity securities. Publicly traded common equity securities that are issued in connection with a merger, consolidation, share exchange, liquidation or dissolution involving a reference company will themselves become reference shares. See "-- Changes to the Reference Shares" below.

We will make an additional distribution that is attributable to an extraordinary distribution on the twentieth business day after such

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extraordinary distribution is made by the applicable reference company or successor reference company. The additional distribution will be paid to holders of the debentures as of a special record date that will be the tenth business day prior to the date we pay the additional distribution.

Liberty will issue a press release setting forth the amount and composition, per debenture, of any additional distribution to be made by it that is attributable to an extraordinary distribution, and will deliver such release to DTC for dissemination through the DTC broadcast facility. All additional distributions that are paid or made in respect of any excess regular cash dividend amount or extraordinary distributions will be paid or made without any interest or other payment in respect of such amounts.

ADJUSTED PRINCIPAL AMOUNT

Original Principal Amount. The principal amount of the debentures initially is equal to their original principal amount, which is \$1,000 for each debenture.

Adjustments to Principal Amount. The principal amount of the debentures will be adjusted downward to reflect any additional distributions that we make to holders of the debentures that are attributable to extraordinary distributions made on the reference shares. No adjustment will be made to the principal amount, however, for additional distributions that are paid in respect of any excess regular cash dividend amount. Because the principal amount of the debentures is subject to reduction, we refer to the principal amount of a debenture at any time as its adjusted principal amount. In no event will the adjusted principal amount of a debenture be less than zero.

On any date that we pay or make an additional distribution to the holders of the debentures that is attributable to an extraordinary distribution on the reference shares, the original principal amount of each debenture (or, if such principal amount has previously been reduced, the adjusted principal amount of the debenture) will be reduced by the amount of the additional distribution that is paid or made with respect to that debenture. Thereafter, the adjusted principal amount will be further reduced on each successive semi-annual interest payment date to the extent necessary to cause the semi-annual interest payment on that date to represent the payment by Liberty, in arrears, of an annualized yield of 3 1/2% of the adjusted principal amount of the debentures. An adjustment for purposes of ensuring that Liberty does not pay an annualized yield of more than 3 1/2% of the adjusted principal amount of the debentures that is necessitated by the payment of an additional distribution to holders of the debentures will take effect on the second succeeding interest payment date after the payment of that distribution. We will issue a press release, and provide the release to DTC for dissemination through the DTC broadcast facility, each time an adjustment is made to the adjusted principal amount of the debentures.

The adjustments described above will not affect the amount of the semi-annual interest payments received by holders of debentures, which will continue to be a rate of interest equal to 3 1/2% per annum of the original principal amount of the debentures.

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PAYMENT AT STATED MATURITY

The stated maturity of the debentures is January 15, 2031. The amount that we will pay a holder of debentures at stated maturity will depend on whether we notify holders, not less than 30 business days prior to the stated maturity date:

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- that we will cause reference shares to be delivered in payment of the exchange market value of all debentures tendered for exchange up until the close of business on the trading day preceding the stated maturity date; or
- that we are terminating, as of the 30th business day prior to the stated maturity date, the right of all holders to exchange their debentures for the exchange market value thereof.

Continuation of Exchange Right. If we notify debenture holders that we will cause reference shares to be delivered in payment of the exchange market value of all debentures tendered for exchange up until the close of business on the trading day preceding the stated maturity date, then we will pay, for each debenture outstanding on the stated maturity date, an amount equal to the sum of:

- the adjusted principal amount of the debenture; plus
- any accrued but unpaid interest on the debenture up to the stated maturity date; plus
- any final period distribution on the debenture.

Termination of Exchange Right. If we notify debenture holders that we are terminating, as of the 30th business day prior to the stated maturity date, their right to exchange their debentures for the exchange market value thereof, then we will pay, for each debenture outstanding on the stated maturity date, an amount equal to the sum of:

- the greater of:
 - the adjusted principal amount of the debenture; and
 - the current market value of the reference shares attributable to the debenture; plus
- any accrued but unpaid interest on the debenture up to the stated maturity date; plus
- any final period distribution on the debenture.

The current market value of the reference shares attributable to the debentures for this purpose will be calculated based on the average closing price for each reference share over the 20 trading day period immediately prior to, but not including, the fifth business day preceding the stated maturity date.

A final period distribution will be made if, as of the stated maturity date:

- a regular cash dividend that includes an excess regular cash dividend amount has been declared on any of the reference shares attributable to a debenture or an extraordinary dividend has been declared on any of the reference shares attributable to a debenture; and
- the ex-dividend date for that dividend or distribution has occurred; and
- the holders of such reference shares have not yet received the dividend or distribution.

