

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D. C. 20549

**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-33982

**LIBERTY INTERACTIVE CORPORATION**

(Exact name of Registrant as specified in its charter)

**State of Delaware**  
(State or other jurisdiction of  
incorporation or organization)

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

**12300 Liberty Boulevard**  
**Englewood, Colorado**  
(Address of principal executive offices)

**80112**  
(Zip Code)

Registrant's telephone number, including area code: **(720) 875-5300**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Series A Liberty Interactive Common Stock, par value \$.01 per share	The Nasdaq Stock Market LLC
Series B Liberty Interactive Common Stock, par value \$.01 per share	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(do not check if  
smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the voting stock held by nonaffiliates of Liberty Interactive Corporation computed by reference to the last sales price of such stock, as of the closing of trading on June 30, 2011, was approximately \$19.4 billion. At June 30, 2011 Liberty Interactive had three tracking stocks outstanding and the aggregate market value determined above includes all the market value of all three outstanding tracking stocks. The aggregate market value of the voting stock held by non-affiliates calculated based on only the Liberty Interactive tracking stock at June 30, 2011 was approximately \$9.6 billion.

The number of outstanding shares of Liberty Interactive Corporation's common stock as of January 31, 2012 was:

	Series A	Series B
Liberty Interactive common stock	545,894,233	28,989,160

Documents Incorporated by Reference

The Registrant's definitive proxy statement for its 2012 Annual Meeting of Stockholders is hereby incorporated by reference into Part III of this Annual Report on Form 10-K.

**LIBERTY INTERACTIVE CORPORATION**  
**2011 ANNUAL REPORT ON FORM 10-K**

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## PART I.

### Item 1. Business.

#### (a) *General Development of Business*

Liberty Interactive Corporation ("Liberty", formerly known as Liberty Media Corporation) owns interests in subsidiaries and other companies which are primarily engaged in the video and on-line commerce industries. Through our subsidiaries and affiliates, we operate in North America, Europe and Asia. Our principal businesses and assets include our consolidated subsidiaries QVC, Inc., Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, Inc. and Celebrate Interactive Holdings, Inc. and our equity affiliate Expedia, Inc.

In May 2006, we completed a restructuring pursuant to which we were organized as a new holding company, and we became the new publicly traded parent company of the former Liberty Media Corporation ("Old Liberty"). Old Liberty was converted into a limited liability company and is now named Liberty Interactive LLC. As a result of the restructuring, all of the Old Liberty outstanding common stock was exchanged for two tracking stocks of Liberty, Liberty Interactive common stock and Liberty Capital common stock. Each tracking stock issued in the restructuring was intended to track and reflect the economic performance of one of two groups, the Interactive Group or the Capital Group, respectively.

On March 3, 2008, we completed a reclassification of our Liberty Capital common stock (herein referred to as "Old Liberty Capital common stock") whereby each share of Old Series A Liberty Capital common stock was reclassified into four shares of Series A Liberty Entertainment common stock and one share of new Series A Liberty Capital common stock, and each share of Old Series B Liberty Capital common stock was reclassified into four shares of Series B Liberty Entertainment common stock and one share of new Series B Liberty Capital common stock. The Liberty Entertainment common stock was intended to track and reflect the economic performance of our Entertainment Group, which was comprised of certain businesses and assets previously attributed to the Capital Group. The reclassification did not change the businesses, assets and liabilities attributed to the Interactive Group.

On November 19, 2009, we completed a split-off (the "LEI Split-Off") of our wholly owned subsidiary, Liberty Entertainment, Inc. ("LEI"), and the business combination transaction among our company, LEI and The DIRECTV Group, Inc. ("DIRECTV") (the "DTV Business Combination"). The LEI Split-Off was accomplished by a partial redemption of 90% of the outstanding shares of Liberty Entertainment common stock in exchange for all of the outstanding shares of common stock of LEI, pursuant to which, 0.9 of each outstanding share of Liberty Entertainment common stock was redeemed for 0.9 of a share of the corresponding series of common stock of LEI, with payment of cash in lieu of any fractional shares. LEI held our 57% interest in DIRECTV, a 100% interest in Liberty Sports Holdings, LLC, a 65% interest in Game Show Network, LLC and approximately \$120 million in cash and cash equivalents, and became the obligor on approximately \$2 billion of indebtedness. All of the businesses, assets and liabilities that were attributed to our Entertainment Group and were not held by LEI remained with our company and continued to be attributed to our Entertainment Group, which was redesignated as the Starz Group. The businesses held by LEI are accounted for as discontinued operations in the periods presented.

Immediately following the LEI Split-Off, we, LEI and DIRECTV completed the DTV Business Combination, and each of LEI and DIRECTV became wholly owned subsidiaries of a new public holding company named DIRECTV ("Holdings"). Pursuant to the DTV Business Combination, (i) John C. Malone, Chairman of the boards of our company, LEI and DIRECTV, and certain related persons (collectively, "the Malones") contributed each of their shares of LEI Series B common stock to Holdings for 1.11130 shares of Holdings Class B common stock (with payment of cash in lieu of any fractional shares), (ii) LEI merged with a wholly-owned subsidiary of Holdings, and each share of LEI common stock (other than shares of LEI Series B common stock held by the Malones) was exchanged for 1.11130 shares of Holdings Class A common stock (with payment of cash in lieu of any fractional shares), and (iii) DIRECTV merged with a wholly-owned subsidiary of Holdings, and each share of DIRECTV common stock was exchanged for one share of Holdings Class A common stock.

On September 23, 2011, we completed a split-off (the "LMC Split-Off") of our wholly owned subsidiary, Liberty Media Corporation ("LMC" and formerly known as Liberty CapStarz, Inc. and prior thereto Liberty Splitco, Inc.). The LMC Split-Off was effected by means of a redemption of all of the Liberty Capital common stock and Liberty Starz common stock for the common

stock of LMC. At the time of the LMC Split-Off, LMC owned all the businesses, assets and liabilities previously attributed to our former Capital and Starz tracking stock groups. Following the Split-Off, Liberty and LMC operate as separately publicly traded companies and neither has any stock ownership, beneficial or otherwise, in the other.

#### *Recent Developments*

As discussed above in September 2011 we completed the LMC Split-Off of our wholly owned subsidiary LMC to holders of our Liberty Starz common stock and Liberty Capital common stock.

Prior to the LMC Split-Off, on February 9, 2011, our board of directors approved a change in attribution from the Capital Group to the Interactive Group of \$1,138 million of the 3.125% Exchangeable Senior Debentures due 2023, the stock into which such debt is exchangeable (approximately 22 million shares of Time Warner Inc., 5 million shares of Time Warner Cable Inc. and 2 million shares of AOL) and cash of approximately \$264 million (the "TWX Reattribution").

In the fourth quarter of 2011, we acquired an additional ownership interest in HSN of approximately 5% for cash consideration of approximately \$46 million.

In December 2011, Expedia, Inc., an equity method affiliate, completed the separation of a wholly owned subsidiary TripAdvisor, Inc. to its shareholders in a pro rata split-off. Following the pro rata split-off of TripAdvisor, Inc. we owned approximately 26% of the outstanding common stock of each entity.

During the year, our subsidiary QVC, Inc. paid down additional outstanding debt on its credit facilities of approximately \$360 million.

\* \* \* \* \*

Certain statements in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, product and marketing strategies; new service offerings; revenue growth and subscriber trends at QVC, Inc.; losses to be incurred by QVC-Italy; the recoverability of our goodwill and other long-lived assets; our projected sources and uses of cash; and the anticipated impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. In particular, statements under Item 1. "Business," Item 1A. "Risk-Factors," Item 2. "Properties," Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" contain forward-looking statements. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- customer demand for our products and services and our ability to adapt to changes in demand;
- competitor responses to our products and services, and the products and services of the entities in which we have interests;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- uncertainties associated with product and service development and market acceptance, including the development and provision of programming for new television and telecommunications technologies;
- our future financial performance, including availability, terms and deployment of capital;
- our ability to successfully integrate and recognize anticipated efficiencies and benefits from the businesses we acquire;
- the ability of suppliers and vendors to deliver products, equipment, software and services;
- the outcome of any pending or threatened litigation;
- availability of qualified personnel;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission, and adverse outcomes from regulatory proceedings;
- changes in the nature of key strategic relationships with partners, vendors and joint venturers;
- general economic and business conditions and industry trends including the current economic downturn;
- consumer spending levels, including the availability and amount of individual consumer debt;

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- changes in distribution and viewing of television programming, including the expanded deployment of personal video recorders, video on demand and IP television and their impact on home shopping networks;
- increased digital TV penetration and the impact on channel positioning of our networks;
- rapid technological changes;
- the regulatory and competitive environment of the industries in which we, and the entities in which we have interests, operate; and
- threatened terrorist attacks and ongoing military action in the Middle East and other parts of the world and political unrest in international markets.

These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Annual Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. When considering such forward-looking statements, you should keep in mind the factors described in Item 1A, "Risk Factors" and other cautionary statements contained in this Annual Report. Such risk factors and statements describe circumstances which could cause actual results to differ materially from those contained in any forward-looking statement.

This Annual Report includes information concerning public companies in which we have non-controlling interests that file reports and other information with the SEC in accordance with the Securities Exchange Act of 1934. Information in this Annual Report concerning those companies has been derived from the reports and other information filed by them with the SEC. If you would like further information about these companies, the reports and other information they file with the SEC can be accessed on the Internet website maintained by the SEC at [www.sec.gov](http://www.sec.gov). Those reports and other information are not incorporated by reference in this Annual Report.

(b) *Financial Information About Operating Segments*

Through our ownership of interests in subsidiaries and other companies, we are primarily engaged in the video and on-line commerce industries. Each of these businesses is separately managed.

We identify our reportable segments as (A) those consolidated subsidiaries that represent 10% or more of our annual consolidated revenue, pre-tax earnings or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of our annual pre-tax earnings. Financial information related to our operating segments can be found in note 18 to our consolidated financial statements found in Part II of this report.

(c) *Narrative Description of Business*

The following table identifies our more significant subsidiaries and minority investments:

**Consolidated Subsidiaries**

QVC, Inc.  
Provide Commerce, Inc.  
Backcountry.com, Inc.  
Bodybuilding.com, LLC  
Celebrate Interactive Holdings, Inc.  
CommerceHub  
LMC Right Start, Inc.

**Equity and Cost Method Investments**

Expedia, Inc. (Nasdaq:EXPE)  
HSN, Inc. (Nasdaq:HSNI)  
Interval Leisure Group, Inc. (Nasdaq:IILG)  
Tree.com, Inc. (Nasdaq:TREE)  
TripAdvisor, Inc. (Nasdaq:TRIP)

***QVC, Inc.***

QVC, Inc., a wholly-owned subsidiary, markets and sells a wide variety of consumer products in the U.S. and several foreign countries primarily through live televised shopping programs and via the Internet through its U.S. and international websites. QVC programming is divided into segments that are televised live with a host who presents the merchandise, sometimes with the assistance of a guest who is knowledgeable about the merchandise, and conveys information relating to the product to QVC's viewers. QVC's websites offer a complement to televised shopping by allowing consumers to purchase a wide assortment of goods that were previously offered on the QVC television programs, as well as other items that are available from QVC only via its websites. For the year ended December 31, 2011, approximately 37% of QVC's U.S. revenue and approximately 31% of QVC's total revenue was generated from sales of merchandise ordered through its various websites and mobile applications.

QVC offers a variety of merchandise at competitive prices. QVC purchases, or obtains on consignment, products from domestic and foreign manufacturers and wholesalers, often on favorable terms based upon the volume of the transactions. QVC classifies its merchandise into four groups: home (including electronics), apparel, accessories (including beauty products) and jewelry. For the year ended December 31, 2011, home, apparel, accessories and jewelry accounted for approximately 55%, 12%, 23% and 10%, respectively, of QVC's total gross revenue. In 2010, such percentages for home, apparel, accessories and jewelry were 44%, 17%, 26% and 13%, respectively. QVC offers products in each of these merchandise groups that are exclusive to QVC, as well as popular brand names and other products also available from other retailers. QVC's products are often endorsed by celebrities, designers and other well known personalities who often join QVC's hosts to personally promote their products. QVC does not depend on any single supplier or designer for a significant portion of its inventory.

QVC distributes its television programs, via satellite or optical fiber, to multichannel television distributors for retransmission to subscribers in the U.S., the United Kingdom, Germany, Japan, Italy and neighboring countries that receive QVC's programming signals. In the U.S., QVC uplinks its analog and digital programming transmissions using a third-party service. Both transmissions are uplinked to protected, non-preemptible transponders on U.S. satellites. "Protected" status means that, in the event of a transponder failure, QVC's signal will be transferred to a spare transponder or, if none is available, to a preemptible transponder located on the same satellite or, in certain cases, to a transponder on another satellite owned by the same service provider if one is available at the time of the failure. "Non-preemptible" status means that, in the event of a transponder failure, QVC's transponders cannot be preempted in favor of a user of a failed transponder, even another user with "protected status." QVC's international business units each obtain uplinking services from third parties and transmit their programming to non-preemptible transponders on four international satellites. QVC's transponder service agreement for its U.S. transponders expires at the end of the lives of the satellites, which are currently estimated to be in 2019. QVC's transponder service agreements for its international transponders expire in 2012 through 2022.

QVC enters into long-term affiliation agreements with certain of its multichannel television distributors who downlink QVC's programming and distribute the programming to their customers. QVC's affiliation agreements with these distributors have termination dates ranging from 2012 to 2019. QVC's ability to continue to sell products to its customers is dependent on its ability to maintain and renew these affiliation agreements in the future. In this regard, QVC's September 2003 affiliation agreement with Comcast Corporation, which accounts for approximately 25% of QVC's U.S. distribution, was amended and extended in June 2009. The amendment to the agreement allows for quarterly extensions in perpetuity.

In return for carrying the QVC signals, each programming distributor in the U.S. receives an allocated portion, based upon market share, of up to 5% of the net sales of merchandise sold via the television programs to customers located in the programming distributor's service areas. In the United Kingdom, Germany, Japan and Italy programming distributors receive an agreed-upon annual fee, a monthly fee per subscriber regardless of the net sales or a variable percentage of net sales. In addition to sales-based commissions or per-subscriber fees, QVC also makes payments to distributors in the U.S. for carriage and to secure favorable positioning on channel 35 or below or in the general entertainment area on the distributor's channel line-up. QVC believes that a portion of its sales are attributable to purchases resulting from channel "surfing" and that a channel position near broadcast networks and more popular cable networks increases the likelihood of such purchases. As technology evolves, QVC continues to monitor optimal channel placement and attempts to negotiate agreements with its distributors to maximize the viewership of its television programming.

QVC's shopping program is telecast live 24 hours a day to approximately 100 million homes in the U.S. QVC shopping channel reaches approximately 24 million households in the United Kingdom and the Republic of Ireland and is broadcast 24 hours a day with 17 hours of live programming. QVC's shopping network in Germany reaches approximately 40 million households throughout Germany and Austria and is broadcast live 24 hours a day. QVC Japan, QVC's joint venture with Mitsui & Co., LTD, reaches approximately 26 million households and is broadcast live 24 hours a day. QVC's shopping network in Italy reaches approximately 20 million households and is broadcast live 17 hours a day on satellite and public television and an additional 7 hours a day of taped programming on satellite television. QVC strives to maintain promptness and efficiency in order taking and fulfillment. QVC has three U.S. phone centers, one phone center in each of the United Kingdom, Japan and Italy and two call centers in Germany. QVC's U.S. phone centers can direct calls from one call center to another as volume mandates, which reduces a caller's hold time, helping to ensure that orders will not be lost as a result of abandoned or unanswered calls. Each market, except Italy, also utilizes home agents allowing staffing flexibility for peak hours. QVC additionally utilizes computerized voice response units, which handle approximately 34% of all orders taken.

In addition to taking orders from its customers through phone centers and online, QVC continues to explore new ordering technologies. For example, QVC's United Kingdom customers can order products directly through a television remote control "buy button." QVC is also expanding mobile phone ordering capabilities in the U.S., United Kingdom and Germany including text to order, a WAP (wireless application protocol) website and marketing alerts. On a global basis, customers have placed approximately 6% of all orders directly through their mobile devices in 2011. QVC has eight distribution centers worldwide and is able to ship approximately 89% of its orders within 48 hours.

QVC.com ranked above the standard of excellence in internet retailer customer satisfaction according to the Forsee 2011 Holiday E-Retail Satisfaction Index. In the seven year history of the index, QVC.com has consistently ranked as a top 5 internet retailer in terms of customer service, which is a leading indicator of increased consumer spending, loyalty, and positive word-of-mouth recommendations. For the fourth year in a row, QVC secured a top ten spot in the NRF Foundation/American Express Customers' Choice survey. The survey gauges consumer attitudes toward retailers' customer service, promotes best practices in customer service and recognizes retailers providing excellent customer service. In April 2011, as well as the July 2011 Consumer Reports Magazine and the Consumer Reports Buying Guide 2011, Consumer Reports readers named QVC sixth Best Website for Computer Retailers.

QVC's business is seasonal due to a higher volume of sales in the fourth calendar quarter related to year-end holiday shopping. In recent years, QVC has earned between 22% and 23% of its global revenue in each of the first three quarters of the year and 32% of its global revenue in the fourth quarter of the year.

***Provide Commerce, Inc.***

Provide Commerce, Inc., a wholly-owned subsidiary that we acquired in February 2006, operates an e-commerce marketplace of websites that offers high-quality perishable products direct from suppliers to consumers. In addition to its perishable products, Provide Commerce sells a wide range of unique and personalized gifts through its RedEnvelope and Personal Creations brands, which it acquired in 2008 and 2010, respectively. Provide Commerce combines an online storefront, proprietary supply chain management technology, established supplier relationships and integrated logistical relationships with FedEx Corporation and United Parcel Service, Inc. to create a market platform that bypasses traditional supply chains of wholesalers, distributors and retailers. Provide Commerce derives its revenue from the sale of flowers and plants on its proflowers.com and proplants.com websites and from the sale of gourmet foods from its branded websites: Cherry Moon Farms, for fresh premium fruits; Shari's Berries, for chocolate-dipped berries and related gifting products; and from the sale of gifts on RedEnvelope and Personal Creations.

Provide Commerce initially launched its marketplace to sell and deliver flowers which continues to be its most significant product. Provide Commerce later expanded its offerings to include fresh premium fruits and confections and unique personalized gifts. Provide Commerce's business is highly seasonal due largely to purchases of flowers and other gifts for Valentine's Day and Mother's Day. In 2011, Provide Commerce earned approximately 62% of its revenue in the first half of the year. Provide Commerce depends on three suppliers for approximately 63% of its floral products. The loss of any of these suppliers could adversely impact Provide Commerce.

Provide Commerce believes that one of the keys to its success is its ability to timely deliver products, and perishable products fresher, than its competitors thereby providing a better value for its customers. Provide Commerce maintains a customer service center located at its corporate headquarters to respond to customer phone calls and emails 24 hours a day, seven days a week.

***Backcountry.com, Inc.***

We acquired 81% of the equity of Backcountry.com, Inc. in June 2007, increasing our ownership to 87.5% through share purchases in 2011. Backcountry is an e-commerce marketplace for outdoor adventure, cycling and action sports gear and clothing. Its ten separate websites cater to a variety of outdoor enthusiasts. Five of the sites offer name-brand products at retail prices, one closeout site and four other sites offer substantial discounts to online shoppers on a one-deal-at-a-time basis.

Backcountry's primary site, Backcountry.com, offers over 500 brands and over 60,000 items of high-end gear and clothing for backpacking, camping, trail running, skiing, rock climbing, kayaking and other outdoor sports. Backcountry's snowboarding-specific site, DogFunk.com, sells technical and lifestyle apparel and gear from established brands and niche manufacturers. HucknRoll.com, CompetitiveCyclist.com and RealCyclist.com sell mountain bikes and road bikes, respectively, at retail prices. Backcountry's online outlet store, DepartmentOfGoods.com, sells discounted clothing and gear from past seasons. Backcountry's one-deal-at-a-time sites, SteepandCheap.com, WhiskeyMilitia.com, Chainlove.com and BonkTown.com, feature a limited quantity of one highly discounted item at a time until such item sells out or times out, at which time it is immediately replaced with a new item. SteepandCheap.com serves backcountry adventurers and outdoor enthusiasts. WhiskeyMilitia.com appeals to skateboarders, surfers, snowboarders and wakeboarders. Chainlove.com is geared toward mountain bikers. BonkTown.com sells road bike gear.

Backcountry's business is seasonal, with approximately 40% of its revenue earned in the fourth quarter. Backcountry stores and ships all inventory from its distribution center located in Salt Lake City, Utah. Staffing for the customer service center and warehouse is scalable, and Backcountry employs seasonal labor to react to higher volume during peak periods of the year.

***Bodybuilding.com, LLC***

On December 31, 2007, we acquired 82.9% of Bodybuilding.com, LLC. On December 29, 2010, the Company acquired an additional 2.8% of the Company, giving us overall ownership of 85.7%. Bodybuilding.com is an Internet retailer of sports, fitness and nutritional supplements. It also hosts an informational SuperSite which contains free content about fitness, work-out programs, video trainers, overall health & nutrition and motivation. The online e-retail model combines detailed product information and real-time user reviews on more than 13,000 health & fitness supplements and accessories to help more than 11 million people each month achieve their health, fitness and appearance goals.



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Bodybuilding.com's customers include gym-goers, sport specific focused athletes, tri-athletes, weightlifters and bodybuilders, and any individual wanting to improve his or her overall mental or physical wellbeing. Unlike other online health and fitness supplement retailers, Bodybuilding.com is truly a holistic experience for those looking to achieve their goals. BodySpace is an inclusive social networking site within Bodybuilding.com that allows people of varying health and fitness levels to discuss goal setting, techniques, supplementation and achievements as users track their progress.

Bodybuilding.com launched its primary web-site in 1999 and now has over 25,000 pages of editorial content, more than 13,000 pages of store content, 4.2 million forum threads, 75 million forum posts and more than 1 million BodySpace members. Bodybuilding.com is a leader in the fitness category with the world's largest social fitness network and the industry's largest forum.

Bodybuilding.com earns revenue primarily from the sale of health & fitness supplements and accessories on its website. Bodybuilding.com's business is slightly seasonal with the first quarter of the year being its busiest as people start to implement their health and fitness New Year resolutions.

#### ***Celebrate Interactive Holdings, Inc.***

Celebrate Interactive Holdings Inc. ("Celebrate") is a wholly-owned subsidiary that owns and operates BuyCostumes.com, the Celebrate Express family of websites, Evite and Gifts.com. Celebrate, an internet celebrations leader, provides a more streamlined party offering by giving individuals the resources necessary to plan, execute and attend a wide variety of celebrations and costuming events. These resources include event planning services, which are free to Evite customers as revenue is driven primarily through online advertising, party supplies primarily through the Celebrate Express brands, including an offering of proprietary product from exclusive license agreements, costumes for a wide variety of occasions (the primary occasion is Halloween) and a search engine for gifts of any occasion. While over 70% of the costume and accessory products offered on our website are also available from other on-line and traditional brick-and-mortar retailers, Celebrate believes that no other single retailer offers the range of costume and party supplies that Celebrate offers to its customers. Celebrate purchases its products from various suppliers, both domestic and international. Celebrate depends on three suppliers for approximately 33% of its costumes, accessories, and party supplies. The loss of any of these suppliers could adversely impact Celebrate.

Celebrate believes that it has a competitive advantage due to the combination of a large assortment of on-line products, value pricing and a high level of customer service. Celebrate's business is highly seasonal with over 50% of its revenue earned from the sale of costumes in September and October leading up to Halloween. Since the acquisition of Celebrate Express in 2008, Celebrate has seen the seasonality decrease due to significantly higher sales of birthday party supplies which is a less seasonal business. Additionally, with the acquisition of Evite and Gifts.com it is anticipated that seasonality will continue to decrease slightly as these businesses are integrated into Celebrate's operations. Celebrate maintains a customer service center at its corporate headquarters, and customer service representatives are available 18 hours a day, seven days a week during its busy season to respond to customer questions. The customer service center and warehouse staffing is scalable, and Celebrate employs seasonal labor to react to higher volume during the peak Halloween season.

#### ***CommerceHub***

CommerceHub, a wholly owned subsidiary, is a drop ship solution for online retailers that would like to expand their product offering but may not have the capacity for warehousing and fulfillment of products. CommerceHub is a one stop solution for both sides of the transaction and allows each of the systems, at the vendor and retailer, to seamlessly share information. Additionally, during 2011 CommerceHub began to offer BuySpace, a social marketplace that brings buyers and sellers together to find one another, establish business relationships and manage ongoing operations.

#### ***LMC Right Start, Inc.***

LMC Right Start, Inc., a wholly-owned subsidiary, created in May 2009, is a leading retailer of juvenile products for infants through toddlers. Right Start offers an internet retailing experience combined with traditional brick-and-mortar destinations including six stores in California, two stores in Texas, one in Illinois and one in Colorado.

Right Start offers a carefully selected assortment of the finest quality strollers, car seats, developmental toys, books, videos, music, nursery accessories, and home safety items, plus a complete assortment of care products. In addition, it offers both on-line

and on-site expertise, as well as a premier baby registry experience, designed to assist with parenting decisions, right from the start.

***Expedia, Inc.***

Expedia, Inc. is among the world's leading travel services companies, making travel products and services available to leisure and corporate travelers in the United States and abroad through a diversified portfolio of brands, including Expedia.com, Hotels.com, Venere.com, Hotwire.com, Egencia and Classic Vacations and a range of other domestic and international brands and businesses. Expedia's various brands and businesses target the needs of different consumers, including those who are focused exclusively on price and those who are focused on the breadth of product selection and quality of services. Expedia has created an easily accessible global travel marketplace, allowing customers to research, plan and book travel products and services from travel suppliers and allowing these travel suppliers to efficiently reach and provide their products and services to Expedia customers. Through its diversified portfolio of domestic and international brands and businesses, Expedia makes available, on a stand-alone and package basis, travel products and services provided by numerous airlines, lodging properties, car rental companies, cruise lines and destination service providers, such as attractions and tours. Using a portfolio approach for Expedia's brands and businesses allows it to target a broad range of customers looking for different value propositions. Expedia reaches many customers in several countries and multiple continents through its various brands and businesses, typically customizing international points of sale to reflect local language, currency, customs, traveler behavior and preferences and local hotel markets, all of which may vary from country to country.

Expedia generates revenue by reserving travel services as the merchant of record and reselling these services to customers at a profit. Expedia also generates revenue by passing reservations booked by its customers to the relevant services for a fee or commission and from advertising on its websites.

We own an approximate 26% equity interest and 58% voting interest in Expedia. We have entered into governance arrangements pursuant to which Mr. Barry Diller, Chairman of the Board and Senior Executive Officer of Expedia, may vote our shares of Expedia, subject to certain limitations. Also through our governance arrangements with Mr. Diller, we have the right to appoint and have appointed 20% of the members of Expedia's board of directors, which is currently comprised of 10 members.

***HSN, Inc.***

HSN became a public company in August 2008 in connection with the separation of IAC/InterActiveCorp into five separate companies. HSN is an interactive multi-channel retailer with strong direct-to-consumer expertise among its two operating segments, HSN and Cornerstone Brands. HSN offers innovative, differentiated retail experiences on TV, online, in catalogs, and in brick and mortar stores. HSN ships 50 million items and handles 50 million inbound customer calls annually. HSN now reaches over 90 million homes (broadcast live 24 hours a day, seven days a week). HSN.com ranks in the top 30 of Internet retailers, is one of the top 10 trafficked e-commerce sites, and has more than a quarter million unique users every day. Cornerstone Brands comprises leading home and apparel lifestyle brands including Ballard Design, Frontgate, Garnet Hill, Grandin Road, Improvements, Smith+Noble, The Territory Ahead and Travelsmith. Cornerstone Brands distributes 324 million catalogs annually, operates eight separate e-commerce sites, and runs 25 retail stores.

We own approximately 34% of the outstanding common stock of HSN. We have entered into an agreement with HSN pursuant to which, among other things, we have the right to nominate 20% of the members of HSN's board of directors. We have nominated two of the current nine board members.

***Interval Leisure Group, Inc.***

Interval Leisure Group is another of the companies spun off by IAC in August 2008. Interval Leisure Group is a leading global provider of membership and leisure services to the vacation industry. Its principal business, Interval, has offered its resort developer clients and consumer members high-quality programs and services for more than 30 years. Its approximately two million member families have access to a comprehensive package of year-round benefits, including the opportunity to exchange the use of their shared ownership vacation time for alternate accommodations. Interval has a network of more than 2,500 resorts in over 75 countries. Interval Leisure Group's other business segment is Aston (formerly ResortQuest Hawaii), which provides vacation

rental and property management services for more than 5,000 units throughout the Hawaiian islands. Interval Leisure Group is headquartered in Miami, Florida, and operates through 26 offices in 16 countries.

We own approximately 30% of the outstanding common stock of Interval Leisure Group. We have entered into an agreement with Interval Leisure Group pursuant to which, among other things, we have the right to nominate 20% of the members of Interval Leisure Group's board of directors. We have nominated two of the current nine board members.

***Tree.com, Inc.***

Tree.com is the owner of several brands and businesses that provide information, tools, advice, products and services for critical transactions in their customers' lives. Tree.com's family of brands includes: LendingTree.com, GetSmart.com, RealEstate.com, DegreeTree.com<sup>SM</sup>, HealthTree.com<sup>SM</sup>, LendingTreeAutos.com, DoneRight.com, and InsuranceTree.com<sup>SM</sup>. Together, these brands serve as an ally for consumers who are looking to comparison shop for loans, real estate and other financial products from multiple business and professionals who compete for their business. Tree.com is headquartered in Charlotte, North Carolina.

We own approximately 25% of the outstanding common stock of Tree.com. We have entered into an agreement with Tree.com pursuant to which, among other things, we have the right to nominate 20% of the members of Tree.com's board of directors. We have not yet exercised this right.

***TripAdvisor, Inc.***

TripAdvisor, Inc. ("TripAdvisor") is an online travel research company, empowering users to plan and have the perfect trip. TripAdvisor's travel research platform features reviews and opinions from its community of travelers about destinations, accommodations (hotels, bed and breakfasts, specialty lodging and vacation rentals), restaurants and activities throughout the world through its flagship TripAdvisor brand. TripAdvisor-branded websites include tripadvisor.com in the United States and localized versions of the website in 30 countries, including in China under the brand daodao.com. Beyond travel-related content, TripAdvisor websites also include links to the websites of its travel advertisers allowing travelers to directly book their travel arrangements. In addition to the flagship TripAdvisor brand, TripAdvisor, Inc. manages and operates websites under 18 other travel media brands, connected by the common goal of providing comprehensive travel planning resources across the travel sector.

We own an approximate 26% equity interest and 58% voting interest in TripAdvisor. We have entered into a stock holders agreement pursuant to which Mr. Diller may vote our shares of TripAdvisor common stock, subject to certain limitations. Through a governance agreement with TripAdvisor, we have the right to nominate 20% of the members of TripAdvisor's board of directors, among other things. We have nominated two of the current ten board members.

**Regulatory Matters**

***Programming and Interactive Television Services***

In the United States, the FCC regulates broadcasters, the providers of satellite communications services and facilities for the transmission of programming services, the cable television systems and other multichannel video programming distributors ("MVPDs") that distribute such services, and, to some extent, the availability of the programming services themselves through its regulation of program licensing. Cable television systems in the United States are also regulated by municipalities or other state and local government authorities. Cable television systems are currently subject to federal rate regulation on the provision of basic service, except where subject to effective competition under FCC rules, which has become increasingly widespread. Continued rate regulation or other franchise conditions could place downward pressure on the fees cable television companies are willing or able to pay for programming services in which we have interests. Regulatory carriage requirements also could adversely affect the number of channels available to carry the programming services in which we have an interest.

*Regulation of Program Licensing.* The Cable Television Consumer Protection and Competition Act of 1992 (the 1992 Cable Act) directed the FCC to promulgate regulations regarding the sale and acquisition of cable programming between MVPDs (including cable operators) and satellite-delivered programming services in which a cable operator has an attributable interest. The

legislation and the implementing regulations adopted by the FCC preclude virtually all exclusive programming contracts between cable operators and satellite programmers affiliated with any cable operator (unless the FCC first determines that the contract serves the public interest) and generally prohibit a cable operator that has an attributable interest in a satellite programmer from improperly influencing the terms and conditions of sale to unaffiliated MVPDs. Further, the 1992 Cable Act requires that such affiliated programmers make their programming services available to cable operators and competing MVPDs such as multi-channel multi-point distribution systems, which we refer to as MMDS, and direct broadcast satellite ("DBS") distributors on terms and conditions that do not unfairly discriminate among distributors. The Telecommunications Act of 1996 extended these rules to programming services in which telephone companies and other common carriers have attributable ownership interests. The FCC revised its program licensing rules by implementing a damages remedy in situations where the defendant knowingly violates the regulations and by establishing a timeline for the resolution of complaints, among other things. In 2007, the FCC extended the prohibition on exclusive programming contracts until 2012 and amended the program access complaint rules. The FCC likely will initiate a rulemaking proceeding in 2012 regarding the extension of the exclusive programming contracts prohibition. In 2010, the FCC revised the program access rules to permit complainants to pursue program access claims involving terrestrially-delivered, cable-affiliated programming similar to the claims that they may pursue regarding satellite-delivered, cable-affiliated programming, where the purpose or the effect of a challenged act is to hinder significantly or prevent a complainant from providing satellite cable programming or satellite broadcast programming. Although we no longer own Liberty Cablevision of Puerto Rico, LLC ("LCPR"), FCC rules continue to attribute an ownership interest in LCPR to us, thereby subjecting us and satellite-delivered programming services in which we have an interest to the program access rules. As explained below in "Other Regulation," we are also subject to the program access rules as a condition of FCC approval of our transaction with News Corporation in 2008.

*Regulation of Carriage of Programming.* Under the 1992 Cable Act, the FCC has adopted regulations prohibiting cable operators from requiring a financial interest in a programming service as a condition to carriage of such service, coercing exclusive rights in a programming service or favoring affiliated programmers so as to restrain unreasonably the ability of unaffiliated programmers to compete. In 2011, the FCC revised its program carriage complaint rules by, among other things, specifying what a program carriage complainant must demonstrate to establish a *prima facie* case of a program carriage violation. The FCC also has issued a notice of proposed rulemaking seeking comment regarding additional revisions to its program carriage complaint procedures.

*Regulation of Ownership.* The 1992 Cable Act required the FCC, among other things, (1) to prescribe rules and regulations establishing reasonable limits on the number of channels on a cable system that will be allowed to carry programming in which the owner of such cable system has an attributable interest and (2) to consider the necessity and appropriateness of imposing limitations on the degree to which MVPDs (including cable operators) may engage in the creation or production of video programming. In 1993, the FCC adopted regulations limiting carriage by a cable operator of national programming services in which that operator holds an attributable interest. However, in 2001, the United States Court of Appeals for the District of Columbia Circuit ("District of Columbia Circuit") found that the FCC had failed to justify adequately the channel occupancy limit, vacated the FCC's decision and remanded the rule to the FCC for further consideration. In response to the Court's decision, the FCC issued further notices of proposed rulemaking in 2001 and in 2005 to consider channel occupancy limitations. Even if these rules were readopted by the FCC, they would have little impact on programming companies in which we have interests based upon our current attributable ownership interests in cable systems. In its 2001 decision, the Court of Appeals also vacated the FCC's rule imposing a thirty percent limit on the number of subscribers served by systems nationwide in which a multiple system operator can have an attributable ownership interest. After conducting a further rulemaking regarding this ownership limitation, in 2007, the FCC again adopted a thirty percent limit on the number of subscribers served by a cable operator nationwide. However, in 2009, the Court of Appeals again vacated the thirty percent limit.

*Regulation of Carriage of Broadcast Stations.* The 1992 Cable Act granted broadcasters a choice of must carry rights or retransmission consent rights. The rules adopted by the FCC generally provided for mandatory carriage by cable systems of all local full-power commercial television broadcast signals selecting must carry rights and, depending on a cable system's channel capacity, non-commercial television broadcast signals. Such statutorily mandated carriage of broadcast stations coupled with the provisions of the Cable Communications Policy Act of 1984, which require cable television systems with 36 or more "activated" channels to reserve a percentage of such channels for commercial use by unaffiliated third parties and permit franchise authorities to require the cable operator to provide channel capacity, equipment and facilities for public, educational and government access channels, could adversely affect some or substantially all of the programming services in which we have interests by limiting the carriage of such services in cable systems with limited channel capacity. In 2007, the FCC adopted an order addressing cable operators' obligations to ensure that local broadcasters' primary video and program-related material are viewable by all subscribers

following completion of the digital transition. The FCC's order allows cable operators to comply with the viewability requirements by carrying a broadcaster's digital signal in either analog format or digital format, provided that all subscribers have the necessary equipment to view the broadcast content. The viewability requirements expire in June 2012, unless the FCC conducts a rulemaking proceeding to extend them prior to such time.

*Closed Captioning and Video Description Regulation.* The Telecommunications Act of 1996 also required the FCC to establish rules and an implementation schedule to ensure that video programming is fully accessible to the hearing impaired through closed captioning. The rules adopted by the FCC require substantial closed captioning, with only limited exemptions. On January 12, 2012, the FCC adopted regulations pursuant to the Twenty-First Century Communications and Video Accessibility Act of 2010 ("CVAA") that require, among other things, video programming owners to send caption files for Internet protocol ("IP") delivered video programming to video programming distributors and providers along with program files. The IP delivered programming captioning requirements will be implemented over a four year period following Federal Register publication of the new rules. As a result, the programming companies in which we have interests may incur additional costs for closed captioning.

The CVAA also required the FCC to reinstate the video description rules adopted by the FCC in 2000 but subsequently vacated by the District of Columbia Circuit. On August 24, 2011, the FCC adopted a report and order reinstating the requirements as to certain broadcast affiliates and cable programming services. The programming companies in which we have attributable interests are unaffected by these rules.

*A-La-Carte Proceeding.* In 2004, the FCC's Media Bureau conducted a notice of inquiry proceeding regarding the feasibility of selling video programming services "à-la-carte," i.e. on an individual or small tier basis. The Media Bureau released a report in 2004, which concluded that à-la-carte sales of video programming services would not result in lower video programming costs for most consumers and that they would adversely affect video programming networks. In 2006, the Media Bureau released a new report which stated that the 2004 report was flawed and which concluded that à-la-carte sales could be in the best interests of consumers. Although the FCC's authority to mandate à-la-carte sales has been questioned, its endorsement of the concept could encourage Congress to consider proposals to mandate à-la-carte sales or otherwise seek to impose greater regulatory controls on how programming is sold by MVPDs. The programming companies whose services are distributed in tiers or packages of programming services would experience decreased distribution if à-la-carte carriage were mandated.

*Copyright Regulation.* The programming companies in which we have interests must obtain any necessary music performance rights from the rights holders. These rights generally are controlled by the music performance rights organizations of the American Society of Composers, Authors and Publishers (ASCAP), Broadcast Music, Inc. (BMI) and the Society of European Stage Authors and Composers (SESAC), each with rights to the music of various artists.

*Satellites and Uplink.* In general, authorization from the FCC must be obtained for the construction and operation of a communications satellite. The FCC authorizes utilization of satellite orbital slots assigned to the United States by the World Administrative Radio Conference. Such slots are finite in number, thus limiting the number of carriers that can provide satellite transponders and the number of transponders available for transmission of programming services. At present, however, there are numerous competing satellite service providers that make transponders available for video services to MVPDs. The FCC also regulates the earth stations uplinking to and/or downlinking from such satellites.

#### ***Internet Services***

The Internet businesses in which we have interests are subject, both directly and indirectly, to various laws and governmental regulations. Certain of our subsidiaries engaged in the provision of goods and services over the Internet must comply with federal and state laws and regulations applicable to online communications and commerce. For example, the Children's Online Privacy Protection Act prohibits web sites from collecting personally identifiable information online from children under age 13 without parental consent and imposes a number of operational requirements. Certain email activities are subject to the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, commonly known as the CAN-SPAM Act. The CAN-SPAM Act regulates the sending of unsolicited commercial email by requiring the email sender, among other things, to comply with specific disclosure requirements and to provide an "opt-out" mechanism for recipients. Both of these laws include statutory penalties for non-compliance. Various states also have adopted laws regulating certain aspects of Internet communications. In 2007, Congress enacted legislation extending the moratorium on state and local taxes on Internet access and commerce until 2014.

Goods sold over the Internet also must comply with traditional regulatory requirements, such as the Federal Trade Commission requirements regarding truthful and accurate claims. To the extent that Bodybuilding.com, for example, markets or sells nutritional or dietary supplements, its activities may be regulated by the United States Food and Drug Administration ("FDA") in certain respects. Dietary supplement distributors must comply with FDA regulations regarding supplement labeling and reporting.

Congress and individual states may consider additional online privacy legislation. Other Internet-related laws and regulations enacted in the future may cover issues such as defamatory speech, copyright infringement, pricing and characteristics and quality of products and services. The future adoption of such laws or regulations may slow the growth of commercial online services and the Internet, which could in turn cause a decline in the demand for the services and products of the Internet companies in which we have interests and increase such companies' costs of doing business or otherwise have an adverse effect on their businesses, operating results and financial conditions. Moreover, the applicability to commercial online services and the Internet of existing laws governing issues such as property ownership, libel, personal privacy and taxation is uncertain and could expose these companies to substantial liability.

In 2010, the FCC adopted rules in its open Internet proceeding that require all broadband providers to disclose network management practices, restrict broadband providers from blocking Internet content and applications, and prohibit fixed broadband providers from engaging in unreasonable discrimination in transmitting lawful network traffic. The open Internet rules could restrict the ability of broadband providers to block or otherwise disadvantage our Internet businesses. The rules are subject to appeals pending before the United States Court of Appeals and a petition for reconsideration pending at the FCC.

#### ***Other Regulation***

To the extent that our subsidiaries market through other channels such as television, such efforts are regulated by a range of federal and state laws and regulations. Federal Trade Commission ("FTC") and FDA regulations may apply to certain claims made regarding products, and FTC regulations such as the Telemarketing Sales Rule may apply to contacts with customers or potential customers.

In June 2010, John C. Malone and DIRECTV completed a transaction that eliminated his and our attributable interests in DIRECTV under FCC rules. However, we remain subject to various conditions adopted by the FCC in approving our 2008 transaction with News Corporation, including program access, non-discrimination and program carriage. We do not believe that compliance with those conditions has any material adverse effect on any of our businesses.

#### ***Proposed Changes in Regulation***

The regulation of programming services, cable television systems, DBS providers, Internet services, online sales and other forms of product marketing is subject to the political process and has been in constant flux over the past decade. 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.

#### **Competition**

Our businesses that engage in video and on-line commerce compete with traditional bricks and mortar and online retailers ranging from large department stores to specialty shops, electronic retailers, direct marketing retailers, such as mail order and catalog companies, and discount retailers. In addition, QVC and HSN compete for access to customers and audience share with other conventional forms of entertainment and content. Provide Commerce competes with online floral providers such as 1-800-FLOWERS and floral wire services such as FTD and Teleflora. We believe that the principal competitive factors in the markets in which our electronic commerce businesses compete are high-quality products, freshness, brand recognition, selection, value, convenience, price, website performance, customer service and accuracy of order shipment.

Our businesses that offer services through the Internet compete with businesses that offer their own services directly through the Internet as well as with traditional offline providers of similar services including providers of lending services, travel agencies, operators of destination search sites and search-centric portals, search technology providers, online advertising networks, site aggregation companies, media, telecommunications and cable companies, Internet service providers and niche competitors that

focus on a specific category or geography. Expedia also competes with hoteliers and airlines as well as travel planning service providers, including aggregator sites that offer inventory from multiple suppliers, such as airline sites, Orbitz, Travelocity and Priceline, and with American Express and Navigant International, providers of corporate travel services. We believe that the principal competitive factors in the markets in which our businesses that offer services through the Internet engage are selection, price, availability of inventory, convenience, brand recognition, accessibility, customer service, reliability, website performance, and ease of use.

## Employees

As of December 31, 2011, our corporate function is supported by a services agreement with LMC which has 77 corporate employees and are also considered employees of Liberty. Additionally, our consolidated subsidiaries had an aggregate of approximately 20,000 full and part-time employees. We believe that our employee relations are good.

### (d) *Financial Information About Geographic Areas*

For financial information related to the geographic areas in which we do business, see note 18 to our consolidated financial statements found in Part II of this report.

### (e) *Available Information*

All of our filings with the Securities and Exchange Commission (the "SEC"), including our Form 10-Ks, Form 10-Qs and Form 8-Ks, as well as amendments to such filings are available on our Internet website free of charge generally within 24 hours after we file such material with the SEC. Our website address is [www.libertyinteractive.com](http://www.libertyinteractive.com).

Our corporate governance guidelines, code of business conduct and ethics, compensation committee charter, nominating and corporate governance committee charter, and audit committee charter are available on our website. In addition, we will provide a copy of any of these documents, free of charge, to any shareholder who calls or submits a request in writing to Investor Relations, Liberty Interactive Corporation, 12300 Liberty Boulevard, Englewood, Colorado 80112, Tel. No. (877) 772-1518.

The information contained on our website is not incorporated by reference herein.

## Item 1A. Risk Factors

*The risks described below and elsewhere in this annual report are not the only ones that relate to our businesses or our capitalization. The risks described below are considered to be the most material. However, there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that also could have material adverse effects on our businesses. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. If any of the events described below were to occur, our businesses, prospects, financial condition, results of operations and/or cash flows could be materially adversely affected.*

***Our historical financial information may not necessarily reflect our results had our former Interactive Group been a separate company.*** During the third quarter of 2011, we completed the previously announced split-off of our former Liberty Capital and Liberty Starz tracking stock groups, which tracked the businesses, assets and liabilities attributed to our former Capital Group and Starz Group, respectively, from our Liberty Interactive tracking stock group, which tracked the businesses, assets and liabilities that we still own today. As a result of the LMC Split-Off, our company no longer utilizes a tracking stock structure. We previously adopted this structure to, among other reasons, permit equity investors to apply more specific criteria in valuing the shares of a particular group within our company, such as comparisons of earnings multiples with those of other companies in the same business sector. In valuing shares of Liberty Interactive common stock, investors should recognize that our historical financial information has been extracted from our consolidated financial statements prior to the LMC Split-Off and may not necessarily reflect what our company's results of operations, financial condition and cash flows would have been had the Interactive Group been a separate, stand-alone entity pursuing an independent strategy during the periods presented.

***Our programming and e-commerce subsidiaries as well as some of our business affiliates depend on their relationships with third party distribution channels, suppliers and advertisers and any adverse changes in these relationships could adversely affect our results of operations.*** An important component of the success of our programming and e-commerce subsidiaries as well as some of our business affiliates is their ability to maintain their existing, as well as build new, relationships with a limited number of local and national cable and satellite providers, suppliers and advertisers, among other parties. There can be no assurance that our programming suppliers will be able to obtain or maintain carriage of their programming services by distributors on commercially reasonable terms or at all. Similarly, there can be no assurance that our subsidiaries and business affiliates will be able to maintain their existing supplier or advertising arrangements on commercially reasonable terms or at all. Adverse changes in existing relationships or the inability to enter into new arrangements with these parties on favorable terms, if at all, could have a significant adverse effect on our results of operations.

***Rapid technological advances could render the products and services offered by our subsidiaries and business affiliates obsolete or non-competitive.*** Our subsidiaries and business affiliates must stay abreast of rapidly evolving technological developments and offerings to remain competitive and increase the utility of their services. These subsidiaries and business affiliates must be able to incorporate new technologies into their products and services in order to address the needs of their customers. There can be no assurance that they will be able to compete with advancing technology, and any failure to do so could result in customers seeking alternative service providers and may adversely impact our revenue and operating income.

***Our subsidiaries and business affiliates are subject to risks of adverse government regulation.*** Programming services, cable television systems, the Internet, telephony services and satellite service providers are subject to varying degrees of regulation in the United States by the Federal Communications Commission and other entities and in foreign countries by similar regulators. Such regulation and legislation are subject to the political process and have been in constant flux over the past decade. The application of various sales and use tax provisions under state, local and foreign law to the products and services of our subsidiaries and certain of our business affiliates sold via the Internet, television and telephone is subject to interpretation by the applicable taxing authorities, and no assurance can be given that such authorities will not take a contrary position to that taken by our subsidiaries and certain of our business affiliates, which could have a material adverse effect on their businesses. In addition, there have been numerous attempts at the federal, state and local levels to impose additional taxes on online commerce transactions. Moreover, substantially every foreign country in which our subsidiaries or business affiliates have, or may in the future make, an investment regulates, in varying degrees, the distribution, content and ownership of programming services and foreign investment in programming companies and wireline and wireless cable communications, satellite and telephony services and the Internet. Further material changes in the law and regulatory requirements must be anticipated, and there can be no assurance that our businesses and assets will not become subject to increased expenses or more stringent restrictions as a result of any future legislation, new regulation or deregulation.

***Our subsidiaries and business affiliates conduct their businesses under highly competitive conditions.*** Although QVC and HSN are two of the nation's largest home shopping networks, they and our e-commerce companies have numerous and varied competitors at the national and local levels, including conventional and specialty department stores, other specialty stores, mass merchants, value retailers, discounters, and Internet and mail-order retailers. Competition is characterized by many factors, including assortment, advertising, price, quality, service, location, reputation and credit availability. If our subsidiaries and business affiliates do not compete effectively with regard to these factors, our results of operations could be materially and adversely affected.

***The sales and operating results of our subsidiaries and business affiliates depend on their ability to predict or respond to consumer preferences.*** The sales and operating results of our subsidiaries and business affiliates depend in part on their ability to predict or respond to changes in consumer preferences and fashion trends in a timely manner. QVC and our e-commerce companies continuously develop new retail concepts and adjust their product mix in an effort to satisfy customer demands. Any sustained failure to identify and respond to emerging trends in lifestyle and consumer preferences could have a material adverse effect on the businesses of our subsidiaries and business affiliates. Consumer spending may be affected by many factors outside of their control, including competition from store-based retailers, mail-order and third-party Internet companies, consumer confidence and preferences, and general economic conditions.

***Increased programming and content costs may adversely affect profits.*** One of our subsidiaries, QVC, and one of our business affiliates, HSN, produce programming and other content and incur costs for all types of creative talent including writers, producers, actors and other on-air talent. An increase in the costs of programming and other content may lead to decreased profitability.

***Continuingly weak economic conditions may reduce consumer demand for our products and services.*** The current economic downturn in the United States and in other regions of the world in which our subsidiaries and affiliates operate could adversely affect demand for our products and services. A substantial portion of our revenue is derived from discretionary spending by



individuals, which typically falls during times of economic instability. A reduction in discretionary spending could adversely affect revenue including lagging retail sales by satellite and cable television subscribers. Accordingly, our ability to increase or maintain revenue and earnings could be adversely affected to the extent that relevant economic environments remain weak or decline further. We currently are unable to predict the extent of any of these potential adverse effects.

***The success of one of our subsidiaries, QVC, depends in large part on its ability to recruit and retain key personnel.*** QVC has a business model that requires it to recruit and retain key employees with the skills necessary for a unique business that demands knowledge of the general retail industry, television production, direct to consumer marketing, fulfillment and the Internet. We cannot assure you that if QVC experiences turnover of these key persons, it will be able to recruit and retain acceptable replacements, in part, because the market for such employees is very competitive and limited.

***Our subsidiary, QVC, has operations outside of the United States that are subject to numerous operational and financial risks.*** QVC has operations in countries other than the United States and are subject to the following risks inherent in international operations:

- fluctuations in currency exchange rates, including due to instability in the EU due to the possible restructuring of the sovereign debt of certain countries;
- longer payment cycles for sales in foreign countries that may increase the uncertainty associated with recoverable accounts;
- recessionary conditions and economic instability, including fiscal policies that are implementing austerity measures in certain countries, which are affecting overseas markets;
- potentially adverse tax consequences;
- export and import restrictions, tariffs and other trade barriers;
- increases in taxes and governmental royalties and fees;
- involuntary renegotiation of contracts with foreign governments;
- changes in foreign and domestic laws and policies that govern operations of foreign-based companies;
- difficulties in staffing and managing international operations; and
- political unrest that may result in disruptions of services that are critical to their international businesses.

***The success of our subsidiaries and certain of our business affiliates depends on maintaining the integrity of their systems and infrastructure.*** A fundamental requirement for online commerce and communications is the secure transmission of confidential information, such as credit card numbers or other personal information, over public networks. If the security measures of any of our subsidiaries or business affiliates engaged in online commerce were to be compromised, it could have a detrimental effect on their reputation, adversely affect their ability to attract customers, subject them to increased costs related to credit monitoring or result in fines and/or proceedings from governmental authorities and/or customers. Computer viruses transmitted over the Internet have significantly increased in recent years, thereby increasing the possibility of disabling attacks on and damage to websites of our subsidiaries and those of our business affiliates whose businesses are dependent on the Internet. In addition, certain of these businesses rely on third-party computer systems and service providers to facilitate and process a portion of their transactions. Any interruptions, outages or delays in these services, or a deterioration in their performance, could impair the ability of these businesses to process transactions for their customers and the quality of service they can offer to them.

***We do not have the right to manage our business affiliates, which means we are not able to cause those affiliates to act in a manner that we deem desirable.*** We do not have the right to manage the businesses or affairs of any of our business affiliates (generally those companies in which we have less than a majority voting stake), including HSN and Expedia. Rather, our rights 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 vary from agreement to agreement. Although our board representation and veto rights may enable us to exercise influence over the management or policies of a business affiliate, enable us to prevent the sale of material assets by a business affiliate in which we own less than a majority voting interest or prevent us from paying dividends or making distributions to our stockholders or partners, they will not enable us to cause these actions to be taken.

***The liquidity and value of our public investments may be affected by market conditions beyond our control that could cause us to record losses for declines in their market value.*** Included among our assets are equity interests in publicly-traded companies

that are not consolidated subsidiaries. The value of these interests may be affected by economic and market conditions that are beyond our control. In addition, our ability to liquidate or otherwise monetize these interests without adversely affecting their value may be limited.

***A substantial portion of our consolidated debt is held above the operating subsidiary level, and we could be unable in the future to obtain cash in amounts sufficient to service that debt and our other financial obligations.*** As of December 31, 2011, our wholly-owned subsidiary Liberty Interactive LLC had \$4,067 billion principal amount of publicly-traded debt outstanding. Liberty Interactive LLC is a holding company for all of our subsidiaries and investments. Our ability to meet the financial obligations of Liberty Interactive LLC and our other financial obligations will depend on our ability to access cash. Our sources of cash include our available cash balances, net cash from operating activities, dividends and interest from our investments, availability under credit facilities at the operating subsidiary level, monetization of our public investment portfolio and proceeds from asset sales. There are no assurances that we will maintain the amounts of cash, cash equivalents or marketable securities that we maintained over the past few years. The ability of our operating subsidiaries to pay dividends or to make other payments or advances to us or Liberty Interactive LLC 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 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. Neither we nor Liberty Interactive LLC will generally receive cash, in the form of dividends, loans, advances or otherwise, from our business affiliates. See our previous discussion on our right to manage our business affiliates above.

***We have disposed of certain of the reference shares underlying our exchangeable debentures, which exposes us to liquidity risk.*** We currently have outstanding multiple tranches of exchangeable debentures in the aggregate principal amount of \$2,967 million. Under the terms of the exchangeable debentures, the holders may elect to require us to exchange the debentures for the value of a specified number of the underlying reference shares, which we may honor through delivery of reference shares, cash or a combination thereof. Also, we are required to distribute to the holders of our exchangeable debentures any cash, securities (other than publicly traded securities, which would themselves become reference shares) or other payments made by the issuer of the reference shares in respect of those shares. The principal amount of the debentures will be reduced by the amount of any such required distributions other than regular cash dividends. As we have disposed of some of the reference shares underlying certain of our exchangeable debentures, any exercise of the exchange right by, or required distribution of cash, securities or other payments to, holders of such debentures will require that we fund the required payments from our own resources, which will depend on the availability of cash or other sources of liquidity to us at that time.

***Transactions in our common stock by our insiders could depress the market price of our common stock.*** Sales of or hedging transactions such as collars relating to our shares by our Chairman of the Board or any of our other directors or executive officers could cause a perception in the marketplace that our stock price has peaked or that adverse events or trends have occurred or may be occurring at our company. This perception can result notwithstanding any personal financial motivation for these insider transactions. As a result, insider transactions could depress the market price for shares of our common stock.

***Holders of a single series of our common stock may not have any remedies if an action by our directors has an adverse effect on only that series of our common stock.*** Principles of Delaware law and the provisions of our certificate of incorporation may protect decisions of our board of directors that have a disparate impact upon holders of any single series of our common stock. Under Delaware law, the board of directors has a duty to act with due care and in the best interests of all of our shareholders, including the holders of all series of our common stock. Principles of Delaware law established in cases involving differing treatment of multiple classes or series of stock provide that a board of directors owes an equal duty to all common shareholders regardless of class or series and does not have separate or additional duties to any group of shareholders. As a result, in some circumstances, our directors may be required to make a decision that is viewed as adverse to the holders of one series of our common stock. Under the principles of Delaware law and the business judgment rule, holders may not be able to successfully challenge decisions that they believe have a disparate impact upon the holders of one series of our stock if our board of directors is disinterested and independent with respect to the action taken, is adequately informed with respect to the action taken and acts in good faith and in the honest belief that the board is acting in the best interest of all of our stockholders.

***The Company has overlapping directors and management with Liberty Interactive, which may lead to conflicting interests.***As a result of the Split-Off, most of the executive officers of Liberty also serve as executive officers of LMC, and there is significant board overlap between Liberty and LMC. John C. Malone is the Chairman of the Board of Liberty and LMC. LMC does not have any ownership interest in Liberty, and Liberty does not have any ownership interest in LMC. The executive officers and the members of Liberty's board of directors have fiduciary duties to its stockholders. Likewise, any such persons who serve in similar capacities at LMC have fiduciary duties to that company's stockholders. Therefore, such persons may have conflicts of interest or

the appearance of conflicts of interest with respect to matters involving or affecting their respective companies. For example, there may be the potential for a conflict of interest when Liberty or LMC looks at acquisitions and other corporate opportunities that may be suitable for either of them. Moreover, most of Liberty's directors and officers continue to own LMC stock and options to purchase LMC stock. These ownership interests could create, or appear to create, potential conflicts of interest when these individuals are faced with decisions that could have different implications for Liberty and/or LMC. Any potential conflict that qualifies as a "related party transaction" (as defined in Item 404 of Regulation S-K) is subject to review by an independent committee of the applicable issuer's board of directors in accordance with its corporate governance guidelines. Any other potential conflicts that arise will be addressed on a case-by-case basis, keeping in mind the applicable fiduciary duties owed by the executive officers and directors of each issuer. From time to time, LMC or its respective affiliates may enter into transactions with Liberty and/or its subsidiaries or other affiliates. Although the terms of any such transactions or agreements will be established based upon arms'-length negotiations between employees of the companies involved, there can be no assurance that the terms of any such transactions will be as favorable to Liberty or its subsidiaries or affiliates as would be the case where there is no overlapping officers or directors.