In the case of a regular cash dividend that includes an excess regular cash

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dividend amount that has been declared on reference shares attributable to a debenture as of the stated maturity date but not yet paid, the final period distribution for each debenture will be equal to the amount of the excess regular cash dividend amount that is payable to a holder of the number of reference shares attributable to a debenture. This amount will be paid on the stated maturity date with all other amounts then due. In the case of an extraordinary distribution that has been declared on reference shares as of the stated maturity date but not yet paid or made, the form and amount of the final period distribution will be determined in the same manner as that for an

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additional distribution that would have been attributable to that extraordinary distribution, except that any publicly traded common equity securities to be distributed on the reference shares will be part of any final period distribution rather than treated as additional reference shares. Because any additional distribution we make on a debenture that is attributable to an extraordinary distribution on the reference shares is deducted from the adjusted principal amount of that debenture, we will deduct from any final period distribution that is attributable to an extraordinary distribution the adjusted principal amount of the debenture, as of the stated maturity date, as to which such final period distribution is paid. We will pay or make any final period distribution that is attributable to an extraordinary distribution on the 20th business day after the payment of that extraordinary dividend by the applicable reference company.

The amount we pay for any debentures outstanding on the stated maturity date will be payable in cash, except that any final period distribution included in that amount which consists of publicly traded securities will be payable by delivery of those securities.

AMOUNT PAYABLE UPON ACCELERATION OF THE DEBENTURES

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 under the circumstances in which Liberty notifies debenture holders that it is terminating, as of the 30th business day prior to the stated maturity date, their right to exchange their debentures for the exchange market value thereof. See "-- Payment at Stated Maturity" above.

REDEMPTION

Optional Redemption. The debentures are not redeemable before January 15, 2006. At any time or from time to time on or after January 15, 2006, Liberty may redeem all or some of the debentures on not less than 30 business days prior notice. If Liberty chooses to redeem only some of the debentures, there must remain outstanding, immediately following any partial redemption, at least \$100 million original principal amount of debentures.

The redemption price we pay for a debenture on any redemption date will depend on whether we notify holders of debentures called for redemption, not less than 30 business days prior to the redemption date:

- that we will cause reference shares to be delivered in payment of the exchange market value of all debentures called for redemption that are tendered for exchange up until the close of business on the trading day next preceding the redemption date; or
- that we are terminating, as of the 30th business day prior to the redemption date, the right of all holders of debentures called for

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redemption to exchange those debentures for the exchange market value thereof.

Any termination of the exchange right in the event of a partial redemption will only apply to the debentures called for redemption.

Continuation of Exchange Right. If we notify debenture holders that we will cause reference shares to be delivered in payment of the exchange market value of all debentures called for redemption that are tendered for exchange up until the close of business on the trading day next preceding the redemption date, then we will pay, for each debenture that we redeem on the redemption date, a redemption price equal to the sum of:

- the adjusted principal amount of the debenture; plus
- any accrued but unpaid interest on the debenture up to the redemption date; plus
- any final period distribution on the debenture.

Termination of Exchange Right. If we notify holders of debentures called for redemption that we are terminating, as of the 30th business day prior to the redemption date, their right to exchange their debentures

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for the exchange market value thereof, then we will pay, for each debenture that we redeem on the redemption date, an amount equal to the sum of:

- the greater of:
 - the adjusted principal amount of the debenture; and
 - the current market value of the reference shares attributable to the debenture; plus
- any accrued but unpaid interest on the debenture up to the redemption date; plus
- any final period distribution on the debenture.

Calculation of Current Market Value. If the current market value of the reference shares attributable to a debenture needs to be calculated to determine the amount of the redemption price, it will be calculated based on the average closing price for each reference share over the 20 trading day period immediately prior to, but not including, the fifth business day preceding the redemption date.

Definition and Timing of Final Period Distribution. A final period distribution will be made with respect to each debenture we redeem if, as of the redemption date:

- a regular cash dividend that includes an excess regular cash dividend amount has been declared on any of the reference shares attributable to a debenture or an extraordinary dividend has been declared on any of the reference shares attributable to a debenture; and
- the ex-dividend date for that dividend or distribution has occurred; and
- the holders of such reference shares have not yet received the dividend or distribution.

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The timing, amount and form of any final period distribution that we make in connection with a redemption of debentures will be determined in the same manner as that described under "-- Payment at Stated Maturity" above for any final distribution we may make in connection with the repayment of debentures that are outstanding on the stated maturity date.

Payment of Redemption Price. The redemption price will be paid in cash, except that any final period distribution included in the redemption price which consists of publicly traded common equity securities will be payable by delivery of those securities. On or