***We may compete with LMC for business opportunities.*** Certain of LMC's subsidiaries and business affiliates own or operate programming services that may compete with the programming services offered by our businesses. For example, QVC and LMC's Starz both produce programming that is distributed via cable and satellite networks. We have no rights in respect of programming or distribution opportunities developed by or presented to the subsidiaries or business affiliates of LMC and the pursuit of these opportunities by such subsidiaries or affiliates may adversely affect our interests or those of our stockholders. Because we and LMC have overlapping directors and officers, a business opportunity that is presented to those individuals may result in a conflict of interest or the appearance of a conflict of interest. Each of our directors and officers have a fiduciary duty to offer to our company any business opportunity that he or she may be presented in which we have an interest or expectancy. The directors and officers of LMC including those who are also our directors and officers, owe the same fiduciary duty to LMC and its stockholders.

***It may be difficult for a third party to acquire us, even if doing so may be beneficial to our stockholders.*** Certain provisions of our restated charter and bylaws may discourage, delay or prevent a change in control of our company that a stockholder may consider favorable. These provisions include:

- authorizing a capital structure with multiple series of common stock, a Series B common stock that entitles the holders to ten votes per share, a Series A common stock that entitles the holder to one vote per share, and a Series C common stock that except as otherwise required by applicable law, entitles the holder to no voting rights;
- classifying our board of directors with staggered three-year terms, which may lengthen the time required to gain control of our board of directors;
- limiting who may call special meetings of stockholders;
- prohibiting stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of the stockholders;
- establishing advance notice requirements for nominations of candidates for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings;
- requiring stockholder approval by holders of at least 66 2/3% of our aggregate voting power or the approval by at least 75% of our board of directors with respect to certain extraordinary matters, such as a merger or consolidation of our company, a sale of all or substantially all of our assets or an amendment to our restated charter; and
- the existence of authorized and unissued stock, including "blank check" preferred stock, which could be issued by our board of directors to persons friendly to our then current management, thereby protecting the continuity of our management, or which could be used to dilute the stock ownership of persons seeking to obtain control of our company.

Our chairman, John C. Malone, beneficially owns shares representing the power to direct approximately 33% of the aggregate voting power in our company, due to his beneficial ownership of approximately 93% of the outstanding shares of Series B Liberty Interactive common stock.

#### **Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties.**

We lease our corporate headquarters in Englewood, Colorado under a facilities agreement with LMC. All of our other real or personal property is owned or leased by our subsidiaries and business affiliates.

QVC owns its corporate headquarters and operations center in West Chester, Pennsylvania. It also owns call centers in San Antonio, Texas; Port St. Lucie, Florida; Chesapeake, Virginia; Bochum and Kassel, Germany, as well as a call center and warehouse in Knowsley, United Kingdom. QVC owns a distribution center in Hücklehoven, Germany and distribution centers in Lancaster, Pennsylvania; Suffolk, Virginia; Rocky Mount, North Carolina; Florence, South Carolina and Sakura-shi, Chiba, Japan. To supplement the facilities it owns, QVC also leases various facilities in the United States, the United Kingdom, Germany, Japan and Italy for retail outlet stores, office space, warehouse space and call center locations.

Our other subsidiaries and business affiliates own or lease the fixed assets necessary for the operation of their respective businesses, including office space, transponder space, headends, cable television and telecommunications distribution equipment and telecommunications switches. Our management believes that our current facilities are suitable and adequate for our business operations for the foreseeable future.

**Item 3. Legal Proceedings**

None.

**PART II**

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

***Market Information***

Our Series A and Series B Liberty Interactive common stock (LINTA and LINTB) have been outstanding since May 2006. On September 23, 2011 we completed the LMC Split-Off, which was effected by means of a redemption of all of our Liberty Capital tracking stock and Liberty Starz tracking stock for the common stock of Liberty Media. Our Series A and Series B Liberty Capital tracking stock (LCAPA and LCAPB) and our Series A and Series B Liberty Starz tracking stock (formerly Liberty Entertainment tracking stock) (LSTZA and LSTZB, formerly LMDIA and LMDIB) were outstanding between September 23, 2011 and March 4, 2008 when each share of our previous Liberty Capital tracking stock was reclassified into one share of the same series of new Liberty Capital and four shares of the same series of Liberty Entertainment. On November 19, 2009, we completed the split off (the "LEI Split-Off") of our subsidiary Liberty Entertainment, Inc. ("LEI"). The LEI Split-Off was accomplished by a redemption of 90% of the outstanding shares of Liberty Entertainment common stock in exchange for all of the outstanding shares of common stock of LEI. LEI had been attributed to the Entertainment Group. Subsequent to the LEI Split-Off, the Entertainment Group was renamed the Starz Group. Each series of our common stock trades on the Nasdaq Global Select Market. The following table sets forth the range of high and low sales prices of shares of our common stock for the years ended December 31, 2011 and 2010.

	<u>Liberty Interactive</u>			
	<u>Series A (LINTA)</u>		<u>Series B (LINTB)</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
<u>2010</u>				
First quarter	\$ 15.41	10.20	15.25	10.29
Second quarter	\$ 16.65	10.50	16.65	10.79
Third quarter	\$ 14.00	10.08	13.76	10.35
Fourth quarter	\$ 16.22	13.63	16.10	13.51
<u>2011</u>				
First quarter	\$ 17.49	14.77	17.41	14.91
Second quarter	\$ 18.65	15.19	18.37	15.30
Third quarter	\$ 17.91	12.44	17.14	12.44
Fourth quarter	\$ 16.50	13.38	16.35	13.72

	<u>Liberty Capital</u>			
	<u>Series A (LCAPA)</u>		<u>Series B (LCAPB)</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
<u>2010</u>				
First quarter	\$ 37.16	23.62	37.00	23.50
Second quarter	\$ 46.05	36.48	45.94	37.50
Third quarter	\$ 53.25	40.42	52.74	41.42
Fourth quarter	\$ 63.67	52.01	63.28	51.62
<u>2011</u>				
First quarter	\$ 75.68	61.98	75.21	62.61
Second quarter	\$ 92.55	72.72	91.36	74.66
Third quarter (through September 23, 2011)	\$ 87.99	62.29	85.94	63.27

	<u>Liberty Starz</u>			
	<u>Series A (LSTZA)</u>		<u>Series B (LSTZB)</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
<u>2010</u>				
First quarter	\$ 54.73	46.04	53.67	46.64
Second quarter	\$ 57.12	48.17	57.04	48.90
Third quarter	\$ 65.56	49.89	67.00	51.50
Fourth quarter	\$ 69.15	60.12	69.15	61.84
<u>2011</u>				
First quarter	\$ 80.21	64.20	78.00	66.33
Second quarter	\$ 81.36	68.78	79.99	72.62
Third quarter (through September 23, 2011)	\$ 78.91	63.00	78.08	64.16

#### **Holdings**

As of January 31, 2012, there were approximately 2,000 and 100 record holders of our Series A and Series B Liberty Interactive common stock, respectively. The foregoing numbers of record holders do not include the number of stockholders whose shares are held nominally by banks, brokerage houses or other institutions, but include each such institution as one shareholder.

#### **Dividends**

We have not paid any cash dividends on our common stock, and we have no present intention of so doing. Payment of cash dividends, if any, in the future will be determined by our board of directors in light of our earnings, financial condition and other relevant considerations.

#### **Securities Authorized for Issuance Under Equity Compensation Plans**

Information required by this item is incorporated by reference to our definitive proxy statement for our 2012 Annual Meeting of stockholders.

#### **Purchases of Equity Securities by the Issuer**

#### **Share Repurchase Programs**

On several occasions our board of directors has authorized a share repurchase program for our Series A and Series B Liberty Interactive common stock. On each of May 5, 2006, November 3, 2006 and October 30, 2007 our board authorized the repurchase of \$1 billion of Liberty Interactive Series A and Series B common stock for a total of \$3 billion. These previous authorizations have remained effective, notwithstanding the fact that our stock is no longer a tracking stock, following the Split-Off.

A summary of the repurchase activity for the three months ended December 31, 2011 is as follows:

Period	Series A Liberty Interactive Common Stock			
	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 - 31, 2011	5,801,858	\$ 14.95	5,801,858	\$566 million
November 1 - 30, 2011	4,579,134	\$ 15.64	4,579,134	\$494 million
December 1 - 31, 2011	7,605,378	\$ 15.86	7,605,378	\$373 million
Total	<u>17,986,370</u>		<u>17,986,370</u>	

In addition to the shares listed in the table above 18,553 shares of Series A Liberty Interactive common stock were surrendered by certain of our officers and employees to pay withholding taxes and other deductions in connection with the vesting of their restricted stock.

**Item 6. Selected Financial Data.**

The following tables present selected historical information relating to our financial condition and results of operations for the past five years. The following data should be read in conjunction with our consolidated financial statements.

	December 31,				
	2011	2010	2009	2008	2007
	amounts in millions				
<i>Summary Balance Sheet Data:</i>					
Cash	\$ 847	1,353	1,955	1,903	2,008
Investments in available-for-sale securities and other cost investments	\$ 1,168	1,110	1,641	1,469	3,703
Investment in affiliates	\$ 1,135	949	831	794	864
Assets of discontinued operations	\$ —	8,933	9,374	22,644	23,575
Total assets	\$ 17,339	26,600	28,631	41,903	45,649
Long-term debt	\$ 4,850	5,970	7,343	8,509	10,853
Deferred income tax liabilities, noncurrent	2,046	2,709	2,946	3,305	3,985
Liabilities of discontinued operations	—	3,854	5,002	8,217	8,462
Equity	\$ 6,627	11,442	10,238	19,757	20,452

	Years ended December 31,				
	2011	2010	2009	2008	2007
	amounts in millions, except per share amounts				
<i>Summary Statement of Operations Data:</i>					
Revenue	\$ 9,616	8,932	8,305	8,079	7,802
Operating income (loss)	\$ 1,133	1,108	1,041	906	1,113
Interest expense	\$ (427)	(626)	(594)	(607)	(587)
Share of earnings (losses) of affiliates	\$ 140	112	24	(953)	77
Realized and unrealized gains (losses) on financial instruments, net	\$ 84	62	(589)	493	502
Gains on dispositions, net	\$ —	355	42	2	12
Other than temporary declines in fair value of investments	\$ —	—	—	(440)	—
Earnings (loss) from continuing operations (1):					
Liberty Capital common stock	\$ 10	28	(356)	374	—
Liberty Starz common stock	\$ —	—	—	—	—
Liberty Interactive common stock	\$ 577	808	319	(597)	470
Old Liberty Capital common stock	\$ —	—	—	—	233
	<u>\$ 587</u>	<u>836</u>	<u>(37)</u>	<u>(223)</u>	<u>703</u>
Basic earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share (2):					
Series A and Series B Liberty Capital common stock	\$ 0.12	0.31	(3.71)	3.31	—
Series A and Series B Liberty Interactive common stock	\$ 0.88	1.28	0.47	(1.07)	0.70
Old Series A and Series B Liberty Capital common stock	\$ —	—	—	—	1.77
Diluted earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share (2):					
Series A and Series B Liberty Capital common stock	\$ 0.12	0.30	(3.71)	3.31	—
Series A and Series B Liberty Interactive common stock	\$ 0.87	1.26	0.47	(1.07)	0.69
Old Series A and Series B Liberty Capital common stock	\$ —	—	—	—	1.75

- (1) Includes earnings from continuing operations attributable to the noncontrolling interests of \$53 million, \$45 million, \$39 million, \$44 million and \$35 million for the years ended December 31, 2011, 2010, 2009, 2008 and 2007, respectively.
- (2) Basic and diluted earnings per share have been calculated for Liberty Capital and Liberty Starz common stock for the period subsequent to March 3, 2008 through September 23, 2011. Basic and diluted EPS have been calculated for Liberty Interactive common stock for the periods subsequent to May 9, 2006. Basic and diluted EPS have been calculated for old Liberty Capital for the period from May 9, 2006 to March 3, 2008.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying consolidated financial statements and the notes thereto.

### Overview

We own controlling and non-controlling interests in a broad range of video and on-line commerce companies. Our largest business, which is also our principal reportable segment, is QVC, Inc. QVC markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of its televised shopping programs and via the Internet through its domestic and international websites. Additionally, we own entire or majority interests in consolidated subsidiaries which operate on-line commerce businesses in a broad range of retail categories. The more significant of these include Backcountry.com, Inc., Bodybuilding.com, LLC, Celebrate Interactive Holdings, Inc. and Provide Commerce, Inc. Backcountry



operates websites offering sports gear and clothing for outdoor and active individuals in a variety of categories. Bodybuilding manages websites related to sports nutrition, bodybuilding and fitness. Celebrate operates websites that offer costumes, invitations, accessories, décor, gifts and party supplies. Provide operates an e-commerce marketplace of websites for perishable goods, including flowers, fruits and desserts, as well as upscale personalized gifts.

Our "Corporate and Other" category includes our corporate ownership interests in other unconsolidated businesses and corporate expenses. We hold ownership interests in Expedia, Inc., HSN, Inc., Interval Leisure Group, Inc., Tree.com, Inc. and TripAdvisor, Inc. which we account for as equity method investments; and we continue to maintain investments and related financial instruments in public companies such as Time Warner Inc., Time Warner Cable Inc. and AOL, Inc., which are accounted for at their respective fair market values and are included in "Corporate and Other."

### ***Discontinued Operations***

Prior to the LMC Split-Off (as defined below), Liberty's equity was structured into three separate tracking stocks. Tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. Liberty had three tracking stocks, Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock, which were intended to track and reflect the economic performance of the separate businesses, assets and liabilities attributed to each group. These attributed businesses, assets and liabilities were not separate legal entities and therefore could not own assets, issue securities or enter into legally binding agreements. Holders of the tracking stocks did not have direct claim to the group's stock or assets and were not represented by separate boards of directors.

On September 23, 2011, Liberty completed the split-off of a wholly owned subsidiary, Liberty Media Corporation ("LMC") (formerly known as Liberty CapStarz, Inc. and prior thereto Liberty Splitco, Inc.) (the "LMC Split-Off"). At the time of the LMC Split-Off, LMC owned all the assets, businesses and liabilities previously attributed to the Capital and Starz tracking stock groups. The LMC Split-Off was effected by means of a redemption of all of the Liberty Capital common stock and Liberty Starz common stock of Liberty for all of the common stock of LMC. This transaction has been accounted for at historical cost due to the pro rata nature of the distribution.

Following the LMC Split-Off, Liberty and LMC operate as separate, publicly traded companies and neither has any stock ownership, beneficial or otherwise, in the other. In connection with the LMC Split-Off, Liberty and LMC entered into certain agreements in order to govern certain of the ongoing relationships between the two companies after the LMC Split-Off and to provide for an orderly transition.

On November 19, 2009, Liberty completed the split-off (the "LEI Split-Off") of its wholly owned subsidiary, Liberty Entertainment, Inc. ("LEI"), and the business combination transaction among Liberty, LEI and the DIRECTV Group, Inc. ("DIRECTV") (the "DTV Business Combination"). LEI held Liberty's 57% interest in DIRECTV (which had a carrying value of \$13,475 million at the time of the LEI Split-Off), a 100% interest in Liberty Sports Holdings, LLC, a 65% interest in Game Show Network, LLC and approximately \$120 million in cash and cash equivalents, and approximately \$2 billion of indebtedness. All of the businesses, assets and liabilities that were attributed to the Entertainment Group and were not held by LEI remained with Liberty and were attributed to the Entertainment Group, which Liberty redesignated as the Starz Group.

Immediately following the LEI Split-Off, Liberty, LEI and DIRECTV completed the DTV Business Combination, and each of LEI and DIRECTV became wholly owned subsidiaries of a new public holding company ("Holdings"), and LEI repaid loans to Liberty in the amount of \$226 million. Pursuant to the DTV Business Combination, (i) John C. Malone, Chairman of the boards of Liberty, LEI and DIRECTV, and certain related persons (collectively, "the Malones") contributed each of their shares of LEI Series B common stock to Holdings for 1.1113 shares of Holdings Class B common stock (with payment of cash in lieu of any fractional shares), (ii) LEI merged with a wholly-owned subsidiary of Holdings, and each share of LEI common stock (other than shares of LEI Series B common stock held by the Malones) was exchanged for 1.1113 shares of Holdings Class A common stock (with payment of cash in lieu of any fractional shares), and (iii) DIRECTV merged with a wholly-owned subsidiary of Holdings, and each share of DIRECTV common stock was exchanged for one share of Holdings Class A common stock.

The consolidated financial statements of Liberty have been prepared to reflect LMC and LEI as discontinued operations. Accordingly, the assets and liabilities, revenue, costs and expenses, and cash flows of LMC and LEI, for periods prior to the respective split-offs, have been excluded from the respective captions in the accompanying consolidated balance sheets, statements of operations, comprehensive earnings and cash flows in such consolidated financial statements.

### ***Strategies and Challenges of Business Units***

***QVC.*** During 2011, QVC continued to see improved economic conditions and operating results. Domestically, in 2011, QVC continued to adjust its product mix, improve its programming, enhance and optimize its website and invest in multi-media

opportunities.

In 2011, each of QVC's international businesses showed improved operating results in local currency and U.S dollars. QVC-UK, QVC-Germany, QVC-Italy and QVC-Japan were all helped by a weaker U.S. dollar against the UK pound sterling, the euro and the Japanese yen, respectively. Efforts by QVC-Germany to diversify its programming and product mix and increase its focus on underperforming product categories by reducing airtime allocations helped to increase the business's performance in 2011. In 2011, QVC-UK improved the sales mix, selling times and frequency of the more successful product lines, which led to increased revenue and higher product margins. Further, both QVC-Germany and QVC-UK expanded their TV platforms with the launch of second channels as well as an interactive TV platform in Germany. QVC-Japan successfully navigated through a difficult natural disaster early in the year and grew its business year-over-year. QVC-Japan continued to adjust its product lines, value perception and category mix to improve performance. In October 2010, QVC commenced operations in Italy, which is still in the start-up phase, and has seen steady improvement in revenue growth, but continues to sustain operating losses.

QVC's goal is to become the preeminent global multimedia shopping community for people who love to shop, and to offer a shopping experience that is as much about entertainment and enrichment as it is about buying. QVC's objective is to provide an integrated shopping experience that utilizes all forms of media including television, the Internet and mobile devices. In 2012, QVC intends to employ several strategies to achieve these goals and objectives. Among these strategies are to (1) extend the breadth, relevance and exposure of the QVC brand, (2) source products that represent unique quality and value, (3) create engaging presentation content both in televised programming and online, (4) leverage customer loyalty and continue multi-platform expansion and (5) create a compelling and differentiated customer experience. In addition, QVC expects to leverage its existing systems, infrastructure and skills.

QVC-US has identified certain product growth opportunities and will continue to pursue compelling brands, unique items and dynamic and relevant personalities to fuel a constant flow of fresh concepts and large scale programming events. The upcoming enhanced website will provide improved product search and guided navigation, a second live counter programming show on-line and the ability to create micro-sites.

QVC's programming service is already received by substantially all of the multichannel television households in the US, UK, Germany and Japan. QVC's future net revenue growth will primarily depend on international expansion, additions of new customers from households already receiving our television programming and growth in sales to existing customers. QVC's future net revenue may also be affected by (1) the willingness of multichannel television distributors to continue carrying QVC's programming service, (2) the ability to maintain favorable channel positioning, which may become more difficult as distributors convert analog customers to digital, (3) changes in television viewing habits because of the proliferation of personal video recorders, video-on-demand and Internet video services and (4) general economic conditions.

## Results of Operations—Consolidated

**General.** We provide in the tables below information regarding our Consolidated Operating Results and Other Income and Expense, as well as information regarding the contribution to those items from our principal reportable segment and our E-commerce businesses. The "corporate and other" category consists of those assets or businesses which we do not disclose separately. For a more detailed discussion and analysis of the financial results of the principal reporting segment, see "Results of Operations - Businesses" below.

### Operating Results

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
<i>Revenue</i>			
QVC	\$ 8,268	7,807	7,352
E-commerce	1,348	1,125	953
Corporate and other	—	—	—
	<u>\$ 9,616</u>	<u>8,932</u>	<u>8,305</u>
<i>Adjusted OIBDA</i>			
QVC	\$ 1,733	1,671	1,556
E-commerce	123	103	112
Corporate and other	(33)	(28)	(14)
	<u>\$ 1,823</u>	<u>1,746</u>	<u>1,654</u>
<i>Operating Income (Loss)</i>			
QVC	\$ 1,137	1,130	1,014
E-commerce	55	40	54
Corporate and other	(59)	(62)	(27)
	<u>\$ 1,133</u>	<u>1,108</u>	<u>1,041</u>

**Revenue.** Our consolidated revenue increased 7.7% and 7.5% for the years ended December 31, 2011 and 2010, respectively, as compared to the corresponding prior year periods. The current year and prior year increases were the result of increased revenue at QVC (\$461 million and \$455 million, respectively) and the E-commerce companies (\$223 million and \$172 million, respectively). See "Results of Operations - Businesses" below for a more complete discussion of the results of operations of certain of our subsidiaries.

**Adjusted OIBDA.** We define Adjusted OIBDA as revenue less cost of sales, operating expenses and selling, general and administrative ("SG&A") expenses (excluding stock compensation). Our chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. We believe this is an important indicator of the operational strength and performance of our businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows us to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes such costs as depreciation and amortization, stock-based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. See note 18 to the accompanying consolidated financial statements for a reconciliation of Adjusted OIBDA to Earnings (loss) from continuing operations before income taxes.

Consolidated Adjusted OIBDA increased \$77 million and \$92 million for the years ended December 31, 2011 and 2010, respectively, as compared to the corresponding prior year periods. See "Results of Operations - Businesses" below for a more complete discussion of the results of operations of certain of our subsidiaries.

**Stock-based compensation.** Stock-based compensation includes compensation related to (1) options and stock appreciation rights ("SARs") for shares of our common stock that are granted to certain of our officers and employees, (2) phantom stock appreciation rights ("PSARs") granted to officers and employees of certain of our subsidiaries pursuant to private equity plans and (3) amortization of restricted stock grants.

We recorded \$49 million, \$67 million and \$47 million of stock compensation expense for the years ended December 31, 2011, 2010 and 2009, respectively. The decrease in stock compensation expense in 2011 relates primarily to our liability classified awards due to a less significant increase in our stock prices in the current period as compared to the prior period offset slightly by additional grants in the current year which increased amortization of stock compensation. The increase in stock compensation in 2010 was primarily due to the significant increase in our stock prices over that time period and a larger number of stock option grants. As of December 31, 2011, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately \$109 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 2.1 years.

**Operating income.** Our consolidated operating income increased \$25 million and \$67 million for the years ended December 31, 2011 and 2010, respectively, as compared to the corresponding prior year periods. See "Results of Operations - Businesses" below for a more complete discussion of the results of operations of certain of our subsidiaries.

#### Other Income and Expense

Components of Other Income (Expense) are presented in the table below.

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Other income (expense):			
Interest expense	\$ (427)	(626)	(594)
Share of earnings (losses) of affiliates	140	112	24
Realized and unrealized gains (losses) on financial instruments, net	84	62	(589)
Gains (losses) on dispositions, net	—	355	42
Other, net	9	(47)	(6)
	<u>\$ (194)</u>	<u>(144)</u>	<u>(1,123)</u>

**Interest expense.** Interest expense decreased \$199 million and increased \$32 million for the years ended December 31, 2011 and 2010, respectively, as compared to the corresponding prior year periods. The overall decrease in interest expense for the current year related to a lower average debt balance throughout the year, as compared to the corresponding prior year period. The 2010 increase was primarily due to a shift from shorter term debt with lower interest rates to longer term debt which has slightly higher rates.

**Share of earnings (losses) of affiliates.** The following table presents our share of earnings (losses) of affiliates:

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Expedia, Inc.	\$ 119	103	72
TripAdvisor, Inc.	—	—	—
HSN, Inc.	38	31	(37)
Other	(17)	(22)	(11)
	<u>\$ 140</u>	<u>112</u>	<u>24</u>

During the fourth quarter of 2011 Expedia, Inc. completed the pro-rata split-off of TripAdvisor, Inc., a wholly owned subsidiary. Therefore, we have a 26% ownership interest in each of Expedia, Inc. and TripAdvisor, Inc. as of December 31, 2011.

The change of earnings (losses) of affiliates for the year ended December 31, 2010 as compared to the same period for 2009 was due to our accounting for certain equity method affiliates on a lag. These equity method affiliates took impairment charges as of December 31, 2008 and we recorded our incremental share of those losses in the first quarter of 2009. As of December 31, 2008 we had recorded other than temporary impairments of those equity method affiliates in our share of earnings (losses) as of that date. The share of losses in the first quarter of 2009 relates to the incremental portion between our other than temporary impairments and our share of losses for those equity method affiliates.

**Realized and unrealized gains (losses) on financial instruments.** Realized and unrealized gains (losses) on financial instruments are comprised of changes in the fair value of the following:

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Non-strategic Securities	\$ 55	202	238
Exchangeable senior debentures	(46)	(257)	(856)
Other derivatives	75	117	29
	<u>\$ 84</u>	<u>62</u>	<u>(589)</u>

The changes in these accounts are due entirely to market factors and changes in the fair value of the underlying stocks or financial instruments to which these relate.

**Gains (losses) on dispositions.** Gains on dispositions in 2010 include a gain related to the sale of our GSI Commerce, Inc. shares of \$105 million and a gain of \$218 million related to the disposition of all of our IAC/InteractiveCorp shares throughout the year ended December 31, 2010.

**Income taxes.** Our effective tax rate for the years ended December, 2011 and 2010 was 37% and 13%, respectively. The 2011 effective tax rate is greater than the U.S. federal income tax rate of 35% primarily due to the impact of state taxes. The 2010 effective tax rate was less than the U.S. federal income tax rate of 35% due to a nontaxable exchange of investments for a subsidiary that resulted in a deferred tax benefit of \$112 million. For the year ended December 31, 2009 we recognized an income tax benefit of \$45 million which was greater than the U.S. federal income tax rate of 35% of our net losses due primarily to the recognition of nontaxable gains related to certain financial instruments on our own common stock.

**Net earnings.** We had net earnings of \$965 million, \$1,937 million and \$6,501 million for the years ended December 31, 2011, 2010 and 2009, respectively. The change in net earnings was the result of the above-described fluctuations in our revenue, expenses and other gains and losses. The December 31, 2009 net earnings includes the discontinued operations which included a significant gain related to the LEI Split-Off.

#### **Liquidity and Capital Resources**

As of December 31, 2011 substantially all of our cash and cash equivalents are invested in U.S. Treasury securities, other government securities or government guaranteed funds, AAA rated money market funds and other highly rated financial and corporate debt instruments.

The following are potential sources of liquidity: available cash balances, cash generated by the operating activities of our privately-owned subsidiaries (to the extent such cash exceeds the working capital needs of the subsidiaries and is not otherwise restricted), proceeds from asset sales, monetization of our public investment portfolio, debt and equity issuances, and dividend and interest receipts.

As a result of the LMC Split-Off, S&P announced upgrades for both the QVC and the Liberty Interactive LLC (fka Liberty Media LLC) ratings, while Moody's affirmed the Liberty Interactive corporate rating and affirmed the QVC senior bond rating of Ba2.

As of December 31, 2011 Liberty had a cash balance of \$847 million with approximately \$320 million held by foreign subsidiaries. Cash in foreign subsidiaries is generally accessible but certain tax consequences may reduce the net amount of cash we are able to utilize for domestic purposes. We note that QVC-Japan's cash, which is approximately half of the foreign cash balance, is further encumbered by a minority interest agreement. We believe that we currently have appropriate legal structures in

place to repatriate foreign cash as tax efficiently as possible and meet the business needs of the company. Another significant source of liquidity is our borrowing capacity under the QVC Bank Credit Facilities under which we have \$1,566 million of available credit at December 31, 2011. Additionally, our operating businesses have provided, on average, approximately \$1 billion in annual operating cash flow over the prior three years. Although prior year operating cash flow was enhanced by a one time working capital change at QVC related to the amended GE Capital Retail Bank agreement, we do not anticipate any significant reductions in the \$1 billion of average annual operating cash flows in future periods.

During the year ended December 31, 2011, Liberty's primary uses of cash were \$899 million of debt repayments, \$366 million of share repurchases and \$312 million of capital expenditures. These uses of cash were funded primarily with \$914 million of cash provided by operating activities, \$383 million in borrowings and cash on hand.

The projected uses of Liberty cash are the costs to service outstanding debt, approximately \$400 million for interest payments on QVC and parent debt, forecasted capital improvement spending of approximately \$400 million, a portion of which relates to the construction of the new QVC-Japan headquarters, for 2012, the continued buyback of common stock under the approved share buyback program (subsequent to year end we made additional repurchases of approximately 3.9 million shares for \$68 million through January 31, 2012) and additional investments in existing or new businesses.

QVC was in compliance with its debt covenants as of December 31, 2011.

#### **Off-Balance Sheet Arrangements and Aggregate Contractual Obligations**

In connection with agreements for the sale of assets by our company, we may retain liabilities that relate to events occurring prior to the sale, such as tax, environmental, litigation and employment matters. We generally indemnify the purchaser in the event that a third party asserts a claim against the purchaser that relates to a liability retained by us. These types of indemnification obligations may extend for a number of years. We are unable to estimate the maximum potential liability for these types of indemnification obligations as the sale agreements may not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, we have not made any significant indemnification payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements with respect to these indemnification obligations.

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

Information concerning the amount and timing of required payments, both accrued and off-balance sheet, under our contractual obligations is summarized below.

	Payments due by period				
	Total	Less than 1 year	2 - 3 years	4 - 5 years	After 5 years
<i>Consolidated contractual obligations</i>	<b>amounts in millions</b>				
Long-term debt (1)	\$ 6,583	27	334	457	5,765
Interest payments (2)	4,054	393	677	644	2,340
Long-term financial instruments	59	—	59	—	—
Operating lease obligations	255	40	60	42	113
Purchase orders and other obligations	1,392	1,363	25	4	—
Total	\$ 12,343	1,823	1,155	1,147	8,218

- (1) Amounts are stated at the face amount at maturity of our debt instruments and may differ from the amounts stated in our consolidated balance sheet to the extent debt instruments (i) were issued at a discount or premium or (ii) have elements which are reported at fair value in our consolidated balance sheet. Also includes capital lease obligations. Amounts do not assume additional borrowings or refinancings of existing debt.

- (2) Amounts (i) are based on our outstanding debt at December 31, 2011, (ii) assume the interest rates on our variable rate debt remain constant at the December 31, 2011 rates and (iii) assume that our existing debt is repaid at maturity.

#### **Recent Accounting Pronouncements**

In September 2011, the Financial Accounting Standards Boards amended the Accounting Standards Codification ("ASC") as summarized in Accounting Standards Update ("ASU") 2011-08, *Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. As summarized in ASU 2011-08, ASC Topic 350 has been amended to simplify how entities test goodwill for impairment by permitting entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350. Previously, under ASC Topic 350 an entity would be required to test goodwill, on at least an annual basis, by comparing the fair value of a reporting unit with its carrying amount, then, if the carrying amount was greater than the fair value of the reporting unit, step two of the test would be required to determine whether an impairment was necessary. In evaluating goodwill on a qualitative basis we reviewed the business performance of each reporting unit and evaluated other relevant factors as identified in ASU 2011-08 to determine that it was more likely than not that there were no indicated impairments for any of our reporting units. We do not believe the outcome of performing a qualitative analysis versus immediately performing a step one test had any financial statement impact.

#### **Critical Accounting Estimates**

The preparation of our financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Listed below are the accounting estimates that we believe are critical to our financial statements due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported. All of these accounting estimates and assumptions, as well as the resulting impact to our financial statements, have been discussed with our audit committee.

##### ***Fair Value Measurements***

***Financial Instruments.*** We record a number of assets and liabilities in our consolidated balance sheet at fair value on a recurring basis, including available-for-sale ("AFS") securities, financial instruments and our exchangeable senior debentures. GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. We use quoted market prices, or Level 1 inputs, to value all our non-strategic AFS securities. As of December 31, 2011 and 2010, the carrying value of our non-strategic AFS securities was \$1,165 million and \$1,109 million, respectively.

Level 2 inputs are inputs, other than quoted market prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. We use quoted market prices to determine the fair value of our exchangeable senior debentures. However, these debentures are not traded on active markets as defined in GAAP, so these liabilities fall in Level 2. As of December 31, 2011, the principal amount and carrying value of our exchangeable debentures were \$2,967 million and \$2,443 million, respectively.

Level 3 inputs are unobservable inputs for an asset or liability. We currently have no Level 3 financial instrument assets or liabilities.

***Non-Financial Instruments.*** Our non-financial instrument valuations are primarily comprised of our annual assessment of the recoverability of our goodwill and other nonamortizable intangibles, such as trademarks and our evaluation of the recoverability of our other long-lived assets upon certain triggering events. If the carrying value of our long-lived assets exceeds their undiscounted cash flows, we are required to write the carrying value down to fair value. Any such writedown is included in impairment of long-lived assets in our consolidated statement of operations. A high degree of judgment is required to estimate the fair value of our long-lived assets. We may use quoted market prices, prices for similar assets, present value techniques and other valuation techniques to prepare these estimates. We may need to make estimates of future cash flows and discount rates as well as other assumptions in order to implement these valuation techniques. Due to the high degree of judgment involved in our estimation techniques, any value ultimately derived from our long-lived assets may differ from our estimate of fair value. As each of our operating segments

has long-lived assets, this critical accounting policy affects the financial position and results of operations of each segment.

As of December 31, 2011, the intangible assets not subject to amortization for each of our significant reporting units was as follows:

	Goodwill	Trademarks	Total
	amounts in millions		
QVC	\$ 5,354	2,428	7,782
E-commerce	624	90	714
	<u>\$ 5,978</u>	<u>2,518</u>	<u>8,496</u>

We perform our annual assessment of the recoverability of our goodwill and other nonamortizable intangible assets as of December 31. As discussed above, in Recent Accounting Pronouncements, we adopted the recent accounting guidance relating to annual assessments of recoverability of goodwill and we utilized a qualitative assessment for determining whether step one of the goodwill impairment analysis was necessary.

**Carrying Value of Investments.** We periodically evaluate our investments to determine if decreases in fair value below our cost bases are other than temporary. If a decline in fair value is determined to be other than temporary, we are required to reflect such decline in our consolidated statement of operations. Other than temporary declines in fair value of our cost investments are recognized on a separate line in our consolidated statement of operations, and other than temporary declines in fair value of our equity method investments are included in share of losses of affiliates in our consolidated statement of operations.

The primary factors we consider in our determination of whether declines in fair value are other than temporary are the length of time that the fair value of the investment is below our carrying value; the severity of the decline; and the financial condition, operating performance and near term prospects of the investee. In addition, we consider the reason for the decline in fair value, be it general market conditions, industry specific or investee specific; analysts' ratings and estimates of 12 month share price targets for the investee; changes in stock price or valuation subsequent to the balance sheet date; and our intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value. Fair value of our publicly traded cost and equity investments is based on the market prices of the investments at the balance sheet date. We estimate the fair value of our other cost and equity investments using a variety of methodologies, including cash flow multiples, discounted cash flow, per subscriber values, or values of comparable public or private businesses. Impairments are calculated as the difference between our carrying value and our estimate of fair value. As our assessment of the fair value of our investments and any resulting impairment losses and the timing of when to recognize such charges requires a high degree of judgment and includes significant estimates and assumptions, actual results could differ materially from our estimates and assumptions.

Our evaluation of the fair value of our investments and any resulting impairment charges are made as of the most recent balance sheet date. Changes in fair value subsequent to the balance sheet date due to the factors described above are possible. Subsequent decreases in fair value will be recognized in our consolidated statement of operations in the period in which they occur to the extent such decreases are deemed to be other than temporary. Subsequent increases in fair value will be recognized in our consolidated statement of operations only upon our ultimate disposition of the investment.

**Retail Related Adjustments and Allowances.** QVC records adjustments and allowances for sales returns, inventory obsolescence and uncollectible receivables. Each of these adjustments is estimated based on historical experience. Sales returns are calculated as a percent of sales and are netted against revenue in our consolidated statement of operations. For the years ended December 31, 2011, 2010 and 2009, sales returns represented 19.4%, 18.9% and 18.7% of QVC's gross product revenue, respectively. The inventory obsolescence reserve is calculated as a percent of QVC's inventory at the end of a reporting period based on among other factors, the average inventory balance for the preceding 12 months and historical experience with liquidated inventory. The change in the reserve is included in cost of goods sold in our consolidated statements of operations. At December 31, 2011, QVC's inventory is \$906 million, which is net of the obsolescence adjustment of \$90 million. QVC's allowance for doubtful accounts is calculated as a percent of accounts receivable at the end of a reporting period, and the change in such allowance is recorded as bad debt expense in our consolidated statements of operations. At December 31, 2011, QVC's trade accounts receivable are \$1,020 million, net of the allowance for doubtful accounts of \$79 million. Each of these estimates requires management judgment and may not reflect actual results.



**Income Taxes.** We are required to estimate the amount of tax payable or refundable for the current year and the deferred income tax liabilities and assets for the future tax consequences of events that have been reflected in our financial statements or tax returns for each taxing jurisdiction in which we operate. This process requires our management to make judgments regarding the timing and probability of the ultimate tax impact of the various agreements and transactions that we enter into. Based on these judgments we may record tax reserves or adjustments to valuation allowances on deferred tax assets to reflect the expected realizability of future tax benefits. Actual income taxes could vary from these estimates due to future changes in income tax law, significant changes in the jurisdictions in which we operate, our inability to generate sufficient future taxable income or unpredicted results from the final determination of each year's liability by taxing authorities. These changes could have a significant impact on our financial position.

## **Results of Operations—Businesses**

### **Operating Results by Business**

**QVC.** QVC is a retailer of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised shopping programs and via the Internet. In the United States, QVC's live programming is distributed via its nationally televised shopping program 24 hours a day, 364 days a year ("QVC-US"). Internationally, QVC's program services are based in the United Kingdom ("QVC-UK"), Germany ("QVC-Germany"), Japan ("QVC-Japan") and Italy ("QVC-Italy"). QVC-UK distributes its program 24 hours a day with 17 hours of live programming and QVC-Germany and QVC-Japan each distribute live programming 24 hours a day. QVC-Italy launched on October 1, 2010 and is distributing programming live for 17 hours a day on satellite and public television and an additional seven hours a day of recorded programming on satellite television.

QVC's operating results were as follows:

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Net revenue	\$ 8,268	7,807	7,352
Cost of sales	(5,278)	(5,006)	(4,748)
Gross profit	2,990	2,801	2,604
Operating expenses	(758)	(715)	(684)
SG&A expenses (excluding stock-based compensation)	(499)	(415)	(364)
Adjusted OIBDA	1,733	1,671	1,556
Stock-based compensation—SG&A	(22)	(18)	(16)
Depreciation and amortization	(574)	(523)	(526)
Operating income	<u>\$ 1,137</u>	<u>1,130</u>	<u>1,014</u>

Net revenue was generated in the following geographical areas:

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
QVC-US	\$ 5,412	5,235	4,965
QVC-Japan	1,127	1,015	867
QVC-Germany	1,068	956	942
QVC - UK	626	599	578
QVC-Italy	35	2	—
	<u>\$ 8,268</u>	<u>7,807</u>	<u>7,352</u>

QVC's consolidated net revenue increased 5.9% and 6.2% for the years ended December 31, 2011 and 2010, respectively, as compared to the corresponding prior year. The 2011 increase in net revenue was comprised of \$478 million due to a 5.6% increase in average selling price per unit ("ASP") and a \$167 million increase due to net favorable foreign currency rates in all markets. These increases were partially offset by a \$123 million decrease due to an increase in estimated product returns, a \$56 million decrease due to a 1% decline in units sold and a \$5 million decrease due to a decline in shipping and handling revenue. Returns

as a percent of gross product revenue increased to 19.4% from 18.9% primarily from an increase in apparel and accessories as a percentage of the total mix of products sold.

The 2010 increase in net revenue was comprised of \$358 million due to a 4.4% increase in units shipped from 157.8 million to 164.8 million, \$193 million increase due to an increase of 2.3% in ASP, \$34 million increase due to an increase in shipping and handling revenue and a \$4 million increase due to net favorable foreign currency rates. These increases were partially offset by \$134 million increase in estimated product returns. Returns as a percent of gross product revenue increased slightly to 18.9% from 18.7% due primarily to higher return rates experienced in the accessories, jewelry and electronics product categories.

During the years ended December 31, 2011 and 2010, the changes in revenue and expenses were impacted by changes in the exchange rates for the UK pound sterling, the euro and the Japanese yen. In the event the U.S. dollar strengthens against these foreign currencies in the future, QVC's revenue and operating cash flow will be negatively impacted. The percentage increase in revenue for each of QVC's geographic areas in U.S. dollars and in local currency was as follows:

	Percentage increase (decrease) in net revenue			
	Year ended December 31, 2011		Year ended December 31, 2010	
	U.S. dollars	Local currency	U.S. dollars	Local currency
QVC-US	3.4%	3.4%	5.4%	5.4%
QVC-Japan	11.0%	1.0%	17.1%	9.7%
QVC-Germany	11.7%	7.1%	1.5%	6.7%
QVC-UK	4.5%	1.0%	3.6%	5.3%

Our net revenue increased in U.S. dollars and local currency in each geographical area as compared to the prior year. QVC-US net revenue growth of 3.4% was primarily due to an 8.9% increase in ASP offset by a 4.2% decrease in units sold. QVC-US shipped sales increased mainly due to growth in sales of electronics, home and accessories product categories, which were offset by a decline in jewelry sales. QVC-UK's growth was the result of increased sales in home and apparel that was offset by softness in sales in the jewelry category. The increase in net revenue in QVC-Germany compared to prior year was mainly due to growth in home, jewelry and apparel. QVC-Japan experienced growth in apparel, but was negatively impacted by decreases in net revenue related to beauty and jewelry products. QVC-Italy sales consisted primarily of home, beauty, jewelry and apparel products. QVC-Italy was positively impacted by a 2.9% decline in returns.

On March 11, 2011, there was a significant earthquake in Japan. As a result, QVC-Japan was off-air for 12 days and experienced an interruption of its business. The facilities suffered moderate damage. QVC-Japan returned on-air and resumed operations on March 23, 2011. The earthquake and related events have impacted the year-to-date December 31, 2011 results; however, QVC-Japan has experienced a steady increase in year-to-date sales results as compared to the period year.

The QVC service is already received by substantially all of the cable television and direct broadcast satellite homes in the U.S., the UK, Germany and Japan. QVC's future sales growth will primarily depend on expansions into new countries, sales growth from our e-commerce and mobile platforms, additions of new customers from homes already receiving the QVC service and growth in sales to existing customers. QVC's future sales may also be affected by (i) the willingness of cable and satellite distributors to continue carrying QVC's programming service, (ii) QVC's ability to maintain favorable channel positioning, which may become more difficult as distributors convert analog customers to digital, (iii) changes in television viewing habits because of personal video recorders, video-on-demand and IP television and (iv) general economic conditions.

QVC's gross profit percentage was 36.2%, 35.9% and 35.4% for the three years ended December 31, 2011, 2010 and 2009, respectively. The increase in gross profit percentage in 2011 was primarily due to warehouse and freight efficiencies as a result of fewer packages shipped. The increase in the gross profit percentage in 2010 was due primarily to lower obsolescence expense as QVC continued to maintain tight inventory control.

QVC's operating expenses are principally comprised of commissions, order processing and customer service expenses, credit card processing fees, telecommunications expense and production costs. Operating expenses increased \$43 million or 6.0% and \$31 million or 4.5% for the years ended December 31, 2011 and 2010, respectively. Included in these increases was growth of \$9

million and \$11 million for the years ended December 31, 2011 and 2010, respectively, related to QVC-Italy operations, which launched in October 2010. The remaining increase in 2011 was primarily due to an increase in commissions expense due to sales growth, an increase in programming expense as well as increased fixed fee payments in the UK and Japan. Operating expenses as a percent of net revenue remained consistent at 9.2% for the years ended December 31, 2011 and 2010.

Aside from Italy, the other increases in 2010 included an increase in commissions expense due to sales growth, an increase in production personnel expenses and an increase in credit card fees due to sales growth as well as an increase in rates. Despite the Italy expense, as a percent of net revenue, operating expenses declined from 9.3% to 9.2% for the year ended December 31, 2010 compared to the prior year. The 2010 decrease in operating expenses as a percent of net revenue was due primarily to lower customer service expenses due to an improvement in staff efficiencies as well as an increase in online ordering. In addition, telecommunications expense decreased due to more favorable contract rates.

QVC's SG&A expenses include personnel, information technology, provision for doubtful accounts, credit card income and marketing and advertising expenses. Such expenses increased \$84 million and as a percent of net revenue from 5.3% to 6.0% for the year ended December 31, 2011 as a result of a variety of factors. Italy's SG&A expenses increased \$13 million and net credit card operations income decreased \$13 million for the year ended December 31, 2011 (see note below). In addition, foreign exchange rates and a weakening dollar contributed \$12 million of an increase in SG&A expense period over period. The remainder of QVC's SG&A expense increased \$46 million or 9.8% primarily as the result of increased online marketing expense of \$17 million, increased bad debt expense of \$11 million, increased outside services of \$7 million, increased personnel expense of \$5 million, increased software expense of \$3 million and increased charitable contributions of \$2 million related to Japan relief efforts. The increase in bad debt compared to the prior year was due to increased penetration of product offerings on our Easy Pay installment program as a percent of overall sales as well as an increase in our overall experience rate of bad debt. The increase in outside services for the year ended December 31, 2011 was due primarily to legal services related to (i) the defense of alleged infringement matters and (ii) the prosecution and defense of certain other intellectual property claims.

QVC's SG&A expenses increased \$51 million and as a percent of net revenue grew from 5.0% to 5.3% for the year ended December 31, 2010. Italy's SG&A expenses increased \$16 million period over period. Net credit card operations income increased \$18 million for the year ended December 31, 2010 (see note below). Excluding the impact of Italy and net credit card operations, QVC's SG&A expense increased \$53 million or 12.8% for the year ended December 31, 2010. The increase was due primarily to a \$16 million increase in bad debt expense, an \$8 million increase in online marketing and public relations events, an \$8 million increase in personnel expenses primarily related to increased management bonus compensation, \$7 million increase in software expense, \$6 million increase in outside services and a \$4 million increase in franchise and sales tax due primarily to favorable audit settlements recorded in the prior year.

Effective August 2, 2010, upon the expiration of the existing contract, QVC entered into an amended agreement with GE Capital Retail Bank (formerly GE Money Bank), who provides revolving credit directly to QVC customers solely for the purchase of merchandise from QVC. Under the amended agreement, QVC receives a portion of the economics from the credit card program according to percentages that vary with the performance of the portfolio. The amended agreement, which will expire in August 2015, is substantially different than the expired agreement between the parties. QVC's operating income (and adjusted OIBDA) have been negatively impacted due to the terms of the amended agreement. However, QVC used the \$501 million payment from GE Capital Retail Bank in connection with the prior arrangement to retire a portion of its outstanding bank facility in 2010. QVC's net credit card income would have been approximately \$22 million and \$14 million more favorable in 2011 and 2010, compared to the respective prior years, based on the terms of the expired contract compared to the amended contract.

Depreciation and amortization consist of the following:

	Years ended December 31,		
	2011	2010	2009
Affiliate agreements	152	152	152
Customer relationships	173	173	180
Purchase accounting related amortization	325	325	332
Property, plant and equipment	135	128	123
Software amortization	95	51	49
Channel placement amortization	19	19	22
Total depreciation and amortization	574	523	526

In regards to software amortization, during the fourth quarter of 2011, it was determined that certain internally-developed and capitalized customer relationship management ("CRM") software would not be able to meet our service-level expectations and desired functionality. As a result, QVC recorded an impairment of certain CRM assets in the amount of \$47 million.

**E-commerce businesses.** Our e-commerce businesses are comprised primarily of Provide, Backcountry, Bodybuilding and Celebrate. Revenue for the e-commerce businesses is seasonal due to certain holidays, which drive a significant portion of the e-commerce businesses' revenue. The third quarter is generally lower, as compared to the other three quarters, due to fewer holidays. Revenue increased \$223 million and \$172 million for the years ended December 31, 2011 and 2010, respectively, as compared to the corresponding prior year periods. Each of our respective e-commerce businesses reported an increase in revenue for the years ended December 31, 2011 and 2010, as compared to the corresponding prior year periods. Such increases are the result of acquisitions, increased marketing efforts driving additional traffic and greater conversion due to site optimization and broader inventory offerings. Adjusted OIBDA for the e-commerce businesses increased \$20 million for the year ended December 31, 2011 and decreased \$9 million for the year ended December 31, 2010. Adjusted OIBDA as a percentage of revenue was 9.1% and 9.2% and 11.8% for the years ended December 31, 2011, 2010 and 2009 respectively. The decrease in Adjusted OIBDA conversion was primarily the result of further investment in marketing, personnel and technology to sustain continued growth for each of the consolidated businesses. The significant decrease from December 31, 2009 was primarily driven by the decision made in 2010 to change the offering of third party discount services that resulted in significantly lower commission revenue.

#### Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to market risk in the normal course of business due to our ongoing investing and financial activities and the conduct of operations by our subsidiaries in different foreign countries. Market risk refers to the risk of loss arising from adverse changes in stock prices, interest rates and foreign currency exchange rates. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. We have established policies, procedures and internal processes governing our management of market risks and the use of financial instruments to manage our exposure to such risks.

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We manage our exposure to interest rates by maintaining what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. We have achieved this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity, (ii) issuing variable rate debt with appropriate maturities and interest rates and (iii) entering into interest rate swap arrangements when we deem appropriate. As of December 31, 2011, our debt is comprised of the following amounts:

	Variable rate debt		Fixed rate debt	
	Principal amount	Weighted avg interest rate	Principal amount	Weighted avg interest rate
dollar amounts in millions				
QVC	\$ 434	1.7%	\$ 2,070	7.3%
Corporate and other	\$ 12	3.1%	\$ 4,067	4.6%

In addition, QVC has entered into seven forward interest rate swap arrangements with an aggregate notional amount of \$1,750 million and seven forward interest rate swap arrangements with an aggregate notional amount of \$1,350 million. Such arrangements provided for payments that began in March 2011 and will extend to March 2013. On the notional amount of \$1,750 million, QVC makes fixed payments at rates ranging from 2.98% to 3.67% and receive variable payments at 3 month LIBOR (0.55% at December 31, 2011). On the notional amounts of \$1,350 million, QVC will make variable payments at 3 month LIBOR (0.55% at December 31, 2011) and receive fixed payments at rates ranging from 0.57% to 0.95%.

We are exposed to changes in stock prices primarily as a result of our significant holdings in publicly traded securities. We continually monitor changes in stock markets, in general, and changes in the stock prices of our holdings, specifically. We believe that changes in stock prices can be expected to vary as a result of general market conditions, technological changes, specific industry changes and other factors. We periodically use equity collars and other financial instruments to manage market risk associated with certain investment positions. These instruments, when utilized, are recorded at fair value based on option pricing models.

At December 31, 2011, the fair value of our non-strategic AFS equity securities was \$1,165 million. Had the market price of such securities been 10% lower at December 31, 2011, the aggregate value of such securities would have been \$117 million lower. Our stock in Expedia and other equity method affiliates which are publicly traded securities are not reflected at fair value in our balance sheet. These securities are also subject to market risk that is not directly reflected in our statement of operations. Additionally, our exchangeable senior debentures are also subject to market risk. Because we mark these instruments to fair value each reporting date, increases in the price of the respective underlying security generally result in higher liabilities and unrealized losses in our statement of operations.

Liberty is exposed to foreign exchange rate fluctuations related primarily to the monetary assets and liabilities and the financial results of QVC's foreign subsidiaries. Assets and liabilities of foreign subsidiaries for which the functional currency is the local currency are translated into U.S. dollars at period-end exchange rates, and the statements of operations are generally translated at the average exchange rate for the period. Exchange rate fluctuations on translating foreign currency financial statements into U.S. dollars that result in unrealized gains or losses are referred to as translation adjustments. Cumulative translation adjustments are recorded in accumulated other comprehensive earnings (loss) as a separate component of stockholders' equity. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses, which are reflected in income as unrealized (based on period-end translations) or realized upon settlement of the transactions. Cash flows from our operations in foreign countries are translated at the average rate for the period. Accordingly, Liberty may experience economic loss and a negative impact on earnings and equity with respect to our holdings solely as a result of foreign currency exchange rate fluctuations.

We periodically assess the effectiveness of our derivative financial instruments. With regard to interest rate swaps, we monitor the fair value of interest rate swaps as well as the effective interest rate the interest rate swap yields, in comparison to historical interest rate trends. We believe that any losses incurred with regard to interest rate swaps would be largely offset by the effects of interest rate movements on the underlying debt facilities. These measures allow our management to evaluate the success of our use of derivative instruments and to determine when to enter into or exit from derivative instruments.

#### **Item 8. Financial Statements and Supplementary Data.**

The consolidated financial statements of Liberty Interactive Corporation are filed under this Item, beginning on Page II-21. The financial statement schedules required by Regulation S-X are filed under Item 15 of this Annual Report on Form 10-K.

#### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

#### **Item 9A. Controls and Procedures.**

In accordance with Exchange Act Rules 13a-15 and 15d-15, the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of December 31, 2011 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under

the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

See page II-19 for *Management's Report on Internal Control Over Financial Reporting*.

See page II-20 for *Report of Independent Registered Public Accounting Firm* for our accountant's attestation regarding our internal control over financial reporting.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended December 31, 2011 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

**Item 9B. Other Information.**

None.

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Liberty Interactive Corporation's management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements and related disclosures in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements and related disclosures in accordance with generally accepted accounting principles; (3) provide reasonable assurance that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (4) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements and related disclosures.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The Company assessed the design and effectiveness of internal control over financial reporting as of December 31, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control-Integrated Framework*.

Based upon our assessment using the criteria contained in COSO, management has concluded that, as of December 31, 2011, Liberty Interactive Corporation's internal control over financial reporting is effectively designed and operating effectively.

Liberty Interactive Corporation's independent registered public accounting firm audited the consolidated financial statements and related disclosures in the Annual Report on Form 10-K and have issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears on page II-20 of this Annual Report on Form 10-K.



## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
Liberty Interactive Corporation:

We have audited Liberty Interactive Corporation's internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Liberty Interactive Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Liberty Interactive Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Liberty Interactive Corporation and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity for each of the years in the three-year period ended December 31, 2011, and our report dated February 23, 2012 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Denver, Colorado  
February 23, 2012

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
Liberty Interactive Corporation:

We have audited the accompanying consolidated balance sheets of Liberty Interactive Corporation and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity for each of the years in the three-year period ended December 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Liberty Interactive Corporation and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Liberty Interactive Corporation and subsidiaries' internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 23, 2012 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Denver, Colorado  
February 23, 2012

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

## Consolidated Balance Sheets

December 31, 2011 and 2010

	2011	2010
	amounts in millions	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 847	1,353
Trade and other receivables, net	1,054	885
Inventory, net	1,071	1,069
Other current assets	148	85
Assets of discontinued operations - current (note 4)	—	3,163
Total current assets	3,120	6,555
Investments in available-for-sale securities and other cost investments (note 6)	1,168	1,110
Investments in affiliates, accounted for using the equity method (note 7)	1,135	949
Property and equipment, at cost	2,002	1,777
Accumulated depreciation	(869)	(739)
	1,133	1,038
Intangible assets not subject to amortization (note 8):		
Goodwill	5,978	5,983
Trademarks	2,518	2,513
	8,496	8,496
Intangible assets subject to amortization, net (note 8)	2,209	2,595
Other assets, at cost, net of accumulated amortization	78	87
Assets of discontinued operations (note 4)	—	5,770
Total assets	\$ 17,339	26,600

(continued)

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

December 31, 2011 and 2010

	2011	2010
	amounts in millions	
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable	599	630
Accrued liabilities	801	768
Payable to Liberty Media	—	85
Current portion of debt (note 9)	1,189	493
Deferred income tax liabilities (note 10)	851	152
Other current liabilities	128	231
Liabilities of discontinued operations - current (note 4)	—	2,380
Total current liabilities	3,568	4,739
Long-term debt, including \$2,443 million and \$2,506 million measured at fair value (note 10)	4,850	5,970
Long-term financial instruments	59	86
Deferred income tax liabilities (note 10)	2,046	2,709
Other liabilities	189	180
Liabilities of discontinued operations (note 4)	—	1,474
Total liabilities	10,712	15,158
<i>Equity</i>		
Stockholders' equity (note 11):		
Preferred stock, \$.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A Liberty Capital common stock, \$.01 par value. Authorized 2,000,000,000 shares at December 31, 2010; issued and outstanding zero shares at December 31, 2011 and 75,139,893 shares at December 31, 2010	—	1
Series B Liberty Capital common stock, \$.01 par value. Authorized 75,000,000 shares at December 31, 2010; issued and outstanding zero shares at December 31, 2011 and 7,363,948 shares at December 31, 2010	—	—
Series A Liberty Starz common stock, \$.01 par value. Authorized 4,000,000,000 shares at December 31, 2010; issued and outstanding zero shares at December 31, 2011 and 49,130,652 shares at December 31, 2010	—	—
Series B Liberty Starz common stock, \$.01 par value. Authorized 150,000,000 shares at December 31, 2010; issued and outstanding zero shares at December 31, 2011 and 2,917,815 shares at December 31, 2010	—	—
Series A Liberty Interactive common stock, \$.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 549,361,673 shares at December 31, 2011 and 570,731,067 shares at December 31, 2010	6	6
Series B Liberty Interactive common stock, \$.01 par value. Authorized 150,000,000 shares; issued and outstanding 28,989,160 shares at December 31, 2011 and 29,059,016 shares at December 31, 2010	—	—
Additional paid-in capital	2,681	8,338
Accumulated other comprehensive earnings, net of taxes	152	226
Retained earnings	3,654	2,742
Total stockholders' equity	6,493	11,313
Noncontrolling interests in equity of subsidiaries	134	129
Total equity	6,627	11,442
Commitments and contingencies (note 17)		
Total liabilities and equity	17,339	26,600

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Operations

December 31, 2011 and 2010

	2011	2010	2009
	amounts in millions, except per share amounts		
Net retail sales	\$ 9,616	8,932	8,305
Cost of sales (exclusive of depreciation shown separately below)	6,114	5,705	5,332
Gross Profit	3,502	3,227	2,973
Operating costs and expenses:			
Operating	866	799	752
Selling, general and administrative, including stock-based compensation (note 3)	862	749	614
Depreciation and amortization	641	571	566
	2,369	2,119	1,932
Operating income	1,133	1,108	1,041
Other income (expense):			
Interest expense	(427)	(626)	(594)
Share of earnings (losses) of affiliates, net (note 7)	140	112	24
Realized and unrealized gains (losses) on financial instruments, net (note 5)	84	62	(589)
Gains (losses) on dispositions, net	—	355	42
Other, net	9	(47)	(6)
	(194)	(144)	(1,123)
Earnings (loss) from continuing operations before income taxes	939	964	(82)
Income tax (expense) benefit	(352)	(128)	45
Earnings (loss) from continuing operations	587	836	(37)
Earnings (loss) from discontinued operations, net of taxes (note 4)	378	1,101	6,538
Net earnings (loss)	965	1,937	6,501
Less net earnings (loss) attributable to the noncontrolling interests	53	45	39
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	\$ 912	1,892	6,462
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders:			
Liberty Capital common stock	\$ 211	815	127
Liberty Starz common stock	177	206	6,077
Liberty Interactive common stock	524	871	258
	\$ 912	1,892	6,462

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements Of Operations (Continued)

Years ended December 31, 2011, 2010 and 2009

	2011	2010	2009
	amounts in millions, except per share amounts		
Basic net earnings (losses) from continuing operations attributable to Liberty Interactive Corporation shareholders per common share (note 2):			
Series A and Series B Liberty Capital common stock	\$ 0.12	0.31	(3.71)
Series A and Series B Liberty Starz common stock	\$ —	—	—
Series A and Series B Liberty Interactive common stock	\$ 0.88	1.28	0.47
Diluted net earnings (losses) from continuing operations attributable to Liberty Interactive Corporation shareholders per common share (note 2):			
Series A and Series B Liberty Capital common stock	\$ 0.12	0.30	(3.71)
Series A and Series B Liberty Starz common stock	\$ —	—	—
Series A and Series B Liberty Interactive common stock	\$ 0.87	1.26	0.47
Basic net earnings (losses) attributable to Liberty Interactive Corporation shareholders per common share (note 2):			
Series A and Series B Liberty Capital common stock	\$ 2.60	9.06	1.32
Series A and Series B Liberty Starz common stock	\$ 3.47	4.12	13.13
Series A and Series B Liberty Interactive common stock	\$ 0.88	1.46	0.43
Diluted net earnings (losses) attributable to Liberty Interactive Corporation shareholders per common share (note 2):			
Series A and Series B Liberty Capital common stock	\$ 2.54	8.76	1.31
Series A and Series B Liberty Starz common stock	\$ 3.34	3.96	13.04
Series A and Series B Liberty Interactive common stock	\$ 0.87	1.44	0.43

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Comprehensive Earnings (Loss)

Years ended December 31, 2011, 2010 and 2009

	2011	2010	2009
	amounts in millions		
Net earnings (loss)	\$ 965	1,937	6,501
Other comprehensive earnings (loss), net of taxes:			
Foreign currency translation adjustments	(11)	(37)	1
Unrealized holding gains (losses) arising during the period	—	41	187
Recognition of previously unrealized (gains) losses on available-for-sale securities, net	—	(198)	(27)
Share of other comprehensive earnings (losses) of equity affiliates	(2)	7	(5)
Other	—	56	47
Other comprehensive earnings (loss) from discontinued operations	(26)	20	72
Other comprehensive earnings (loss)	(39)	(111)	275
Comprehensive earnings (loss)	926	1,826	6,776
Less comprehensive earnings (loss) attributable to the noncontrolling interests	57	60	32
Comprehensive earnings (loss) attributable to Liberty Interactive Corporation shareholders	\$ 869	1,766	6,744
Comprehensive earnings (loss) attributable to Liberty Interactive Corporation shareholders:			
Liberty Capital common stock	\$ 189	834	167
Liberty Starz common stock	173	206	6,108
Liberty Interactive common stock	507	726	469
	\$ 869	1,766	6,744

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Cash Flows

Years ended December 31, 2011, 2010 and 2009

	2011	2010	2009
	amounts in millions (See note 3)		
Cash flows from operating activities:			
Net earnings (loss)	\$ 965	1,937	6,501
Adjustments to reconcile net earnings to net cash provided by operating activities:			
(Earnings) loss from discontinued operations	(378)	(1,101)	(6,538)
Depreciation and amortization	641	571	566
Stock-based compensation	49	67	47
Cash payments for stock-based compensation	(3)	(20)	(9)
Noncash interest expense	9	90	97
Share of (earnings) losses of affiliates, net	(140)	(112)	(24)
Cash receipts from returns on equity investments	22	21	—
Realized and unrealized (gains) losses on financial instruments, net	(84)	(62)	589
(Gains) losses on disposition of assets, net	—	(355)	(42)
Deferred income tax expense (benefit)	44	(62)	(298)
Other noncash charges (credits), net	(5)	22	(6)
Changes in operating assets and liabilities			
Current and other assets	(174)	247	5
Payables and other liabilities	(32)	46	142
Net cash provided (used) by operating activities	<u>914</u>	<u>1,289</u>	<u>1,030</u>
Cash flows from investing activities:			
Cash proceeds from dispositions	—	459	306
Proceeds (payments) from settlement of financial instruments, net	—	(28)	7
Investment in and loans to cost and equity investees	(65)	—	(24)
Cash received in exchange transaction	—	218	—
Capital expended for property and equipment	(312)	(258)	(208)
Net sales (purchases) of short term investments	(46)	—	—
Other investing activities, net	(14)	(47)	(33)
Net cash provided (used) by investing activities	<u>(437)</u>	<u>344</u>	<u>48</u>
Cash flows from financing activities:			
Borrowings of debt	383	2,974	1,277
Repayments of debt	(899)	(4,791)	(2,538)
Repurchases of Liberty Interactive common stock	(366)	—	—
Other financing activities, net	(48)	(83)	(121)
Net cash provided (used) by financing activities	<u>(930)</u>	<u>(1,900)</u>	<u>(1,382)</u>
Effect of foreign currency exchange rates on cash	(4)	14	(17)
Net cash provided (used) by discontinued operations:			
Cash provided (used) by operating activities	304	88	412
Cash provided (used) by investing activities	(104)	7	1,591
Cash provided (used) by financing activities	(264)	(1,498)	202
Change in available cash held by discontinued operations	15	1,054	(1,832)
Net cash provided (used) by discontinued operations	<u>(49)</u>	<u>(349)</u>	<u>373</u>
Net increase (decrease) in cash and cash equivalents	(506)	(602)	52
Cash and cash equivalents at beginning of period	1,353	1,955	1,903
Cash and cash equivalents at end of period	<u>\$ 847</u>	<u>1,353</u>	<u>1,955</u>

See accompanying notes to consolidated financial statements.



LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Statement Of Equity

Years ended December 31, 2011, 2010 and 2009

	Stockholders' Equity											
	Common stock							Additional paid-in capital	Accumulated other comprehensive earnings	Retained Earnings	Noncontrolling interest in equity of subsidiaries	Total equity
	Preferred Stock	Liberty Capital		Liberty Starz		Liberty Interactive						
		Series A	Series B	Series A	Series B	Series A	Series B					
	amounts in millions											
Balance at January 1, 2009	\$ —	1	—	5	—	6	—	25,132	70	(5,612)	155	19,757
Net earnings	—	—	—	—	—	—	—	—	—	6,462	39	6,501
Other comprehensive earnings (loss)	—	—	—	—	—	—	—	—	282	—	(7)	275
Split Off of Liberty Entertainment, Inc. (note 4)	—	—	—	(5)	—	—	—	(16,481)	—	—	—	(16,486)
Stock compensation	—	—	—	—	—	—	—	158	—	—	—	158
Stock issued upon exercise of stock options	—	—	—	—	—	—	—	117	—	—	—	117
Series A Liberty Starz stock repurchases	—	—	—	—	—	—	—	(13)	—	—	—	(13)
Series A Liberty Capital stock repurchases	—	—	—	—	—	—	—	(5)	—	—	—	(5)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(59)	(59)
Other	—	—	—	—	—	—	—	(8)	—	—	1	(7)
Balance at December 31, 2009	—	1	—	—	—	6	—	8,900	352	850	129	10,238
Net earnings	—	—	—	—	—	—	—	—	—	1,892	45	1,937
Other comprehensive earnings (loss)	—	—	—	—	—	—	—	—	(126)	—	15	(111)
Stock compensation	—	—	—	—	—	—	—	148	—	—	—	148
Stock issued upon exercise of stock options	—	—	—	—	—	—	—	34	—	—	—	34
Series A Liberty Starz stock repurchases	—	—	—	—	—	—	—	(40)	—	—	—	(40)
Series A Liberty Capital stock repurchases	—	—	—	—	—	—	—	(714)	—	—	—	(714)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(64)	(64)
Other	—	—	—	—	—	—	—	10	—	—	4	14
Balance at December 31, 2010	\$ —	1	—	—	—	6	—	8,338	226	2,742	129	11,442
Net earnings	—	—	—	—	—	—	—	—	—	912	53	965
Other comprehensive earnings (loss)	—	—	—	—	—	—	—	—	(43)	—	4	(39)
Stock compensation	—	—	—	—	—	—	—	72	—	—	—	72
Stock issued upon exercise of stock options	—	—	—	—	—	—	—	17	—	—	—	17
Series A Liberty Interactive stock repurchases	—	—	—	—	—	—	—	(366)	—	—	—	(366)
Series A Liberty Capital stock repurchases	—	—	—	—	—	—	—	(213)	—	—	—	(213)
Distribution to noncontrolling interest	—	—	—	—	—	—	—	(16)	—	—	(51)	(67)
Sale of noncontrolling interest, net of tax impacts	—	—	—	—	—	—	—	(100)	—	—	(6)	(106)
Distribution to stockholders for split-off of Liberty Media Corporation (note 4)	—	(1)	—	—	—	—	—	(5,110)	(31)	—	5	(5,137)
Transfer of tax attributes from Liberty Media	—	—	—	—	—	—	—	59	—	—	—	59
Balance at December 31, 2011	\$ —	—	—	—	—	6	—	2,681	152	3,654	134	6,627

See accompanying notes to consolidated financial statements.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**December 31, 2011, 2010 and 2009**

**(1) Basis of Presentation**

The accompanying consolidated financial statements include the accounts of Liberty Interactive Corporation (formerly known as Liberty Media Corporation) and its controlled subsidiaries (collectively, "Liberty" or the "Company" unless the context otherwise requires). All significant intercompany accounts and transactions have been eliminated in consolidation.

Liberty, through its ownership of interests in subsidiaries and other companies, is primarily engaged in the video and on-line commerce industries in North America, Europe and Asia.

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

**Cash and Cash Equivalents**

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

**Receivables**

Receivables are reflected net of an allowance for doubtful accounts and sales returns. Such allowance aggregated \$80 million and \$67 million at December 31, 2011 and 2010, respectively. A summary of activity in the allowance for doubtful accounts is as follows:

	Balance beginning of year	Additions Charged to expense	Deductions- write-offs	Balance end of year
	amounts in millions			
2011	\$ 67	68	(55)	80
2010	\$ 81	79	(93)	67
2009	\$ 74	74	(67)	81

**Inventory**

Inventory, consisting primarily of products held for sale, is stated at the lower of cost or market. Cost is determined by the average cost method, which approximates the first-in, first-out method.

**Investments**

All marketable equity and debt securities held by the Company are classified as available-for-sale ("AFS") and are carried at fair value generally based on quoted market prices. U.S. generally accepted accounting principles ("GAAP") permit entities to choose to measure many financial instruments, such as AFS securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity's statement of operations (the "fair value option"). Liberty has entered into economic hedges for certain of its non-strategic AFS securities (although such instruments are not accounted for as fair value hedges by the Company). Changes in the fair value of these economic hedges are reflected in Liberty's statement of operations as unrealized gains (losses). In order to better match the changes in fair value of the subject AFS securities and the changes in fair value of the corresponding economic hedges in the Company's financial statements, Liberty has elected the fair value option for those of its AFS securities which it considers to be non-strategic ("Non-strategic Securities"). Accordingly, changes in the fair value of Non-strategic Securities, as determined by quoted market prices, are reported in realized and unrealized gain (losses) on financial instruments in the accompanying consolidated statement of operations. The total value of AFS securities for which the Company has elected the fair value option aggregated \$1,165 million and \$1,109 million as of December 31, 2011 and 2010, respectively.

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

Other investments in which the Company's ownership interest is less than 20% and are not considered marketable securities are carried at cost.

For those investments in affiliates in which the Company has the ability to exercise significant influence, the equity method of accounting is used. Under this method, the investment, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the affiliate as they occur rather than as dividends or other distributions are received. Losses are limited to the extent of the Company's investment in, advances to and commitments for the investee. In the event the Company is unable to obtain accurate financial information from an equity affiliate in a timely manner, the Company records its share of earnings or losses of such affiliate on a lag. The Company's share of net earnings or loss of affiliates also includes any other than temporary declines in fair value recognized during the period.

Changes in the Company's proportionate share of the underlying equity of an equity method investee, which result from the issuance of additional equity securities by such equity investee ("SAB 51 Gain"), are recognized in equity.

The Company continually reviews its equity investments and its AFS securities which are not Non-strategic Securities to determine whether a decline in fair value below the cost basis is other than temporary. The primary factors the Company considers in its determination are the length of time that the fair value of the investment is below the Company's carrying value; the severity of the decline; and the financial condition, operating performance and near term prospects of the investee. In addition, the Company considers the reason for the decline in fair value, be it general market conditions, industry specific or investee specific; analysts' ratings and estimates of 12 month share price targets for the investee; changes in stock price or valuation subsequent to the balance sheet date; and the Company's intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value. If the decline in fair value is deemed to be other than temporary, the cost basis of the security is written down to fair value. In situations where the fair value of an investment is not evident due to a lack of a public market price or other factors, the Company uses its best estimates and assumptions to arrive at the estimated fair value of such investment. The Company's assessment of the foregoing factors involves a high degree of judgment and accordingly, actual results may differ materially from the Company's estimates and judgments. Writedowns for AFS securities which are not Non-strategic Securities are included in the consolidated statements of operations as other than temporary declines in fair values of investments. Writedowns for equity method investments are included in share of earnings (losses) of affiliates.

#### *Derivative Instruments and Hedging Activities*

All of the Company's derivatives, whether designated in hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive earnings and are recognized in the statement of operations when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative is not designated as a hedge, changes in the fair value of the derivative are recognized in earnings. The Company has entered into several interest rate swap agreements to mitigate the cash flow risk associated with interest payments related to certain of its variable rate debt. None of the Company's derivatives are currently designated as hedges.

In prior years the fair value of the Company's equity collars and other similar derivative instruments were estimated using the Black-Scholes model. The Black-Scholes model incorporates a number of variables in determining such fair values, including expected volatility of the underlying security and an appropriate discount rate. The Company obtained volatility rates from pricing services based on the expected volatility of the underlying security over the remaining term of the derivative instrument. A discount rate was obtained at the inception of the derivative instrument and updated each reporting period in which equity collars were outstanding, based on the Company's estimate of the discount rate at which it could currently settle the derivative instrument. The Company considered its own credit risk as well as the credit risk of its counterparties in estimating the discount rate. Considerable management judgment was required in estimating the Black-Scholes variables.

#### *Property and Equipment*

Property and equipment, including significant improvements, is stated at cost. Depreciation is computed using the straight-line method using estimated useful lives of 3 to 20 years for support equipment and 10 to 40 years for buildings and improvements.

#### *Intangible Assets*

Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment upon certain triggering events. Goodwill and other intangible assets with indefinite useful lives (collectively, "indefinite lived intangible assets") are not amortized, but instead are tested for impairment at least annually.

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

Equity method goodwill is also not amortized, but is evaluated for impairment upon certain triggering events.

The Company performs at least annually an impairment analysis and as discussed below, in the Recent Accounting Pronouncements, the Company adopted the recent accounting guidance relating to annual assessments of recoverability of goodwill and utilized a qualitative assessment for determining whether step one of the goodwill impairment analysis was necessary. In evaluating goodwill on a qualitative basis the Company reviewed the business performance of each reporting unit and evaluated other relevant factors as identified in ASU 2011-08 to determine whether it was more likely than not that an indicated impairment existed for any of our reporting units. The Company considered whether there was any negative macroeconomic conditions, industry specific conditions, market changes, increased competition, increased costs in doing business, management challenges, the legal environments and how these factors might impact company specific performance in future periods. As part of the analysis the Company also considered fair value determinations for certain reporting units that had been made at various points throughout the current year and prior year for other purposes.

If a step one test would have been necessary based on the qualitative factors the Company would compare the estimated fair value of a reporting unit to its carrying value. Developing estimates of fair value requires significant judgments, including making assumptions about appropriate discount rates, perpetual growth rates, relevant comparable market multiples, public trading prices and the amount and timing of expected future cash flows. The cash flows employed in Liberty's valuation analysis are based on management's best estimates considering current marketplace factors and risks as well as assumptions of growth rates in future years. There is no assurance that actual results in the future will approximate these forecasts. For those reporting units whose carrying value exceeds the fair value, a second test is required to measure the impairment loss (the "Step 2 Test"). In the Step 2 Test, the fair value of the reporting unit is allocated to all of the assets and liabilities of the reporting unit with any residual value being allocated to goodwill. The difference between such allocated amount and the carrying value of the goodwill is recorded as an impairment charge.

#### ***Impairment of Long-lived Assets***

The Company periodically reviews the carrying amounts of its property and equipment and its intangible assets (other than goodwill and indefinite-lived intangibles) to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. If the carrying amount of the asset is greater than the expected undiscounted cash flows to be generated by such asset, including its ultimate disposition, an impairment adjustment is to be recognized. Such adjustment is measured by the amount that the carrying value of such assets exceeds their fair value. The Company generally measures fair value by considering sale prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate. Considerable management judgment is necessary to estimate the fair value of assets. Accordingly, actual results could vary significantly from such estimates. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

#### ***Noncontrolling Interests***

The Company reports noncontrolling interests of subsidiaries within equity in the balance sheet and the amount of consolidated net income attributable to the parent and to the noncontrolling interest is presented in the statement of income. Also, changes in ownership interests in subsidiaries in which the Company maintains a controlling interest are recorded in equity.

#### ***Foreign Currency Translation***

The functional currency of the Company is the United States ("U.S.") dollar. The functional currency of the Company's foreign operations generally is the applicable local currency for each foreign subsidiary. Assets and liabilities of foreign subsidiaries are translated at the spot rate in effect at the applicable reporting date, and the consolidated statements of operations are translated at the average exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustment, net of applicable income taxes, is recorded as a component of accumulated other comprehensive earnings in stockholders' equity.

Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses which are reflected in the accompanying consolidated statements of operations and comprehensive earnings as unrealized (based on the applicable period-end exchange rate) or realized upon settlement of the transactions.

#### ***Revenue Recognition***

Revenue is recognized at the time of delivery to customers. An allowance for returned merchandise is provided as a percentage of sales based on historical experience. The total reduction in sales due to returns for the years ended December 31, 2011, 2010 and 2009 aggregated \$1,759 million, \$1,792 million and \$1,656 million, respectively. Sales tax collected from customers on retail

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

sales is recorded on a net basis and is not included in revenue.

#### *Cost of Sales*

Cost of sales primarily includes actual product cost, provision for obsolete inventory, buying allowances received from suppliers, shipping and handling costs and warehouse costs.

#### *Advertising Costs*

Advertising costs generally are expensed as incurred. Advertising expense aggregated \$242 million, \$197 million and \$151 million for the years ended December 31, 2011, 2010 and 2009, respectively.

#### *Stock-Based Compensation*

As more fully described in note 13, the Company has granted to its directors, employees and employees of its subsidiaries options and stock appreciation rights ("SARs") to purchase shares of Liberty common stock (collectively, "Awards"). The Company measures the cost of employee services received in exchange for an Award of equity instruments (such as stock options and restricted stock) based on the grant-date fair value of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). The Company measures the cost of employee services received in exchange for an Award of liability instruments (such as stock appreciation rights that will be settled in cash) based on the current fair value of the Award, and remeasures the fair value of the Award at each reporting date.

Included in selling, general and administrative expenses in the accompanying consolidated statements of operations are the following amounts of stock-based compensation (amounts in millions):

Years ended:		
December 31, 2011	\$	49
December 31, 2010	\$	67
December 31, 2009	\$	47

Included in earnings from discontinued operations for the year ended December 31, 2009 is \$55 million of stock-based compensation related to stock options and restricted stock, the vesting of which was accelerated in connection with the closing of the DTV Business Combination.

As of December 31, 2011, the total unrecognized compensation cost related to unvested Liberty equity Awards was approximately \$109 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.1 years.

#### *Income Taxes*

The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value amounts and income tax bases of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards. The deferred tax assets and liabilities are calculated using enacted tax rates in effect for each taxing jurisdiction in which the company operates for the year in which those temporary differences are expected to be recovered or settled. Net deferred tax assets are then reduced by a valuation allowance if the Company believes it more likely than not such net deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of an enacted change in tax rates is recognized in income in the period that includes the enactment date.

When the tax law requires interest to be paid on an underpayment of income taxes, the Company recognizes interest expense from the first period the interest would begin accruing according to the relevant tax law. Such interest expense is included in interest expense in the accompanying consolidated statements of operations. Any accrual of penalties related to underpayment of income taxes on uncertain tax positions is included in other income (expense) in the accompanying consolidated statements of operations.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

*Earnings (Loss) Attributable to Liberty Interactive Corporation Stockholders and Earnings (Loss) Per Common Share*

Net earnings attributable to Liberty Interactive Corporation stockholders are comprised of the following:

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Earnings (loss) from continuing operations	534	788	(76)
Earnings (loss) from discontinued operations	378	1,104	6,538
	<u>912</u>	<u>1,892</u>	<u>6,462</u>

Basic earnings (loss) per common share ("EPS") is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding for the period. Diluted EPS presents the dilutive effect on a per share basis of potential common shares as if they had been converted at the beginning of the periods presented.

*Series A and Series B Liberty Capital Common Stock*

The basic and diluted EPS calculation is based on the following weighted average shares outstanding ("WASO"). As discussed in more detail in note 4, Liberty Capital common stock was redeemed for shares in a subsidiary in the third quarter. Therefore, the amounts presented below are through the LMC Split-Off date.

	Period ended September 23, 2011	Year ended December 31, 2010	Year ended December 31, 2009
	numbers of shares in millions		
Basic WASO	81	90	96
Stock options	2	3	1
Diluted WASO	<u>83</u>	<u>93</u>	<u>97</u>

*Series A and Series B Liberty Starz Common Stock*

The basic and diluted EPS calculation is based on the following weighted average shares outstanding. As discussed in more detail in note 4, Liberty Starz common stock was redeemed for shares in a subsidiary in the third quarter. Therefore, the amounts presented below for December 31, 2011 are through the LMC Split-Off date.

	Period ended September 23, 2011	Year ended December 31, 2010	Year ended December 31, 2009
	number of shares in millions		
Basic WASO	51	50	463
Stock options	2	2	3
Diluted WASO	<u>53</u>	<u>52</u>	<u>466</u>

*Series A and Series B Liberty Interactive Common Stock*

The basic and diluted EPS calculation is based on the following weighted average shares outstanding. Excluded from diluted EPS for the year ended December 31, 2011 are 13 million potential common shares because their inclusion would be antidilutive.

	Year ended December 31, 2011	Year ended December 31, 2010	Year ended December 31, 2009
	number of shares in millions		
Basic WASO	595	596	594
Stock options	7	9	—
Diluted WASO	<u>602</u>	<u>605</u>	<u>594</u>

*Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

and expenses during the reporting period. Actual results could differ from those estimates. Liberty considers (i) fair value measurements, (ii) accounting for income taxes, (iii) assessments of other-than-temporary declines in fair value of its investments and (iv) estimates of retail-related adjustments and allowances to be its most significant estimates.

Liberty holds investments that are accounted for using the equity method. Liberty does not control the decision making process or business management practices of these affiliates. Accordingly, Liberty relies on management of these affiliates to provide it with accurate financial information prepared in accordance with GAAP that Liberty uses in the application of the equity method. In addition, Liberty relies on audit reports that are provided by the affiliates' independent auditors on the financial statements of such affiliates. The Company is not aware, however, of any errors in or possible misstatements of the financial information provided by its equity affiliates that would have a material effect on Liberty's consolidated financial statements.

**Recent Accounting Pronouncements**

In September 2011, the Financial Accounting Standards Boards amended the Accounting Standards Codification ("ASC") as summarized in Accounting Standards Update ("ASU") 2011-08, *Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. As summarized in ASU 2011-08, ASC Topic 350 has been amended to simplify how entities test goodwill for impairment by permitting entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350. Previously, under ASC Topic 350 an entity would be required to test goodwill, on at least an annual basis, by comparing the fair value of a reporting unit with its carrying amount, then, if the carrying amount was greater than the fair value of the reporting unit, the step two of the test would be required to determine whether an impairment was necessary. In evaluating goodwill on a qualitative basis we reviewed the business performance of each reporting unit and evaluated other relevant factors as identified in ASU 2011-08 to determine whether it was more likely than not that an indicated impairment existed for any of our reporting units. As part of the analysis we also considered fair value determinations for certain reporting units that had been made at various points throughout the year for other purposes. We do not believe the outcome of performing a qualitative analysis versus immediately performing a step one test had any financial statement impact.

**(3) Supplemental Disclosures to Consolidated Statements of Cash Flows**

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Cash paid for acquisitions:			
Fair value of assets acquired	\$ 16	39	3
Net liabilities assumed	(3)	(1)	—
Deferred tax liabilities	1	(5)	—
Noncontrolling interest	—	—	1
Cash paid for acquisitions, net of cash acquired	\$ 14	33	4
Available-for-sale securities exchanged for consolidated subsidiaries	\$ —	368	—
Cash paid for interest	\$ 426	529	474
Cash paid for income taxes	\$ 370	301	248

**(4) Discontinued Operations**

***Split-Off of Liberty Media Corporation***

Prior to the LMC Split-Off (as defined below), Liberty's equity was structured into three separate tracking stocks. A tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. Liberty had three tracking stocks, Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock, which were intended to track and reflect the economic performance of the separate businesses, assets and liabilities attributed to each group. These attributed businesses, assets and liabilities were not separate legal entities and therefore could not own assets, issue securities or enter into legally binding agreements. Holders of the tracking stocks did not have direct claim to the group's stock or assets and were not represented by separate boards of directors.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

On September 23, 2011, Liberty completed the split-off of a wholly owned subsidiary, Liberty Media Corporation ("LMC") (formerly known as Liberty CapStarz, Inc. and prior thereto known as Liberty Splitco, Inc.) (the "LMC Split-Off"). At the time of the LMC Split-Off, LMC owned all the assets, businesses and liabilities previously attributed to the Capital and Starz tracking stock groups. The LMC Split-Off was effected by means of a redemption of all of the Liberty Capital common stock and Liberty Starz common stock of Liberty in exchange for the common stock of LMC. This transaction has been accounted for at historical cost due to the pro rata nature of the distribution.

Following the LMC Split-Off, Liberty and LMC operate as separate, publicly traded companies, and neither has any stock ownership, beneficial or otherwise, in the other. In connection with the LMC Split-Off, Liberty and LMC entered into certain agreements in order to govern certain of the ongoing relationships between the two companies after the LMC Split-Off and to provide for an orderly transition. These agreements include a Reorganization Agreement, a Services Agreement, a Facilities Sharing Agreement and a Tax Sharing Agreement.

The Tax Sharing Agreement provides for the allocation and indemnification of tax liabilities and benefits between Liberty and LMC and other agreements related to tax matters. Liberty is party to on-going discussions with the IRS under the Compliance Assurance Process audit program. The IRS may propose adjustments that relate to tax attributes allocated to and income allocable to LMC in the LMC Split-Off. Any potential outcome associated with any proposed adjustments would be covered by the Tax Sharing Agreement and are not expected to have any impact on Liberty's financial position. Pursuant to the Services Agreement, LMC will provide Liberty with general and administrative services including legal, tax, accounting, treasury and investor relations support. Liberty will reimburse LMC for direct, out-of-pocket expenses incurred by LMC in providing these services and for Liberty's allocable portion of costs associated with any shared services or personnel based on an estimated percentage of time spent providing services to Liberty. Under the Facilities Sharing Agreement, Liberty will share office space with LMC and related amenities at LMC's corporate headquarters. Under these various agreements approximately \$2 million of these allocated expenses were reimbursable from Liberty to LMC since the LMC Split-Off date.

The consolidated financial statements and accompanying notes of Liberty have been prepared to reflect LMC as discontinued operations. Accordingly, the assets and liabilities, revenue, costs and expenses, and cash flows of the businesses, assets and liabilities owned by LMC at the time of LMC Split-Off (for periods prior to the LMC Split-Off) have been excluded from the respective captions in the accompanying consolidated balance sheets, statements of operations, comprehensive earnings and cash flows in such consolidated financial statements.

Certain combined financial information for LMC, which is included in earnings (loss) from discontinued operations, is as follows:

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Revenue	\$ 2,008	2,050	1,853
Earnings (loss) before income taxes	\$ 628	594	703

A summary of certain asset and liability amounts for LMC as of the respective dates are as follows:

	September 23, 2011	December 31, 2010
	amounts in millions	
<i>Assets</i>		
Cash and cash equivalents	\$ 2,075	1,826
Investments in available-for-sale securities and other cost investments	\$ 2,847	3,441
<i>Liabilities</i>		
Financial instruments	\$ 1,125	1,230
Deferred income tax liabilities	\$ 428	214
Debt	\$ 791	855



LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

*Split-Off of LEI*

On November 19, 2009, Liberty completed its split-off (the "LEI Split-Off") of its wholly owned subsidiary, Liberty Entertainment, Inc. ("LEI"), and the business combination transaction among Liberty, LEI and the DIRECTV Group, Inc. ("DIRECTV") (the "DTV Business Combination"). LEI held Liberty's 57% interest in DIRECTV (which had a carrying value of \$13,475 million million at the time of the LEI Split-Off), a wholly owned subsidiary Liberty Sports Holdings, LLC, 65% interest in Game Show Network, LLC and approximately \$120 million in cash and cash equivalents, and approximately \$2 billion of indebtedness. All of the businesses, assets and liabilities that were attributed to the Entertainment Group and were not held by LEI have remained with Liberty and continue to be attributed to the Entertainment Group, which Liberty redesignated as the Starz Group.

Immediately following the LEI Split-Off, Liberty, LEI and DIRECTV completed the DTV Business Combination, and each of LEI and DIRECTV became wholly owned subsidiaries of a new public holding company ("Holdings"), and LEI repaid loans to Liberty in the amount of \$226 million. Pursuant to the DTV Business Combination, (i) John C. Malone, Chairman of the boards of Liberty Media, LEI and DIRECTV, and certain related persons (collectively, "the Malones") contributed each of their shares of LEI Series B common stock to Holdings for 1.1113 shares of Holdings Class B common stock (with payment of cash in lieu of any fractional shares), (ii) LEI merged with a wholly-owned subsidiary of Holdings, and each share of LEI common stock (other than shares of LEI Series B common stock held by the Malones) was exchanged for 1.1113 shares of Holdings Class A common stock (with payment of cash in lieu of any fractional shares), and (iii) DIRECTV merged with a wholly-owned subsidiary of Holdings, and each share of DIRECTV common stock was exchanged for one share of Holdings Class A common stock.

Because the LEI Split-Off was conditioned on, among other matters, satisfaction and waiver of all conditions to the DTV Business Combination, the LEI Split-Off and the DTV Business Combination have been recorded at fair value, and Liberty recognized an approximate \$5.9 billion gain on the transaction. Such gain is included in earnings from discontinued operations in the accompanying consolidated statement of operations. Due to the tax-free nature of the LEI Split-Off and the DTV Business Combination, no taxes were recorded on the gain for financial statement purposes.

Certain combined statement of operations information for LEI, which is included in earnings from discontinued operations, is as follows:

	Year ended December 31, 2009	
	amounts in millions	
Revenue	\$	240
Earnings before income taxes (1)	\$	5,770

(1) Includes the gain from the LEI Split-Off/DTV Business Combination in 2009.

*Earnings per share impact of discontinued operations*

The combined impact from discontinued operations, discussed above, is as follows:

	Years ended December 31,		
	2011	2010	2009
Basic earnings (losses) from discontinued operations attributable to Liberty shareholders per common share (note 2):			
Series A and Series B Liberty Capital common stock	\$ 2.48	8.74	5.03
Series A and Series B Liberty Starz common stock	\$ 3.47	4.12	13.13
Series A and Series B Liberty Interactive common stock	\$ —	0.19	(0.04)
Diluted earnings (losses) from discontinued operations attributable to Liberty shareholders per common share (note 2):			
Series A and Series B Liberty Capital common stock	\$ 2.42	8.46	4.98
Series A and Series B Liberty Starz common stock	\$ 3.34	3.96	13.04
Series A and Series B Liberty Interactive common stock	\$ —	0.18	(0.04)

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

Certain assets and liabilities not owned by Liberty Interactive at the time of LMC Split-Off were attributed to the Liberty Interactive tracking stock in prior periods and certain assets and liabilities not owned by LMC at the time of the LMC Split-Off were attributed to the Liberty Capital tracking stock in prior periods. These assets and liabilities, and their resulting impacts on the attributed statement of operations, were either included or excluded from discontinued operations based on which entity owned the assets at time of split-off. This results in Liberty Interactive common stock participating in the discontinued operations for the amount attributable to Liberty Interactive common stock for those assets and liabilities it did not own at the time of the LMC Split-Off, in periods prior to the LMC Split-Off. Additionally, certain prior period EPS calculations for Liberty Capital common stock include continuing operations due to the attribution of certain debt and equity instruments in those periods to the Liberty Capital group that remained with Liberty after the LMC Split-Off as a result of the change in attribution of those assets and liabilities prior to the LMC Split-Off.

(5) Assets and Liabilities Measured at Fair Value

For assets and liabilities required to be reported at fair value, GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs, other than quoted market prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

The Company's assets and liabilities measured at fair value are as follows:

Description	December 31, 2011				December 31, 2010			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
amounts in millions								
Short term marketable securities	\$ 46	—	46	—	—	—	—	—
Available-for-sale securities	\$ 1,165	1,165	—	—	1,109	1,109	—	—
Financial instruments	\$ 61	—	61	—	128	—	128	—
Debt	\$ 2,443	—	2,443	—	2,506	—	2,506	—

The majority of the Company's Level 2 financial assets and liabilities are debt instruments with quoted market prices that are not considered to be traded on "active markets," as defined in GAAP. Accordingly, the financial instruments are reported in the foregoing table as Level 2 fair value.

Realized and Unrealized Gains (Losses) on Financial Instruments

Realized and unrealized gains (losses) on financial instruments are comprised of changes in the fair value of the following:

	Years ended December 31,		
	2011	2010	2009
amounts in millions			
Non-strategic Securities	\$ 55	202	238
Exchangeable senior debentures	(46)	(257)	(856)
Other	75	117	29
	\$ 84	62	(589)

(6) Investments in Available-for-Sale Securities and Other Cost Investments

All marketable equity and debt securities held by the Company are classified as available-for-sale ("AFS") and are carried at fair value generally based on quoted market prices. GAAP permits entities to choose to measure many financial instruments, such as AFS securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity's statement of operations (the "fair value option"). In prior years, Liberty entered into economic hedges for certain of its non-strategic

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

AFS securities (although such instruments were not accounted for as fair value hedges by the Company). Changes in the fair value of these economic hedges were reflected in Liberty's statement of operations as unrealized gains (losses). In order to better match the changes in fair value of the subject AFS securities and the changes in fair value of the corresponding economic hedges in the Company's financial statements, Liberty elected the fair value option for those of its AFS securities which it considers to be non-strategic ("Non-strategic Securities"). Accordingly, changes in the fair value of Non-strategic Securities, as determined by quoted market prices, are reported in realized and unrealized gains (losses) on financial instruments in the accompanying condensed consolidated statements of operations.

Investments in AFS securities, the entirety of which are considered Non-strategic Securities, and other cost investments are summarized as follows:

	December 31, 2011	December 31, 2010
	amounts in millions	
Time Warner Inc.	\$ 787	701
Time Warner Cable Inc.	348	361
Other	33	48
	<u>\$ 1,168</u>	<u>1,110</u>

(7) Investments in Affiliates Accounted for Using the Equity Method

Liberty has various investments accounted for using the equity method. The following table includes Liberty's carrying amount and percentage ownership of the more significant investments in affiliates at December 31, 2011 and the carrying amount at December 31, 2010:

	December 31, 2011		December 31, 2010	
	Percentage ownership	Market value	Carrying amount	Carrying amount
	dollars in millions			
Expedia, Inc. (1)(2)	26%	\$ 1,004	\$ 621	710
TripAdvisor, Inc. (1)	26%	\$ 873	184	—
HSN, Inc.	34%	\$ 726	217	133
Other	various	N/A	113	106
			<u>\$ 1,135</u>	<u>949</u>

The following table presents Liberty's share of earnings (losses) of affiliates:

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Expedia, Inc. (1)	\$ 119	103	72
TripAdvisor, Inc. (1)	—	—	—
HSN, Inc.	38	31	(37)
Other	(17)	(22)	(11)
	<u>\$ 140</u>	<u>112</u>	<u>24</u>

- (1) During the fourth quarter of 2011 Expedia, Inc. completed the pro-rata split-off of TripAdvisor, Inc., a wholly owned subsidiary. Therefore, the Company has a 26% ownership interest in each of Expedia, Inc. and TripAdvisor, Inc. as of December 31, 2011.
- (2) During the years ended December 31, 2011 and 2010, Expedia, Inc. paid dividends aggregating \$19 million and \$19 million, respectively.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

*Expedia*

Summarized unaudited financial information for Expedia is as follows:

**Expedia Consolidated Balance Sheets**

	December 31, 2011	December 31, 2010
	amounts in millions	
Current assets	\$ 2,275	1,708
Property and equipment, net	320	246
Goodwill	2,877	2,865
Intangible assets	744	747
Assets of discontinued operations, noncurrent	—	865
Other assets	289	226
Total assets	<u>\$ 6,505</u>	<u>6,657</u>
Current liabilities	\$ 2,553	1,896
Deferred income taxes	280	264
Long-term debt	1,249	1,249
Liabilities of discontinued operations, noncurrent	—	396
Other liabilities	118	115
Noncontrolling interest	105	64
Equity	2,200	2,673
Total liabilities and equity	<u>\$ 6,505</u>	<u>6,657</u>

**Expedia Consolidated Statements of Operations**

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Revenue	\$ 3,449	3,034	2,743
Cost of revenue	(761)	(685)	(603)
Gross profit	2,688	2,349	2,140
Selling, general and administrative expenses	(2,186)	(1,825)	(1,684)
Amortization	(22)	(23)	(24)
Restructuring charges and other	—	—	(34)
Operating income	480	501	398
Interest expense	(91)	(66)	(49)
Other income (expense), net	13	(10)	(29)
Income tax (expense) benefit	(76)	(120)	(101)
Income (loss) from continuing operations	326	305	219
Discontinued operations, net of tax	148	120	85
Net earnings (loss)	474	425	304
Less net earnings (loss) attributable to noncontrolling interests	(2)	(4)	(4)
Net earnings (loss) attributable to Expedia, Inc.	<u>\$ 472</u>	<u>421</u>	<u>300</u>

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

(8) Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying amount of goodwill are as follows:

	QVC	E-commerce	Total
	amounts in millions		
Balance at January 1, 2010	\$ 5,395	496	5,891
Acquisitions	—	116	116
Foreign currency translation adjustments	(23)	—	(23)
Other	(9)	8	(1)
Balance at December 31, 2010	\$ 5,363	620	5,983
Foreign currency translation adjustments	(9)	—	(9)
Acquisitions	—	4	4
Balance at December 31, 2011	\$ 5,354	624	5,978

Intangible Assets Subject to Amortization

Intangible assets subject to amortization are comprised of the following:

	December 31, 2011			December 31, 2010		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	amounts in millions					
Television distribution rights	\$ 2,305	(1,391)	914	2,313	(1,233)	1,080
Customer relationships	2,618	(1,535)	1,083	2,597	(1,333)	1,264
Other	600	(388)	212	571	(320)	251
Total	\$ 5,523	(3,314)	2,209	5,481	(2,886)	2,595

Amortization expense for intangible assets with finite useful lives was \$490 million, \$426 million and \$422 million for the years ended December 31, 2011, 2010 and 2009, respectively. Based on its amortizable intangible assets as of December 31, 2011, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

2012	\$ 451
2013	\$ 424
2014	\$ 394
2015	\$ 347
2016	\$ 336

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

(9) Debt

Debt is summarized as follows:

	Outstanding principal December 31, 2011	Carrying value	
		December 31, 2011	December 31, 2010
amounts in millions			
<b>Senior notes and debentures</b>			
5.7% Senior Notes due 2013	309	308	323
8.5% Senior Debentures due 2029	287	285	284
8.25% Senior Debentures due 2030	504	501	501
<b>Exchangeable Senior Debentures</b>			
3.125% Exchangeable Senior Debentures due 2023	1,138	1,275	1,283
4% Exchangeable Senior Debentures due 2029	469	258	265
3.75% Exchangeable Senior Debentures due 2030	460	235	253
3.5% Exchangeable Senior Debentures due 2031	486	341	329
3.25% Exchangeable Senior Debentures due 2031	414	334	376
QVC 7.125% Senior Secured Notes due 2017	500	500	500
QVC 7.5% Senior Secured Notes due 2019	1,000	986	985
QVC 7.375% Senior Secured Notes due 2020	500	500	500
QVC Bank Credit Facilities	434	434	785
Other subsidiary debt	82	82	79
Total consolidated Liberty debt	<u>\$ 6,583</u>	6,039	6,463
Less current maturities		(1,189)	(493)
Total long-term debt		<u>\$ 4,850</u>	<u>5,970</u>

**Exchangeable Senior Debentures**

Each \$1,000 debenture of Liberty's 3.125% Exchangeable Senior Debentures is exchangeable at the holder's option for the value of 19.1360 shares of Time Warner Inc. common stock, 4.8033 shares of Time Warner Cable Inc. common stock and 1.7396 shares of AOL Inc. common stock. Liberty may, at its election, pay the exchange value in cash, Time Warner, Time Warner Cable and AOL common stock, shares of Liberty common stock or a combination thereof. On or after April 5, 2013, Liberty, at its option, may redeem the debentures, in whole or in part, for cash equal to the face amount of the debentures plus accrued interest. On March 30, 2013 or March 30, 2018, each holder may cause Liberty to purchase its exchangeable debentures at par, and Liberty, at its election, may pay the purchase price in shares of Time Warner, Time Warner Cable and AOL common stock, cash, Liberty common stock, or any combination thereof.

Each \$1,000 debenture of Liberty's 4% Exchangeable Senior Debentures is exchangeable at the holder's option for the value of 1.4743 shares of Sprint common stock and .7860 shares of Century Link, Inc. ("Century Link") common stock. Liberty may, at its election, pay the exchange value in cash, Sprint and Century Link common stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash generally equal to the face amount of the debentures plus accrued interest.

Each \$1,000 debenture of Liberty's 3.75% Exchangeable Senior Debentures is exchangeable at the holder's option for the value of 8.3882 shares of Sprint common stock and .5746 shares of Century Link common stock. Liberty may, at its election, pay the exchange value in cash, Sprint and Century Link common stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash equal to the face amount of the debentures plus accrued interest.

Each \$1,000 debenture of Liberty's 3.5% Exchangeable Senior Debentures (the "Motorola Exchangeables") is exchangeable at the holder's option for the value of 5.2598 shares of Motorola Solutions, Inc. and 4.6024 shares of Motorola Mobility Holdings, Inc., as a result of Motorola Inc.'s separation of Motorola Mobility Holdings, Inc. ("MMI") in a 1 for 8 stock distribution, and the subsequent 1 for 7 reverse stock split of Motorola, Inc. (which has been renamed Motorola Solutions, Inc. ("MSI")), effective January 4, 2011. Such exchange value is payable, at Liberty's option, in cash, MMI and MSI stock or a combination thereof.

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

Liberty, at its option, may redeem the debentures, in whole or in part, for cash generally equal to the adjusted principal amount of the debentures plus accrued interest. As a result of a cash distribution made by Liberty in 2007 and principal payments made to holders of the Motorola Exchangeables, the adjusted principal amount of each \$1,000 debenture is \$809.90, as of December 31, 2011. Additionally, MMI is being acquired for cash which is a trigger for Liberty to repay a portion of the outstanding principal amount if the acquisition is completed. If the acquisition is completed it is estimated that Liberty would be required to make a cash payment of approximately \$110 million toward the principal amount of the Motorola Exchangeables.

Each \$1,000 debenture of Liberty's 3.25% Exchangeable Senior Debentures (the "Viacom Exchangeables") is exchangeable at the holder's option for the value of 9.2833 shares of Viacom Class B common stock and 9.2833 shares of CBS Corporation ("CBS") Class B common stock. Such exchange value is payable at Liberty's option in cash, Viacom and CBS stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash equal to the face amount of the debentures plus accrued interest.

Liberty has sold, split-off or otherwise disposed of all of its shares of Motorola, Viacom, CBS, Sprint and Century Link common stock which underlie the respective Exchangeable Senior Debentures. Because such exchangeable debentures are exchangeable at the option of the holder at any time and Liberty can no longer use shares it owns to redeem the debentures, Liberty has classified for financial reporting purposes the portion of the debentures that could be redeemed for cash as a current liability. Such amount aggregated \$1,168 million at December 31, 2011. Although such amount has been classified as a current liability for financial reporting purposes, the Company believes the probability that the holders of such instruments will exchange a significant principal amount of the debentures prior to maturity is remote.

Interest on the Company's exchangeable debentures is payable semi-annually based on the date of issuance. At maturity, all of the Company's exchangeable debentures are payable in cash.

#### *Senior Notes and Debentures*

Interest on the Senior Notes and Senior Debentures are payable semi-annually based on the date of issuance.

The Senior Notes and Senior Debentures are stated net of an aggregate unamortized discount of \$6 million and \$7 million at December 31, 2011 and 2010, respectively. Such discount is being amortized to interest expense in the accompanying consolidated statements of operations.

#### *QVC Senior Secured Notes*

During prior years, QVC issued \$500 million principal amount of 7.125% Senior Secured Notes due 2017 and \$500 million 7.375% Senior Secured Notes due 2020 at par. Additionally, QVC issued \$1,000 million principal amount of QVC Senior Secured Notes due 2019 at an issue price of 98.278% of par.

#### *QVC Bank Credit Facilities*

The QVC Bank Credit Facilities provide for a \$2 billion revolving credit facility, with a \$250 million sub-limit for standby letters of credit. QVC may elect that the loans extended under the revolving credit agreement bear interest at a rate per annum equal to the ABR Rate or LIBOR, as each is defined in the credit agreement, plus a margin of 0.50% to 3.00% depending on various factors, including leverage ratio. The facility is a multi-currency facility and there is no prepayment penalty. Availability under the QVC Bank Credit Facilities at December 31, 2011 was \$1.6 billion. The \$434 million outstanding principal matures in September 2015.

QVC was in compliance with all of its debt covenants at December 31, 2011.

#### *QVC Interest Rate Swap Arrangements*

During the third quarter of 2009, QVC entered into seven forward interest rate swap arrangements with an aggregate notional amount of \$1.75 billion. Such arrangements provided for payments that began in March 2011 and extend to March 2013. QVC makes fixed payments at rates ranging from 2.98% to 3.67% and receives variable payments at 3 month LIBOR (0.55% at December 31, 2011). During the year ended December 31, 2011 QVC entered into seven additional swap arrangements with an aggregate notional amount of \$1.35 billion requiring QVC to make variable payments at 3 month LIBOR (0.55% at December 31, 2011) and receive fixed payments at rates ranging from 0.57% to 0.95%. These swap arrangements do not qualify as cash flow

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

hedges under GAAP. Accordingly, changes in the fair value of the swaps are reflected in realized and unrealized gains or losses on financial instruments in the accompanying consolidated statements of operations.

**Other Subsidiary Debt**

Other subsidiary debt at December 31, 2011 is comprised of capitalized satellite transponder lease obligations and bank debt of certain subsidiaries.

**Five Year Maturities**

The annual principal maturities of Liberty's debt for each of the next five years is as follows (amounts in millions):

2012	\$	27
2013	\$	322
2014	\$	12
2015	\$	446
2016	\$	11

**Fair Value of Debt**

Liberty estimates the fair value of its debt based on the quoted market prices for the same or similar issues or on the current rate offered to Liberty for debt of the same remaining maturities. The fair value of Liberty's publicly traded debt securities that are not reported at fair value in the accompanying consolidated balance sheet at December 31, 2011 is as follows (amounts in millions):

Senior notes	\$	324
Senior debentures	\$	780
QVC senior secured notes	\$	2,202

Due to the variable rate nature, Liberty believes that the carrying amount of its subsidiary debt not discussed above approximated fair value at December 31, 2011.

**(10) Income Taxes**

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Current:			
Federal	\$ (156)	(85)	(119)
State and local	(32)	6	(49)
Foreign	(120)	(111)	(85)
	\$ (308)	(190)	(253)
Deferred:			
Federal	\$ (42)	27	249
State and local	(6)	21	46
Foreign	4	14	3
	(44)	62	298
Income tax benefit (expense)	\$ (352)	(128)	45



LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

Income tax benefit (expense) differs from the amounts computed by applying the U.S. federal income tax rate of 35% as a result of the following:

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Computed expected tax benefit (expense)	\$ (329)	(339)	29
Nontaxable exchange of investments for subsidiary	—	112	—
State and local income taxes, net of federal income taxes	(22)	18	(7)
Foreign taxes, net of foreign tax credits	(3)	48	(4)
Change in valuation allowance affecting tax expense	(15)	—	—
Nontaxable gains (losses) related to the Company's common stock	8	27	20
Other, net	9	6	7
Income tax benefit (expense)	<u>\$ (352)</u>	<u>(128)</u>	<u>45</u>

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

	December 31,	
	2011	2010
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	\$ 70	40
Accrued stock compensation	44	33
Other accrued liabilities	69	154
Deferred revenue	5	9
Other future deductible amounts	144	92
Deferred tax assets	<u>332</u>	<u>328</u>
Valuation allowance	(16)	(1)
Net deferred tax assets	<u>316</u>	<u>327</u>
Deferred tax liabilities:		
Investments	190	115
Intangible assets	1,661	1,718
Discount on exchangeable debentures	978	947
Deferred gain on debt retirements	321	313
Other	63	95
Deferred tax liabilities	<u>3,213</u>	<u>3,188</u>
Net deferred tax liabilities	<u>\$ 2,897</u>	<u>2,861</u>

The Company's deferred tax assets and liabilities are reported in the accompanying consolidated balance sheets as follows:

	December 31,	
	2011	2010
	amounts in millions	
Current deferred tax liabilities	\$ 851	152
Long-term deferred tax liabilities	2,046	2,709
Net deferred tax liabilities	<u>\$ 2,897</u>	<u>2,861</u>

The Company's valuation allowance increased \$15 million in 2011 all of which affected tax expense.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2011, 2010 and 2009**

At December 31, 2011, Liberty had federal net operating and capital loss carryforwards for income tax purposes aggregating approximately\$67 million which, if not utilized to reduce taxable income in future periods, \$16 million will expire in 2013, \$27 million will expire in 2016 and\$24 million will expire after 2016. The foregoing net operating and capital loss carryforwards are subject to certain limitations and may not be currently utilized.

A reconciliation of unrecognized tax benefits is as follows:

	Years ended December 31,	
	2011	2010
	amounts in millions	
Balance at beginning of year	\$ 123	160
Additions based on tax positions related to the current year	13	11
Additions for tax positions of prior years	3	3
Reductions for tax positions of prior years	(5)	(23)
Lapse of statute and settlements	(11)	(28)
Balance at end of year	<u>\$ 123</u>	<u>123</u>

As of December 31, 2011, the Company had recorded tax reserves of\$123 million related to unrecognized tax benefits for uncertain tax positions. If such tax benefits were to be recognized for financial statement purposes, \$71 million would be reflected in the Company's tax expense and affect its effective tax rate. Liberty's estimate of its unrecognized tax benefits related to uncertain tax positions requires a high degree of judgment.

As of December 31, 2011, the Company's 2001 through 2007 tax years are closed for federal income tax purposes, and the IRS has completed its examination of the Company's 2008 through 2010 tax years. The Company's tax loss carryforwards from its 2008 through 2010 tax years are still subject to adjustment. The Company's 2011 tax year is being examined currently as part of the IRS's Compliance Assurance Process ("CAP") program. Various states are currently examining the Company's prior years state income tax returns. The Company is currently under audit in the UK and Germany. It is reasonably possible that the amount of the Company's gross unrecognized tax benefits may increase within the next twelve months by up to\$6 million.

As of December 31, 2011, the Company had recorded\$23 million of accrued interest and penalties related to uncertain tax positions.

**(11) Stockholders' Equity**

***Preferred Stock***

Liberty's preferred stock is issuable, from time to time, with such designations, preferences and relative participating, optional or other rights, qualifications, limitations or restrictions thereof, as shall be stated and expressed in a resolution or resolutions providing for the issue of such preferred stock adopted by Liberty's Board of Directors. As of December 31, 2011, no shares of preferred stock were issued.

***Common Stock***

Series A Liberty Interactive common stock has one vote per share, and Series B Liberty Interactive common stock has ten votes per share. Each share of the Series B common stock is exchangeable at the option of the holder for one share of Series A common stock of the same group. The Series A and Series B common stock of participate on an equal basis with respect to dividends and distributions.

As of December 31, 2011, Liberty reserved for issuance upon exercise of outstanding stock options approximately45.2 million shares of Liberty Interactive Series A common stock and 0.5 million shares of Liberty Interactive Series B common stock.

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

In addition to the Series A and Series B Liberty Interactive common stock there are 4 billion shares of Series C common stock authorized for issuance. As of December 31, 2011, no shares of any Series C common stock were issued or outstanding.

#### *Purchases of Common Stock*

As described in note 4, in November 2009, Liberty redeemed 90% of its outstanding Liberty Entertainment common stock for shares of LEI, and the Liberty Entertainment common stock was redesignated as Liberty Starz common stock.

During the year ended December 31, 2009, the Company repurchased 642,400 shares of Series A Liberty Capital common stock for aggregate cash consideration of \$5 million and 272,400 shares of Series A Liberty Starz common stock for aggregate cash consideration of \$13 million.

During the year ended December 31, 2010 the Company repurchased 15,632,700 shares of Series A Liberty Capital common stock for aggregate cash consideration of \$714 million and 835,700 shares of Series A Liberty Starz common stock for aggregate cash consideration of \$40 million.

During the year ended December 31, 2011 the Company repurchased 3,146,913 shares of Series A Liberty Capital common stock for aggregate cash consideration of \$213 million (through the LMC Split-Off date) and 23,864,733 shares of Series A Liberty Interactive common stock for aggregate cash consideration of \$366 million.

All of the foregoing shares were repurchased pursuant to a previously announced share repurchase program and have been retired and returned to the status of authorized and available for issuance.

As of December 31, 2011, put options with respect to 3 million shares of Series A Liberty Interactive common stock with a weighted average put price of \$15.50 remained outstanding. Such put options expire in March 2012.

The Company accounts for the foregoing put options as financial instrument liabilities at fair value due to their settlement provisions. Accordingly, changes in the fair value of these liabilities are included in realized and unrealized gains (losses) on financial instruments in the accompanying consolidated statements of operations.

#### **(12) Transactions with Officers and Directors**

##### *Chief Executive Officer Compensation Arrangement*

On December 17, 2009, the Compensation Committee (the "Committee") of Liberty approved a new compensation arrangement for its President and Chief Executive Officer (the "CEO"). The arrangement provides for a five year employment term beginning January 1, 2010 and ending December 31, 2014, with an annual base salary of \$1.5 million, increasing annually by 5% of the prior year's base salary, and an annual target cash bonus equal to 200% of the applicable year's annual base salary. The arrangement also provides that, in the event the CEO is terminated for "cause" or terminates his employment without "good reason," he will be entitled only to his accrued base salary and any amounts due under applicable law, and he will forfeit all rights to his unvested restricted shares and unvested options. If, however, the CEO is terminated by Liberty without cause or if he terminates his employment for good reason, the arrangement provides for him to receive \$7.8 million and for his unvested restricted shares and unvested options to vest pro rata based on the portion of the term elapsed through the termination date plus 18 months and for all vested and accelerated options to remain exercisable until their respective expiration dates. Lastly, in the case of the CEO's death or his disability, the arrangement provides for a payment of \$7.8 million, for his unvested restricted shares and unvested options to fully vest and for his vested and accelerated options to remain exercisable until their respective expiration dates.

Also, on December 17, 2009, in connection with the approval of his compensation arrangement, the CEO received a one-time grant of options to purchase the following shares of Liberty with exercise prices equal to the closing sale prices of the applicable series of stock on the grant date: 8,743,000 shares of Series A Liberty Interactive common stock, 760,000 shares of Series A Liberty Starz common stock and 1,353,000 shares of Series A Liberty Capital common stock. One-half of the options will vest on the fourth anniversary of the grant date with the remaining options vesting on the fifth anniversary of the grant date, in each case, subject to the CEO being employed by Liberty on the applicable vesting date. The options will have a term of 10 years.

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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Salary compensation related to services provided are allocated from LMC to Liberty pursuant to the Services Agreement. Any cash bonus attributable to the performance of Liberty is paid directly by Liberty. The stock options relating to Liberty Capital common stock and Liberty Starz common stock were assumed by LMC at the time of the LMC Split-Off.

#### *Chief Executive Officer Investment in Subsidiary*

During 2009, 2010 and 2011, the CEO invested \$4 million cash in Lockerz, LLC, an equity method affiliate of Liberty. The CEO's ownership interest is approximately 15% at December 31, 2011.

### **(13) Stock-Based Compensation**

#### *Liberty - Incentive Plans*

Pursuant to the Liberty Interactive Corporation 2000 Incentive Plan, as amended from time to time (the "2000 Plan"), the Company has granted to certain of its employees stock options and SARs (collectively, "Awards") to purchase shares of Series A and Series B Liberty Interactive common stock. The 2000 Plan provides for Awards to be issued in respect of a maximum of 28.1 million shares of Liberty common stock. On May 1, 2007, stockholders of the Company approved the Liberty Interactive Corporation 2007 Incentive Plan, as amended from time to time (the "2007 Plan"). The 2007 Plan provides for Awards to be made in respect of a maximum of 38.2 million shares of Liberty common stock. Additionally, on June 24, 2010, stockholders of the Company approved the Liberty Interactive Corporation 2010 Incentive Plan, as amended from time to time (the "2010 Plan"). The 2010 Plan provides for Awards to be made in respect of a maximum of 40.9 million shares of Liberty common stock. Awards generally vest over 4-5 years and have a term of 7-10 years. Liberty issues new shares upon exercise of equity awards.

Pursuant to the Liberty Interactive Corporation 2002 Nonemployee Director Incentive Plan, as amended from time to time (the "2002 NDIP") and the Liberty Interactive Corporation 2011 Nonemployee Director Incentive Plan, as amended from time to time (the "2011 NDIP"), the Liberty Board of Directors has the full power and authority to grant eligible nonemployee directors stock options, SARs, stock options with tandem SARs, and restricted stock.

#### *Liberty - Grants*

During the year ended December 31, 2011, Liberty granted, primarily to QVC employees, 6.2 million options to purchase shares of Series A Liberty Interactive common stock. Such options had a weighted average grant-date fair value of \$7.32 per share. Of these grants, 3.8 million options were granted to the CEO of QVC; of those 3.8 million options, one half vest December 15, 2014 and the other half vest on December 15, 2015. The remainder of the options granted primarily vest semi-annually over the 4 year vesting period.

During the years ended December 31, 2010 and 2009 the Company granted, approximately 10.6 million and 17.5 million options to purchase shares of Series A Liberty Interactive common stock, respectively. Such options had a weighted average grant-date fair value of \$7.11 and \$3.57 per share, respectively.

The Company has calculated the grant-date fair value for all of its equity classified awards and any subsequent remeasurement of its liability classified awards using the Black-Scholes Model. The Company estimates the expected term of the Awards based on historical exercise and forfeiture data. For grants made in 2011, 2010 and 2009, the range of expected terms was 5.7 to 6.0 years. The volatility used in the calculation for Awards is based on the historical volatility of Liberty's stocks and the implied volatility of publicly traded Liberty options. The Company uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject options.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2011, 2010 and 2009**

The following presents the range of volatilities used by Liberty in the Black-Scholes Model for the 2011, 2010 and 2009 Liberty Interactive grants.

	<b>Volatility</b>	
2011	44.8% -	47.5%
2010	44.8% -	46.4%
2009	36.0% -	46.4%

**Liberty - Outstanding Awards**

The following table presents the number and weighted average exercise price ("WAEP") of the Awards to purchase Liberty common stock granted to certain officers, employees and directors of the Company.

	<b>Liberty Interactive</b>			
	<b>Series A (000's)</b>	<b>WAEP</b>	<b>Series B (000's)</b>	<b>WAEP</b>
	<b>Number of Options in thousands</b>			
Outstanding at January 1, 2011	47,583	\$ 12.10	7,491	\$ 23.41
Granted	6,158	\$ 15.96	—	\$ —
Exercised	(2,805)	\$ 4.79	—	\$ —
Forfeited/Cancelled/Exchanged	(5,713)	\$ 20.25	(7,041)	\$ 23.64
Outstanding at December 31, 2011	<u>45,223</u>	\$ 12.06	<u>450</u>	\$ 19.74
Exercisable at December 31, 2011	<u>16,155</u>	\$ 12.96	<u>450</u>	\$ 19.74

The following table provides additional information about outstanding Awards to purchase Liberty common stock at December 31, 2011.

	<b>No. of outstanding Awards (000's)</b>	<b>WAEP of outstanding Awards</b>	<b>Weighted average remaining life</b>	<b>Aggregate intrinsic value (000's)</b>	<b>No. of exercisable Awards (000's)</b>	<b>WAEP of exercisable Awards</b>	<b>Weighted average remaining life</b>	<b>Aggregate intrinsic value (000's)</b>
Series A Liberty Interactive	45,223	\$ 12.06	5.2 years	\$ 214,557	16,155	\$ 12.96	3.1 years	\$ 78,879
Series B Liberty Interactive	450	\$ 19.74	3.4 years	\$ —	450	\$ 19.74	3.4 years	\$ —

As of December 31, 2011, the total unrecognized compensation cost related to unvested Liberty equity Awards was approximately \$109 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.1 years.

**Liberty - Exercises**

The aggregate intrinsic value of all options exercised during the years ended December 31, 2011, 2010 and 2009 was \$33 million, \$23 million and \$2 million, respectively.

**Liberty - Restricted Stock**

The Company had approximately 2.1 million shares of unvested restricted Liberty Interactive common stock held by certain directors, officers and employees of the Company, with a weighted average grant date fair value of \$11.31 per share, as of December 31, 2011.

The aggregate fair value of all restricted shares of Liberty Interactive common stock that vested during the years ended December 31, 2011, 2010 and 2009 was \$4 million, \$10 million and \$3 million, respectively.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

**Other**

Certain of the Company's other subsidiaries have stock based compensation plans under which employees and non-employees are granted options or similar stock based awards. Awards made under these plans vest and become exercisable over various terms. The awards and compensation recorded, if any, under these plans is not significant to Liberty.

**(14) Employee Benefit Plans**

Subsidiaries of Liberty sponsor 401(k) plans, which provide their employees an opportunity to make contributions to a trust for investment in Liberty common stock, as well as other mutual funds. The Company's subsidiaries make matching contributions to their plans based on a percentage of the amount contributed by employees. Employer cash contributions to all plans aggregated \$18 million, \$16 million and \$18 million for the years ended December 31, 2011, 2010 and 2009, respectively.

**(15) Other Comprehensive Earnings (Loss)**

Accumulated other comprehensive earnings (loss) included in Liberty's consolidated balance sheets and consolidated statements of equity reflect the aggregate of foreign currency translation adjustments, unrealized holding gains and losses on AFS securities and Liberty's share of accumulated other comprehensive earnings of affiliates.

The change in the components of accumulated other comprehensive earnings (loss), net of taxes ("AOCI"), is summarized as follows:

	Foreign currency translation adjustments	Unrealized holding gains (losses) on securities	Share of AOCI of equity affiliates	Other	AOCI of discontinued operations	AOCI
	amounts in millions					
Balance at January 1, 2009	\$ 217	(3)	(6)	(103)	(35)	70
Other comprehensive earnings (loss) attributable to Liberty Interactive Corporation stockholders	8	160	(5)	47	72	282
Balance at December 31, 2009	225	157	(11)	(56)	37	352
Other comprehensive earnings (loss) attributable to Liberty Interactive Corporation stockholders	(52)	(157)	7	56	20	(126)
Balance at December 31, 2010	173	—	(4)	—	57	226
Other comprehensive earnings (loss) attributable to Liberty Interactive Corporation stockholders	(15)	—	(2)	—	(26)	(43)
Distribution to stockholders for split-off of Liberty Media Corporation	—	—	—	—	(31)	(31)
Balance at December 31, 2011	\$ 158	—	(6)	—	—	152

The components of other comprehensive earnings (loss) are reflected in Liberty's consolidated statements of comprehensive earnings (loss) net of taxes. The following table summarizes the tax effects related to each component of other comprehensive earnings (loss).

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
amounts in millions			
<i>Year ended December 31, 2011:</i>			
Foreign currency translation adjustments	\$ (18)	7	(11)
Unrealized holding gains (losses) on securities arising during period	—	—	—
Reclassification adjustment for holding (gains) losses realized in net earnings (loss)	—	—	—
Share of other comprehensive earnings (loss) of equity affiliates	(3)	1	(2)
Other	—	—	—
Other comprehensive earnings (loss) from discontinued operations	\$ (42)	16	(26)
Other comprehensive earnings (loss)	\$ (63)	24	(39)
<i>Year ended December 31, 2010:</i>			
Foreign currency translation adjustments	\$ (60)	23	(37)
Unrealized holding gains (losses) on securities arising during period	66	(25)	41
Reclassification adjustment for holding (gains) losses realized in net earnings (loss)	(319)	121	(198)
Share of other comprehensive earnings (loss) of equity affiliates	11	(4)	7
Other	90	(34)	56
Other comprehensive earnings (loss) from discontinued operations	32	(12 )	20
Other comprehensive earnings (loss)	\$ (180)	69	(111)
<i>Year ended December 31, 2009:</i>			
Foreign currency translation adjustments	\$ 2	(1)	1
Unrealized holding gains (losses) on securities arising during period	302	(115)	187
Reclassification adjustment for holding (gains) losses realized in net earnings (loss)	(44)	17	(27)
Share of other comprehensive earnings (loss) of equity affiliates	(8)	3	(5)
Other	76	(29)	47
Other comprehensive earnings (loss) from discontinued operations	116	(44)	72
Other comprehensive earnings (loss)	\$ 444	(169)	275

**(16) Transactions with Related Parties**

During the year ended December 31, 2009 subsidiaries of Liberty recognized aggregate revenue of \$303 million from DIRECTV for distribution of their programming. In addition, subsidiaries of Liberty made aggregate payments of \$40 million in 2009 to DIRECTV for carriage and marketing.

**(17) Commitments and Contingencies**

*Operating Leases*

Liberty leases business offices, has entered into satellite transponder lease agreements and uses certain equipment under lease arrangements. Rental expense under such arrangements amounted to \$46 million, \$38 million and \$36 million for the years ended December 31, 2011, 2010 and 2009, respectively.

# LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

A summary of future minimum lease payments under noncancelable operating leases as of December 31, 2011 follows (amounts in millions):

Years ending December 31:	
2012	\$ 40
2013	\$ 35
2014	\$ 25
2015	\$ 22
2016	\$ 20
Thereafter	\$ 113

It is expected that in the normal course of business, leases that expire generally will be renewed or replaced by leases on other properties; thus, it is anticipated that future lease commitments will not be less than the amount shown for 2011.

### **Litigation**

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

### **(18) Information About Liberty's Operating Segments**

Liberty, through its ownership interests in subsidiaries and other companies, is primarily engaged in the video and on-line commerce industries. Liberty identifies its reportable segments as (A) those consolidated subsidiaries that represent 10% or more of its consolidated annual revenue, annual Adjusted OIBDA or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of Liberty's annual pre-tax earnings. The segment presentation for prior periods has been conformed to the current period segment presentation.

Liberty evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue, Adjusted OIBDA, gross margin, average sales price per unit, number of units shipped and revenue or sales per customer equivalent. In addition, Liberty reviews nonfinancial measures such as unique website visitors, conversion rates and active customers, as appropriate.

Liberty defines Adjusted OIBDA as revenue less cost of sales, operating expenses, and selling, general and administrative expenses (excluding stock-based compensation). Liberty believes this measure is an important indicator of the operational strength and performance of its businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes depreciation and amortization, stock-based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. Liberty generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

For the year ended December 31, 2011, Liberty has identified the following consolidated subsidiaries and equity method affiliates as its reportable segments:

- QVC—consolidated subsidiary that markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of its televised shopping programs and via the Internet through its domestic and international websites.
- Expedia, Inc.—a 26% owned equity method affiliate that operates an easily accessible global travel marketplace, allowing customers to research, plan and book travel products and services from travel suppliers and allowing these travel suppliers to efficiently reach and provide their products and services to Expedia customers.



LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

Additionally, for presentation purposes Liberty is providing financial information of the E-commerce businesses on an aggregated basis. The consolidated businesses do not contribute significantly to the overall operations of Liberty on an individual basis; however, Liberty believes that on an aggregated basis they provide relevant information for users of these financial statements. While these businesses may not meet the aggregation criteria under relevant accounting literature Liberty believes the information is relevant and helpful for a more complete understanding of the consolidated results.

- E-commerce—the aggregation of certain consolidated subsidiaries that market and sell a wide variety of consumer products via the Internet. Categories of consumer products include perishable and personal gift offerings (Provide Commerce, Inc.), active lifestyle gear and clothing (Backcountry.com, Inc.), fitness and health goods (Bodybuilding.com, LLC) and celebration offerings from invitations to costumes (Celebrate Interactive Holdings, Inc.).

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

Performance Measures

	Years ended					
	December 31,					
	2011		2010		2009	
Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA	
amounts in millions						
QVC	\$ 8,268	1,733	7,807	1,671	7,352	1,556
E-commerce	1,348	123	1,125	103	953	112
Expedia, Inc.	3,449	699	3,034	683	2,743	605
Corporate and other	—	(33)	—	(28)	—	(14)
Total	\$ 13,065	2,522	11,966	2,429	11,048	2,259
Eliminate equity method affiliates	(3,449)	(699)	(3,034)	(683)	(2,743)	(605)
Consolidated	\$ 9,616	1,823	8,932	1,746	8,305	1,654

Other Information

	December 31, 2011			December 31, 2010		
	Total assets	Investments in affiliates	Capital expenditures	Total assets	Investments in affiliates	Capital expenditures
	amounts in millions					
QVC	\$ 13,554	—	259	13,665	2	220
E-commerce	1,486	13	53	1,399	6	38
Expedia, Inc.	6,505	—	208	6,657	—	136
Corporate and other	2,299	1,122	—	11,536	941	—
Total	\$ 23,844	1,135	520	33,257	949	394
Eliminate equity method affiliates	(6,505)	—	(208)	(6,657)	—	(136)
Consolidated	\$ 17,339	1,135	312	26,600	949	258

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

The following table provides a reconciliation of segment Adjusted OIBDA to earnings (loss) from continuing operations before income taxes:

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
Consolidated segment Adjusted OIBDA	\$ 1,823	1,746	1,654
Stock-based compensation	(49)	(67)	(47)
Depreciation and amortization	(641)	(571)	(566)
Interest expense	(427)	(626)	(594)
Share of earnings (loss) of affiliates, net	140	112	24
Realized and unrealized gains (losses) on financial instruments, net	84	62	(589)
Gains (losses) on dispositions, net	—	355	42
Other, net	9	(47)	(6)
Earnings (loss) from continuing operations before income taxes	\$ 939	964	(82)

Revenue by Geographic Area

Revenue by geographic area based on the location of customers is as follows:

	Years ended December 31,		
	2011	2010	2009
	amounts in millions		
United States	\$ 6,670	6,298	5,884
Japan	1,133	1,019	870
Germany	1,068	956	942
Other foreign countries	745	659	609
	\$ 9,616	8,932	8,305

Long-lived Assets by Geographic Area

	December 31,	
	2011	2010
	amounts in millions	
United States	\$ 481	473
Japan	224	183
Germany	233	216
Other foreign countries	195	166
	\$ 1,133	1,038

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

## (19) Quarterly Financial Information (Unaudited)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
amounts in millions, except per share amounts				
<u>2011:</u>				
Revenue	\$ 2,159	2,245	2,133	3,079
Gross Profit	\$ 782	847	769	1,104
Operating income	\$ 213	288	224	408
Earnings from continuing operations	\$ 63	195	25	304
Net earnings (loss) attributable to Liberty Interactive Corporation stockholders:				
Series A and Series B Liberty Capital common stock	\$ 293	8	(90)	—
Series A and Series B Liberty Starz common stock	\$ 52	67	58	—
Series A and Series B Liberty Interactive common stock	\$ 44	182	13	285
Basic earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ 0.12	—	—	NA
Series A and Series B Liberty Starz common stock	\$ —	—	—	NA
Series A and Series B Liberty Interactive common stock	\$ 0.07	0.30	0.02	0.49
Diluted earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ 0.12	—	—	NA
Series A and Series B Liberty Starz common stock	\$ —	—	—	NA
Series A and Series B Liberty Interactive common stock	\$ 0.07	0.30	0.02	0.48
Basic net earnings (loss) attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ 3.57	0.10	(1.11)	NA
Series A and Series B Liberty Starz common stock	\$ 1.02	1.31	1.14	NA
Series A and Series B Liberty Interactive common stock	\$ 0.07	0.30	0.02	0.49
Diluted net earnings (loss) attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ 3.49	0.10	(1.11)	NA
Series A and Series B Liberty Starz common stock	\$ 0.98	1.26	1.09	NA
Series A and Series B Liberty Interactive common stock	\$ 0.07	0.30	0.02	0.48

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (Continued)

December 31, 2011, 2010 and 2009

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
amounts in millions, except per share amounts				
<b>2010:</b>				
Revenue	\$ 2,025	2,053	1,968	2,886
Gross Profit	\$ 731	769	714	1,013
Operating income	\$ 218	274	220	396
Earnings from continuing operations	\$ 246	38	102	450
Net earnings (loss) attributable to Liberty Interactive Corporation stockholders:				
Series A and Series B Liberty Capital common stock	\$ 22	(82)	26	849
Series A and Series B Liberty Starz common stock	\$ 57	61	48	40
Series A and Series B Liberty Interactive common stock	\$ 310	58	105	398
Basic earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ 0.38	(0.28)	(0.21)	0.40
Series A and Series B Liberty Starz common stock	\$ —	—	—	—
Series A and Series B Liberty Interactive common stock	\$ 0.33	0.10	0.18	0.67
Diluted earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ 0.37	(0.28)	(0.21)	0.39
Series A and Series B Liberty Starz common stock	\$ —	—	—	—
Series A and Series B Liberty Interactive common stock	\$ 0.33	0.10	0.17	0.66
Basic net earnings (loss) attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ 0.23	(0.86)	0.30	9.43
Series A and Series B Liberty Starz common stock	\$ 1.14	1.22	0.96	0.80
Series A and Series B Liberty Interactive common stock	\$ 0.52	0.10	0.18	0.67
Diluted net earnings (loss) attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	\$ 0.22	(0.86)	0.29	9.13
Series A and Series B Liberty Starz common stock	\$ 1.10	1.20	0.92	0.77
Series A and Series B Liberty Interactive common stock	\$ 0.51	0.10	0.17	0.66

### PART III

The following required information is incorporated by reference to our definitive proxy statement for our 2012 Annual Meeting of Stockholders presently scheduled to be held in the second quarter of 2012:

- Item 10. Directors, Executive Officers and Corporate Governance
- Item 11. Executive Compensation
- Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
- Item 13. Certain Relationships and Related Transactions, and Director Independence
- Item 14. Principal Accountant Fees and Services

We expect to file our definitive proxy statement for our 2012 Annual Meeting of Shareholders with the Securities and Exchange Commission on or before April 29, 2012.

**PART IV.**

**Item 15. Exhibits and Financial Statement Schedules.**

(a)(1) *Financial Statements*

Included in Part II of this report:

	<u>Page No.</u>
Liberty Interactive Corporation:	
Report of Independent Registered Public Accounting Firm	II-21
Consolidated Balance Sheets, December 31, 2011 and 2010	II-22
Consolidated Statements of Operations, Years ended December 31, 2011, 2010 and 2009	II-24
Consolidated Statements of Comprehensive Earnings, Years ended December 31, 2011, 2010 and 2009	II-26
Consolidated Statements of Cash Flows, Years ended December 31, 2011, 2010 and 2009	II-27
Consolidated Statements of Equity, Years ended December 31, 2011, 2010 and 2009	II-28
Notes to Consolidated Financial Statements, December 31, 2011, 2010 and 2009	II-29

(a) (2) Financial Statement Schedules

- (i) All schedules have been omitted because they are not applicable, not material or the required information is set forth in the financial statements or notes thereto.

(a)(3) *Exhibits*

Listed below are the exhibits which are filed as a part of this Report (according to the number assigned to them in Item 601 of Regulation S-K):

2 - Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession:

- 2.1 Agreement and Plan of Merger, dated as of May 3, 2009, by and among Liberty, Liberty Entertainment, Inc. ("LEI"), The DIRECTV Group, Inc. ("Old DTV"), DIRECTV, DTVG One, Inc., and DTVG Two, Inc. (incorporated by reference to Exhibit 10.1 to Old DTV's Current Report of Form 8-K (File No: 001-31945) as filed on May 4, 2009 (the "Old DTV 8-K")).
- 2.2 Amendment No. 1 to the Agreement and Plan of Merger, dated as of July 29, 2009, by and among Liberty, LEI, Old DTV, DIRECTV, DTVG One, Inc., and DTVG Two, Inc. (incorporated by reference to Exhibit 2.1 to Liberty's Current Report on Form 8-K (File No: 001-33982) as filed on July 30, 2009 (the "July 2009 8-K")).
- 2.3 Amendment No. 2 to the Agreement and Plan of Merger, dated as of October 2, 2009, by and among Liberty, LEI, Old DTV, DIRECTV, DTVG One, Inc., and DTVG Two, Inc. (incorporated by reference to Exhibit 2.1 to Liberty's Current Report on Form 8-K (File No: 001-33982) as filed on October 2, 2009 (the "October 2009 8-K")).
- 2.4 Reorganization Agreement, dated as of August 30, 2011, between Liberty Media Corporation and Liberty CapStarz, Inc. (incorporated by reference to Exhibit 2.1 to Post-Effective Amendment No. 1 to Liberty Media Corporation's Registration Statement on Form S-4 filed on September 23, 2011 (File No. 333-171201) (the "S-4")).

3 - Articles of Incorporation and Bylaws:

- 3.1 Restated Certificate of Incorporation of Liberty, dated November 19, 2009 (incorporated by reference to Exhibit 3.1 to Liberty's Current Report on Form 8-K (File No: 001-33982) as filed on November 20, 2009).

- 3.2 Certificate of Amendment to the Restated Certificate of Incorporation of Liberty (incorporated by reference to Exhibit 3.2 to Liberty's Quarterly Report on Form 10-Q for the quarterly period ending September 30, 2011 (File No. 001-33982) as filed on November 8, 2011 (the "Liberty 2011 10-Q")).
- 3.3 Bylaws of Liberty (as amended and restated August 12, 2008) (incorporated by reference to Exhibit 3.1 to Liberty's Current Report on Form 8-K (File No. 001-33982) as filed on August 14, 2008).

4 - Instruments Defining the Rights to Securities Holders, including Indentures:

- 4.1 Specimen certificate for shares of Liberty's Series A Liberty Interactive common stock, par value \$.01 per share.\*
- 4.2 Specimen certificate for shares of Liberty's Series B Liberty Interactive common stock, par value \$.01 per share.\*
- 4.3 Liberty undertakes to furnish to the Securities and Exchange Commission, upon request, a copy of all instruments with respect to long-term debt not filed herewith.

10 - Material Contracts:

- 10.1 Tax Sharing Agreement dated as of March 9, 1999, by and among AT&T Corp., Liberty Media LLC ("Old Liberty"), Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.1 to Liberty's Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-33982) as filed on February 25, 2010 (the "Liberty 2009 10-K")).
- 10.2 First Amendment to Tax Sharing Agreement dated as of May 28, 1999, by and among AT&T Corp., Old Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.2 to the Liberty 2009 10-K).
  - 10.3 Second Amendment to Tax Sharing Agreement dated as of September 24, 1999, by and among AT&T Corp., Old Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.3 to the Liberty 2009 10-K).
  - 10.4 Third Amendment to Tax Sharing Agreement dated as of October 20, 1999, by and among AT&T Corp., Old Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.4 to the Liberty 2009 10-K).
  - 10.5 Fourth Amendment to Tax Sharing Agreement dated as of October 28, 1999, by and among AT&T Corp., Old Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.5 to the Liberty 2009 10-K).
  - 10.6 Fifth Amendment to Tax Sharing Agreement dated as of December 6, 1999, by and among AT&T Corp., Old Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.6 to the Liberty 2009 10-K).
  - 10.7 Sixth Amendment to Tax Sharing Agreement dated as of December 10, 1999, by and among AT&T Corp., Old Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.7 to the Liberty 2009 10-K).
  - 10.8 Seventh Amendment to Tax Sharing Agreement dated as of December 30, 1999, by and among AT&T Corp., Old Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.8 to the Liberty 2009 10-K).

10.9 Eighth Amendment to Tax Sharing Agreement dated as of July 25, 2000, by and among AT&T Corp., Old Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.9 to the Liberty 2009 10-K).

10.10 Instrument dated January 14, 2000, adding The Associated Group, Inc. as a party to the Tax Sharing Agreement dated as of March 9, 1999, as amended, among The Associated Group, Inc., AT&T Corp., Old Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.10 to the Liberty 2009 10-K).

10.11 Liberty Interactive Corporation 2000 Incentive Plan (As Amended and Restated Effective November 7, 2011) (incorporated by reference to Exhibit 10.5 to the Liberty 2011 10-Q) (the "2000 Incentive Plan").

10.12 Liberty Interactive Corporation 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011) (incorporated by reference to Exhibit 10.6 to the Liberty 2011 10-Q) (the "2007 Incentive Plan").

10.13 Liberty Interactive Corporation 2010 Incentive Plan (As Amended and Restated Effective November 7, 2011) (incorporated by reference to Exhibit 10.7 to the Liberty 2011 10-Q).

10.14 Liberty Interactive Corporation 2002 Nonemployee Director Incentive Plan (As Amended and Restated Effective November 7, 2011) (incorporated by reference to Exhibit 10.8 to the Liberty 2011 10-Q) (the "2002 Directors Plan").

10.15 Liberty Interactive Corporation 2011 Nonemployee Director Incentive Plan (As Amended and Restated Effective November 7, 2011) (incorporated by reference to Exhibit 10.9 to the Liberty 2011 10-Q).

10.16 Form of Non-Qualified Stock Option Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan [for certain designated award recipients].\*

10.17 Form of Restricted Stock Award Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan [for certain designated award recipients] (incorporated by reference to Exhibit 10.19 to the Liberty 2009 10-K).

10.18 Form of Stock Appreciation Rights Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan (incorporated by reference to Exhibit 10.20 to the Liberty 2009 10-K).

10.19 Form of Non-Qualified Stock Option Agreement under the 2002 Directors Plan.\*

10.20 Form of Restricted Stock Award Agreement under the 2002 Directors Plan.\*

10.21 Form of Stock Appreciation Rights Agreement under the 2002 Directors Plan (incorporated by reference to Exhibit 10.2 to the Liberty 2009 10-K).

10.22 Non-Qualified Stock Option Agreement under the 2007 Incentive Plan for Michael George dated March 2, 2011.\*

10.23 Employment Agreement between Michael George and QVC, Inc. dated May 3, 2011.\*

10.24 Letter Agreement regarding personal use of Liberty's aircraft, dated as of February 22, 2008, between Gregory B Maffei and Liberty Media Corporation (incorporated by reference to Exhibit 10.38 to Liberty's Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 000-51990) as filed on February 28, 2008).

10.25 Agreement Regarding LINTA Equity Awards dated September 23, 2011, between Liberty Interactive Corporation and Gregory B. Maffei.\*

10.26 Call Agreement, dated as of February 9, 1998 (the "Call Agreement"), between Liberty (as successor of Old Liberty which was the assignee of Tele-Communications, Inc.) and the Malone Group (incorporated by reference to Exhibit 10.26 to Liberty's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-33982) as filed on February 27, 2009).

10.27 Letter, dated as of March 5, 1999, from Tele-Communications, Inc. and Old Liberty addressed to Mr. Malone and Leslie Malone relating to the Call Agreement (incorporated by reference to Exhibit 10.27 to the Liberty 2009 10-K).

10.28 Credit Agreement, dated as of September 2, 2010, among QVC, Inc., as Borrower; Wells Fargo Securities, LLC, as Lead



Arranger and Lead Bookrunner; JPMorgan Chase Bank, N.A., as Administrative Agent; Wells Fargo Bank, N.A., and BNP Paribas, as Syndication Agents; and the parties named therein as Lenders (incorporated by reference to Exhibit 99.2 to Liberty's Current Report on Form 8-K (File No. 001-33982) filed on September 3, 2010).

10.29 Form of Indemnification Agreement between Liberty and its executive officers/directors.\*

10.30 Voting, Standstill, Non-Competition and Non-Solicitation Agreement, dated as of May 3, 2009, by and among Liberty, LEI, Old DTV, DIRECTV, Greenlady Corporation, and Greenlady II, LLC (incorporated by reference to Exhibit 10.2 to Old DTV 8-K).

10.31 Tax Sharing Agreement, dated as of November 19, 2009, by and between Liberty and LEI (incorporated by reference to Exhibit 10.7 to Amendment No. 1 to the LEI Registration Statement on Form S-4 (File No: 333-158795) as filed on June 8, 2009).

10.32 Tax Sharing Agreement, dated September 23, 2011, between Liberty, Liberty Interactive LLC and Liberty Media Corporation (incorporated by reference to Exhibit 10.4 to the S-4).

10.33 Services Agreement, dated as of September 23, 2011, by and between Liberty and Liberty Media Corporation (incorporated by reference to Exhibit 10.5 to the S-4).

10.34 Facilities Sharing Agreement, dated September 23, 2011, by and between Liberty and Liberty Property Holdings, Inc. (incorporated by reference to Exhibit 10.6 to the S-4).

10.35 Aircraft Time Sharing Agreements, each effective as of September, 23, 2011, by and between Liberty Media Corporation and Liberty Interactive Corporation (incorporated by reference to Exhibit 10.8 to the S-4).

21 Subsidiaries of Liberty Interactive Corporation.\*

23.1 Consent of KPMG LLP.\*

31.1 Rule 13a-14(a)/15d - 14(a) Certification.\*

31.2 Rule 13a-14(a)/15d - 14(a) Certification.\*

32 Section 1350 Certification.  
\*\*

99.1 Reconciliation of Liberty Interactive Corporation Net Assets and Net Earnings to Liberty Interactive LLC Net Assets and Net Earnings.  
\*\*

101.INS	XBRL	Instance Document.**		
101.SCH	XBRL	Taxonomy Document.**	Extension	Schema
101.CAL	XBRL	Taxonomy Document.**	Calculation	Linkbase
101.LAB	XBRL	Taxonomy Document.**	Label	Linkbase
101.PRE	XBRL	Taxonomy Document.**	Presentation	Linkbase
101.DEF	XBRL	Taxonomy Document.**	Definition	

\* Filed herewith.

\*\* Furnished herewith.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### LIBERTY INTERACTIVE CORPORATION

Date: February 23, 2012

By /s/ Gregory B. Maffei  
Gregory B. Maffei  
Chief Executive Officer and President

Date: February 23, 2012

By /s/ Christopher W. Shean  
Christopher W. Shean  
Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/John C. Malone</u> John C. Malone	Chairman of the Board and Director	February 23, 2012
<u>/s/Gregory B. Maffei</u> Gregory B. Maffei	Director, Chief Executive Officer and President	February 23, 2012
<u>/s/Michael A. George</u> Michael A. George	Director	February 23, 2012
<u>/s/M. Ian G. Gilchrist</u> M. Ian G. Gilchrist	Director	February 23, 2012
<u>/s/Evan D. Malone</u> Evan D. Malone	Director	February 23, 2012
<u>/s/David E. Rapley</u> David E. Rapley	Director	February 23, 2012
<u>/s/M. LaVoy Robison</u> M. LaVoy Robison	Director	February 23, 2012
<u>/s/Larry E. Romrell</u> Larry E. Romrell	Director	February 23, 2012
<u>/s/Andrea L. Wong</u> Andrea L. Wong	Director	February 23, 2012

## EXHIBIT INDEX

Listed below are the exhibits which are filed as a part of this Report (according to the number assigned to them in Item 601 of Regulation S-K):

### 2 - Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession:

- 2.1 Agreement and Plan of Merger, dated as of May 3, 2009, by and among Liberty, Liberty Entertainment, Inc. ("LEI"), The DIRECTV Group, Inc. ("Old DTV"), DIRECTV, DTVG One, Inc., and DTVG Two, Inc. (incorporated by reference to Exhibit 10.1 to Old DTV's Current Report of Form 8-K (File No: 001-31945) as filed on May 4, 2009 (the "Old DTV 8-K")).
- 2.2 Amendment No. 1 to the Agreement and Plan of Merger, dated as of July 29, 2009, by and among Liberty, LEI, Old DTV, DIRECTV, DTVG One, Inc., and DTVG Two, Inc. (incorporated by reference to Exhibit 2.1 to Liberty's Current Report on Form 8-K (File No: 001-33982) as filed on July 30, 2009 (the "July 2009 8-K")).
- 2.3 Amendment No. 2 to the Agreement and Plan of Merger, dated as of October 2, 2009, by and among Liberty, LEI, Old DTV, DIRECTV, DTVG One, Inc., and DTVG Two, Inc. (incorporated by reference to Exhibit 2.1 to Liberty's Current Report on Form 8-K (File No: 001-33982) as filed on October 2, 2009 (the "October 2009 8-K")).
- 2.4 Reorganization Agreement, dated as of August 30, 2011, between Liberty Media Corporation and Liberty CapStarz, Inc. (incorporated by reference to Exhibit 2.1 to Post-Effective Amendment No. 1 to Liberty Media Corporation's Registration Statement on Form S-4 filed on September 23, 2011 (File No. 333-171201) (the "S-4")).

### 3 - Articles of Incorporation and Bylaws:

- 3.1 Restated Certificate of Incorporation of Liberty, dated November 19, 2009 (incorporated by reference to Exhibit 3.1 to Liberty's Current Report on Form 8-K (File No: 001-33982) as filed on November 20, 2009).
- 3.2 Certificate of Amendment to the Restated Certificate of Incorporation of Liberty (incorporated by reference to Exhibit 3.2 to Liberty's Quarterly Report on Form 10-Q for the quarterly period ending September 30, 2011 (File No. 001-33982) as filed on November 8, 2011 (the "Liberty 2011 10-Q")).
- 3.3 Bylaws of Liberty (as amended and restated August 12, 2008) (incorporated by reference to Exhibit 3.1 to Liberty's Current Report on Form 8-K (File No. 001-33982) as filed on August 14, 2008).

### 4 - Instruments Defining the Rights of Securities Holders, including Indentures:

- 4.1 Specimen certificate for shares of Liberty's Series A Liberty Interactive common stock, par value \$.01 per share.\*
- 4.2 Specimen certificate for shares of Liberty's Series B Liberty Interactive common stock, par value \$.01 per share.\*
- 4.3 Liberty undertakes to furnish to the Securities and Exchange Commission, upon request, a copy of all instruments with respect to long-term debt not filed herewith.

### 10 - Material Contracts:

- 10.1 Tax Sharing Agreement dated as of March 9, 1999, by and among AT&T Corp., Liberty Media LLC ("Old Liberty"), Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.1 to Liberty's Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-33982) as filed on February 25, 2010 (the "Liberty 2009 10-K")).
- 10.2 First Amendment to Tax Sharing Agreement dated as of May 28, 1999, by and among AT&T Corp., Old Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.2 to the Liberty 2009 10-K).
- 10.3 Second Amendment to Tax Sharing Agreement dated as of September 24, 1999, by and among AT&T Corp., Old Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.3 to the Liberty 2009 10-K).
- 10.4 Third Amendment to Tax Sharing Agreement dated as of October 20, 1999, by and among AT&T Corp., Old Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings,

Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.4 to the Liberty 2009 10-K).

- 10.5 Fourth Amendment to Tax Sharing Agreement dated as of October 28, 1999, by and among AT&T Corp., Old Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.5 to the Liberty 2009 10-K).
- 10.6 Fifth Amendment to Tax Sharing Agreement dated as of December 6, 1999, by and among AT&T Corp., Old Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.6 to the Liberty 2009 10-K).
- 10.7 Sixth Amendment to Tax Sharing Agreement dated as of December 10, 1999, by and among AT&T Corp., Old Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.7 to the Liberty 2009 10-K).
- 10.8 Seventh Amendment to Tax Sharing Agreement dated as of December 30, 1999, by and among AT&T Corp., Old Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.8 to the Liberty 2009 10-K).
- 10.9 Eighth Amendment to Tax Sharing Agreement dated as of July 25, 2000, by and among AT&T Corp., Old Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.9 to the Liberty 2009 10-K).
- 10.10 Instrument dated January 14, 2000, adding The Associated Group, Inc. as a party to the Tax Sharing Agreement dated as of March 9, 1999, as amended, among The Associated Group, Inc., AT&T Corp., Old Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.10 to the Liberty 2009 10-K).
- 10.11 Liberty Interactive Corporation 2000 Incentive Plan (As Amended and Restated Effective November 7, 2011) (incorporated by reference to Exhibit 10.5 to the Liberty 2011 10-Q) (the "2000 Incentive Plan").
- 10.12 Liberty Interactive Corporation 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011) (incorporated by reference to Exhibit 10.6 to the Liberty 2011 10-Q) (the "2007 Incentive Plan").
- 10.13 Liberty Interactive Corporation 2010 Incentive Plan (As Amended and Restated Effective November 7, 2011) (incorporated by reference to Exhibit 10.7 to the Liberty 2011 10-Q).
- 10.14 Liberty Interactive Corporation 2002 Nonemployee Director Incentive Plan (As Amended and Restated Effective November 7, 2011) (incorporated by reference to Exhibit 10.8 to the Liberty 2011 10-Q) (the "2002 Directors Plan").
- 10.15 Liberty Interactive Corporation 2011 Nonemployee Director Incentive Plan (As Amended and Restated Effective November 7, 2011) (incorporated by reference to Exhibit 10.9 to the Liberty 2011 10-Q).
- 10.16 Form of Non-Qualified Stock Option Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan [for certain designated award recipients].\*
- 10.17 Form of Restricted Stock Award Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan [for certain designated award recipients].\*
- 10.18 Form of Stock Appreciation Rights Agreement under the 2000 Incentive Plan and the 2007 Incentive Plan (incorporated by reference to Exhibit 10.20 to the Liberty 2009 10-K).
- 10.19 Form of Non-Qualified Stock Option Agreement under the 2002 Director Plan.\*
- 10.20 Form of Restricted Stock Award Agreement under the 2002 Directors Plan.\*
- 10.21 Form of Stock Appreciation Rights Agreement under the 2002 Directors Plan (incorporated by reference to Exhibit 10.2 to the Liberty 2009 10-K).
- 10.22 Non-Qualified Stock Option Agreement under the 2007 Incentive Plan for Michael George dated March 2, 2011.\*

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- 101.PRE XBRL Taxonomy Presentation Linkbase Document.\*\*
- 101.DEF XBRL Taxonomy Definition Document.\*\*

\* Filed herewith.

\*\* Furnished herewith.

## QuickLinks

[LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES Consolidated Balance Sheets](#)

[LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES Consolidated Statements Of Operations](#)

[LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES Consolidated Statements Of Comprehensive Earnings \(Loss\)](#)

[LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES Consolidated Statements Of Cash Flows](#)

[LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES Notes to Consolidated Financial Statements](#)

[Item 1. Business](#)

[Item 1A. Risk Factors](#)

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[Item 3. Legal Proceedings](#)

[Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities](#)

[Item 6. Selected Financial Data](#)

[Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#)

[Item 7A. Quantitative and Qualitative Disclosures about Market Risk.](#)

[Item 8. Financial Statements and Supplementary Data](#)

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[Item 9A. Controls and Procedures](#)

[Item 9B. Other Information](#)

[SIGNATURES](#)

[EXHIBIT INDEX](#)

Number

Shares

A-

Incorporated Under the Laws of the State of Delaware

-0-

Cusip No.

**LIBERTY INTERACTIVE CORPORATION**

**Series A Liberty Interactive Common Stock, par value \$.01 per share**

**Specimen Certificate**

This Certifies that \_\_\_\_\_ is the owner of \_\_\_\_\_ FULLY PAID AND NON-ASSESSABLE SHARES OF SERIES A LIBERTY INTERACTIVE COMMON STOCK, PAR VALUE \$0.01 PER SHARE, OF LIBERTY INTERACTIVE CORPORATION (hereinafter called the "Corporation") transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of the Certificate properly endorsed. This Certificate is not valid unless countersigned by the Transfer Agent and registered by the Registrar.

Witness, the seal of the Corporation and the signatures of its duly authorized officers.

Dated: \_\_\_\_\_

Liberty Interactive Corporation

\_\_\_\_\_  
President

\_\_\_\_\_  
Secretary

Number

Shares

A-

Incorporated Under the Laws of the State of Delaware

-0-

Cusip No.

**LIBERTY INTERACTIVE CORPORATION**

**Series B Liberty Interactive Common Stock, par value \$.01 per share**

**Specimen Certificate**

This Certifies that \_\_\_\_\_ is the owner of \_\_\_\_\_ FULLY PAID AND NON-ASSESSABLE SHARES OF SERIES B LIBERTY INTERACTIVE COMMON STOCK, PAR VALUE \$0.01 PER SHARE, OF LIBERTY INTERACTIVE CORPORATION (hereinafter called the "Corporation") transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of the Certificate properly endorsed. This Certificate is not valid unless countersigned by the Transfer Agent and registered by the Registrar.

Witness, the seal of the Corporation and the signatures of its duly authorized officers.

Dated: \_\_\_\_\_

Liberty Interactive Corporation

\_\_\_\_\_  
President

\_\_\_\_\_  
Secretary



**LIBERTY INTERACTIVE CORPORATION**  
**2007 Incentive Plan**  
**(As Amended and Restated Effective November 7, 2011)**

**NONQUALIFIED STOCK OPTION AGREEMENT**

THIS NONQUALIFIED STOCK OPTION AGREEMENT (this "Agreement") is made as of the date set forth on Schedule I hereto (the "Grant Date"), by and between LIBERTY INTERACTIVE CORPORATION, a Delaware corporation (the "Company"), and the recipient (the "Grantee") of an Award of Options granted by the Compensation Committee of the Board of Directors of the Company as set forth in this Agreement.

The Company has adopted the incentive plan identified on Schedule I hereto (as may be further amended, the "Plan"), a copy of which is attached via a link at the end of this online Agreement as Exhibit A and by this reference made a part hereof, for the benefit of eligible employees of the Company and its Subsidiaries. Capitalized terms used and not otherwise defined in this Agreement will have the meanings ascribed to them in the Plan.

Pursuant to the Plan, the Compensation Committee appointed by the Board of Directors of the Company pursuant to Section 3.1 of the Plan to administer the Plan (the "Committee") has determined that it would be in the interest of the Company and its stockholders to award Options to the Grantee, subject to the conditions and restrictions set forth herein and in the Plan, in order to provide the Grantee with additional remuneration for services rendered, to encourage the Grantee to remain in the employ of the Company or its Subsidiaries and to increase the Grantee's personal interest in the continued success and progress of the Company.

The Company and the Grantee therefore agree as follows:

**1. Definitions.** The following terms, when used in this Agreement, have the following meanings:

"Base Price" means the amount set forth on Schedule I hereto, which is the Fair Market Value of a share of Common Stock on the Grant Date.

"Business Day" means any day other than Saturday, Sunday or a day on which banking institutions in Denver, Colorado, are required or authorized to be closed.

"Cause" has the meaning specified as "cause" in Section 11.2(b) of the Plan.

"Close of Business" means, on any day, 5:00 p.m., Denver, Colorado time.

"Committee" has the meaning specified in the recitals to this Agreement.

"Common Stock" has the meaning specified in Section 2.

"Company" has the meaning specified in the preamble to this Agreement.

"Forfeitable Benefits" has the meaning specified in Schedule I of this Agreement.

"Forward Vesting Period" has the meaning specified in Schedule I of this Agreement.

"Grant Date" has the meaning specified in the preamble to this Agreement.

"Grantee" has the meaning specified in the preamble to this Agreement.

"Misstatement Period" has the meaning specified in Schedule I of this Agreement.

"Options" has the meaning specified in Section 2.

"Option Share" has the meaning specified in Section 4(c)(i).

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“Plan” has the meaning specified in the recitals of this Agreement.

“Required Withholding Amount” has the meaning specified in Section 5.

“Section 409(A)” has the meaning specified in Section 21.

“Special Termination Period” has the meaning specified in Section 7(d).

“TCI” has the meaning specified in Section 7(d).

“Term” has the meaning specified in Section 2.

“Unvested Fractional Option” has the meaning specified in Section 3(b).

“Vesting Date” has the meaning specified in Section 3(a).

“Vesting Percentage” has the meaning specified in Section 3(a).

“Year of Continuous Service” has the meaning specified in Section 7(d).

**2. Award.** Pursuant to the terms of the Plan and in consideration of the covenants and promises of the Grantee herein contained, the Company hereby awards to the Grantee as of the Grant Date nonqualified stock options to purchase from the Company at the Base Price the number of shares of the Company's Series A Liberty Interactive Common Stock (“Common Stock”) authorized by the Committee and set forth in the notice of online grant delivered to the Grantee pursuant to the Company's online grant and administration program, subject to the conditions and restrictions set forth in this Agreement and in the Plan (the “Options”). The Options are exercisable as set forth in Section 3 during the period commencing on the Grant Date and expiring at the Close of Business on the tenth anniversary of the Grant Date (the “Term”) subject to earlier termination as provided in Section 7 below. No fractional shares of Common Stock will be issuable upon exercise of an Option, and the Grantee will receive, in lieu of any fractional share of Common Stock that the Grantee otherwise would receive upon such exercise, cash equal to the fraction representing such fractional share multiplied by the Fair Market Value of one share of Common Stock as of the date on which such exercise is considered to occur pursuant to Section 4.

**3. Conditions of Exercise.** Unless otherwise determined by the Committee in its sole discretion, the Options will be exercisable only in accordance with the conditions stated in this Section 3.

(a) Except as otherwise provided in Section 11.1(b) of the Plan, the Options may be exercised only to the extent they have become exercisable in accordance with the provisions of this Section 3(a) or Section 3(b), and subject to the provisions of Section 3(c). That number of Options that is equal to the fraction or percentage specified on Schedule I hereto (the “Vesting Percentage”) of the total number of Options that are subject to this Agreement, in each case rounded down to the nearest whole number of such Options, shall become exercisable on each of the dates specified on Schedule I hereto (each such date, together with any other date on which Options vest pursuant to this Agreement, a “Vesting Date”).

(b) If rounding pursuant to Section 3(a) prevents any portion of an Option from becoming exercisable on a particular Vesting Date (any such portion, an “Unvested Fractional Option”), one additional Option to purchase a share of Common Stock will become exercisable on the earliest succeeding Vesting Date on which the cumulative fractional amount of all Unvested Fractional Options to purchase shares of Common Stock (including any Unvested Fractional Option created on such succeeding Vesting Date) equals or exceeds one whole Option, with any excess treated as an Unvested Fractional Option thereafter subject to the application of this Section 3(b). Any Unvested Fractional Option comprising part of a whole Option that vests pursuant to the preceding sentence will thereafter cease to be an Unvested Fractional Option.

(c) Notwithstanding the foregoing, (i) in the event that any date on which Options would otherwise become exercisable is not a Business Day, such Options will become exercisable on the first Business Day following such date, (ii) all Options will become exercisable on the date of the Grantee's termination of employment if (A) the Grantee's employment with the Company or a Subsidiary terminates by reason of Disability or (B) the Grantee dies while employed by the Company or a Subsidiary and (iii) if the Grantee's employment with the Company or a Subsidiary is terminated by the Company or such Subsidiary without Cause, any unvested Options will become exercisable as indicated on Schedule I.

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(d) To the extent the Options become exercisable, such Options may be exercised in whole or in part (at any time or from time to time, except as otherwise provided herein) until expiration of the Term or earlier termination thereof.

(e) The Grantee acknowledges and agrees that the Committee, in its discretion and as contemplated by Section 3.3 of the Plan, may adopt rules and regulations from time to time after the date hereof with respect to the exercise of the Options and that the exercise by the Grantee of Options will be subject to the further condition that such exercise is made in accordance with all such rules and regulations as the Committee may determine are applicable thereto.

**4. Manner of Exercise.** Options will be considered exercised (as to the number of Options specified in the notice referred to in Section 4(c)(i)) on the latest of (a) the date of exercise designated in the written notice referred to in Section 4(c)(i), (b) if the date so designated is not a Business Day, the first Business Day following such date or (c) the earliest Business Day by which the Company has received all of the following:

(i) Written notice, in such form as the Committee may require, containing such representations and warranties as the Committee may require and designating, among other things, the date of exercise and the number of shares of Common Stock to be purchased by exercise of Options (each, an "Option Share");

(ii) Payment of the Base Price for each Option Share in any (or a combination) of the following forms: (A) cash, (B) check, (C) the delivery, together with a properly executed exercise notice, of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the Base Price (and, if applicable, the Required Withholding Amount as described in Section 5) or (D) the delivery of irrevocable instructions via the Company's online grant and administration program for the Company to withhold the number of shares of Common Stock (valued at the Fair Market Value of such Common Stock on the date of exercise) required to pay the Base Price (and, if applicable, the Required Withholding Amount as described in Section 5) that would otherwise be delivered by the Company to the Grantee upon exercise of the Options; and

(iii) Any other documentation that the Committee may reasonably require.

**5. Mandatory Withholding for Taxes.** The Grantee acknowledges and agrees that the Company will deduct from the shares of Common Stock otherwise payable or deliverable upon exercise of any Options that number of shares of Common Stock (valued at the Fair Market Value of such Common Stock on the date of exercise) that is equal to the amount of all federal, state and local taxes required to be withheld by the Company upon such exercise, as determined by the Company (the "Required Withholding Amount"), unless provisions to pay such Required Withholding Amount have been made to the satisfaction of the Company. If the Grantee elects to make payment of the Base Price by delivery of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the Base Price, such instructions may also include instructions to deliver the Required Withholding Amount to the Company. In such case, the Company will notify the broker promptly of its determination of the Required Withholding Amount.

**6. Payment or Delivery by the Company.** As soon as practicable after receipt of all items referred to in Section 4, and subject to the withholding referred to in Section 5, the Company will (a) deliver or cause to be delivered to the Grantee certificates issued in the Grantee's name for, or cause to be transferred to a brokerage account through Depository Trust Company for the benefit of the Grantee, the number of shares of Common Stock purchased by exercise of Options and (b) deliver any cash payment to which the Grantee is entitled in lieu of a fractional share of Common Stock as provided in Section 2. Any delivery of shares of Common Stock will be deemed effected for all purposes when certificates representing such shares have been delivered personally to the Grantee or, if delivery is by mail, when the stock transfer agent of the Company has deposited the certificates in the United States mail, addressed to the Grantee or at the time the stock transfer agent initiates transfer of shares to a brokerage account through Depository Trust Company for the benefit of the Grantee, if applicable, and any cash payment will be deemed effected when a check from the Company, payable to the Grantee and in the amount equal to the amount of the cash payment, has been delivered personally to the Grantee or deposited in the United States mail, addressed to the Grantee.

**7. Early Termination of Options.** The Options will terminate, prior to the expiration of the Term, at the time specified below:

(a) Subject to Section 7(b), if the Grantee's employment with the Company or a Subsidiary is terminated other than (i) by the Company or such Subsidiary (whether for Cause or without Cause) or (ii) by reason of death or Disability, then the Options will terminate at the Close of Business on the first Business Day following the expiration of the 90-day period that began on the date of termination of the Grantee's employment.

(b) If the Grantee dies while employed by the Company or a Subsidiary, or prior to the expiration of a period of

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time following termination of the Grantee's employment during which the Options remain exercisable as provided in Section 7(a) or Section 7(c), as applicable, the Options will terminate at the Close of Business on the first Business Day following the expiration of the one-year period that began on the date of the Grantee's death. If the Grantee dies prior to the expiration of a period of time following termination of the Grantee's employment during which the Options remain exercisable as provided in Section 7(d), the Options will terminate at the Close of Business on the first Business Day following the later of the expiration of (i) the one-year period that began on the date of the Grantee's death or (ii) the Special Termination Period (as defined in Section 7(d)).

(c) Subject to Section 7(b), if the Grantee's employment with the Company or a Subsidiary terminates by reason of Disability, then the Options will terminate at the Close of Business on the first Business Day following the expiration of the one-year period that began on the date of termination of the Grantee's employment.

(d) Subject to Section 7(b), if the Grantee's employment with the Company or a Subsidiary is terminated by the Company or such Subsidiary without Cause, the Options will terminate at the Close of Business on the first Business Day following the expiration of the Special Termination Period. The Special Termination Period is the period of time beginning on the date of the Grantee's termination of employment and continuing for the number of days that is equal to the sum of (i) 90, plus (ii) 180 multiplied by the Grantee's total Years of Continuous Service. A Year of Continuous Service means a consecutive 12-month period, measured by the Grantee's hire date (as reflected in the payroll records of the Company or a Subsidiary) and the anniversaries of that date, during which the Grantee is employed by the Company or a Subsidiary without interruption. For purposes of determining the Grantee's Years of Continuous Service, the Grantee's employment with the Company's former parent, AT&T Broadband LLC, formerly known as Tele-Communications, Inc. ("TCI"), and any predecessor of the Company or TCI will be included, provided that the Grantee's hire date with the Company or a Subsidiary occurred within 30 days following the Grantee's termination of employment with TCI or such predecessor. If the Grantee was employed by a Subsidiary at the time of such Subsidiary's acquisition by the Company, the Grantee's employment with the Subsidiary prior to the acquisition date will be included in determining the Grantee's Years of Continuous Service unless the Committee, in its sole discretion, determines that such prior employment will be excluded.

(e) If the Grantee's employment with the Company or a Subsidiary is terminated by the Company or such Subsidiary for Cause, then the Options will terminate immediately upon such termination of the Grantee's employment.

In any event in which Options remain exercisable for a period of time following the date of termination of the Grantee's employment as provided above, the Options may be exercised during such period of time only to the extent the same were exercisable as provided in Section 3 on such date of termination of the Grantee's employment. Notwithstanding any period of time referenced in this Section 7 or any other provision of this Section 7 that may be construed to the contrary, the Options will in any event terminate upon the expiration of the Term.

**8. Nontransferability.** During the Grantee's lifetime, the Options are not transferable (voluntarily or involuntarily) other than pursuant to a Domestic Relations Order and, except as otherwise required pursuant to a Domestic Relations Order, are exercisable only by the Grantee or the Grantee's court appointed legal representative. The Grantee may designate a beneficiary or beneficiaries to whom the Options will pass upon the Grantee's death and may change such designation from time to time by filing a written designation of beneficiary or beneficiaries with the Committee on the form attached via a link to this online Agreement as Exhibit B or such other form as may be prescribed by the Committee, provided that no such designation will be effective unless so filed prior to the death of the Grantee. If no such designation is made or if the designated beneficiary does not survive the Grantee's death, the Options will pass by will or the laws of descent and distribution. Following the Grantee's death, the Options will pass accordingly to the designated beneficiary and such beneficiary will be deemed the Grantee for purposes of any applicable provisions of this Agreement.

**9. No Stockholder Rights.** Prior to the exercise of Options in accordance with the terms and conditions set forth in this Agreement, the Grantee will not be deemed for any purpose to be, or to have any of the rights of, a stockholder of the Company with respect to any shares of Common Stock represented by the Options, nor will the existence of this Agreement affect in any way the right or power of the Company or its stockholders to accomplish any corporate act, including, without limitation, the acts referred to in Section 11.16 of the Plan.

**10. Adjustments.** If the outstanding shares of Common Stock are subdivided into a greater number of shares (by stock dividend, stock split, reclassification or otherwise) or are combined into a smaller number of shares (by reverse stock split, reclassification or otherwise), or if the Committee determines that any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase any shares of Common Stock, or other similar corporate event (including mergers or consolidations other than those that constitute

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Approved Transactions, which shall be governed by Section 11.1(b) of the Plan) affects shares of Common Stock such that an adjustment is required to preserve the benefits or potential benefits intended to be made available under this Agreement, then the Options (including the number of Options and the Base Price) will be subject to adjustment in such manner as the Committee, in its sole discretion, deems equitable and appropriate in connection with the occurrence of any of the events described in this Section 10 following the Grant Date.

**11. Restrictions Imposed by Law.** Without limiting the generality of Section 11.8 of the Plan, the Grantee will not exercise the Options, and the Company will not be obligated to make any cash payment or issue or cause to be issued any shares of Common Stock, if counsel to the Company determines that such exercise, payment or issuance would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of Common Stock are listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the exercise of the Options or the resulting payment of cash or issuance of shares of Common Stock to comply with any such law, rule, regulation or agreement.

**12. Notice.** Unless the Company notifies the Grantee in writing of a different procedure or address, any notice or other communication to the Company with respect to this Agreement will be in writing and will be delivered personally or sent by first class mail, postage prepaid, to the following address:

Liberty Interactive Corporation  
12300 Liberty Boulevard  
Englewood, Colorado 80112  
Attn: General Counsel

Unless the Company elects to notify the Grantee electronically pursuant to the online grant and administration program or via email, any notice or other communication to the Grantee with respect to this Agreement will be in writing and will be delivered personally, or will be sent by first class mail, postage prepaid, to the Grantee's address as listed in the records of the Company on the Grant Date, unless the Company has received written notification from the Grantee of a change of address.

**13. Amendment.** Notwithstanding any other provision hereof, this Agreement may be supplemented or amended from time to time as approved by the Committee as contemplated by Section 11.7(b) of the Plan. Without limiting the generality of the foregoing, without the consent of the Grantee:

(a) this Agreement may be amended or supplemented from time to time as approved by the Committee (i) to cure any ambiguity or to correct or supplement any provision herein that may be defective or inconsistent with any other provision herein, (ii) to add to the covenants and agreements of the Company for the benefit of the Grantee or surrender any right or power reserved to or conferred upon the Company in this Agreement, subject to any required approval of the Company's stockholders, and provided, in each case, that such changes or corrections will not adversely affect the rights of the Grantee with respect to the Award evidenced hereby or (iii) to make such other changes as the Company, upon advice of counsel, determines are necessary or advisable because of the adoption or promulgation of, or change in the interpretation of, any law or governmental rule or regulation, including any applicable federal or state securities laws; and

(b) subject to any required action by the Board of Directors or the stockholders of the Company, the Options granted under this Agreement may be canceled by the Committee and a new Award made in substitution therefor, provided that the Award so substituted will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect any Options to the extent then exercisable.

**14. Grantee Employment.** Nothing contained in this Agreement, and no action of the Company or the Committee with respect hereto, will confer or be construed to confer on the Grantee any right to continue in the employ of the Company or any Subsidiary or interfere in any way with the right of the Company or any employing Subsidiary to terminate the Grantee's employment at any time, with or without Cause, subject to the provisions of any employment agreement between the Grantee and the Company or any Subsidiary.

**15. Nonalienation of Benefits.** Except as provided in Section 8, (a) no right or benefit under this Agreement will be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same will be void, and (b) no right or benefit hereunder will in any manner be subjected to or liable for the debts, contracts, liabilities or torts of the Grantee or other person entitled to such benefits.

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**16. Governing Law.** This Agreement will be governed by, and construed in accordance with, the internal laws of the State of Colorado. Each party irrevocably submits to the general jurisdiction of the state and federal courts located in the State of Colorado in any action to interpret or enforce this Agreement and irrevocably waives any objection to jurisdiction that such party may have based on inconvenience of forum.

**17. Construction.** References in this Agreement to "this Agreement" and the words "herein," "hereof," "hereunder" and similar terms include all Exhibits and Schedules appended hereto, including the Plan. All references to "Sections" in this Agreement shall be to Sections of this Agreement unless explicitly stated otherwise. The word "include" and all variations thereof are used in an illustrative sense and not in a limiting sense. All decisions of the Committee upon questions regarding the Plan or this Agreement will be conclusive. Unless otherwise expressly stated herein, in the event of any inconsistency between the terms of the Plan and this Agreement, the terms of the Plan will control. The headings of the sections of this Agreement have been included for convenience of reference only, are not to be considered a part hereof and will in no way modify or restrict any of the terms or provisions hereof.

**18. Rules by Committee.** The rights of the Grantee and the obligations of the Company hereunder will be subject to such reasonable rules and regulations as the Committee may adopt from time to time.

**19. Entire Agreement.** This Agreement is in satisfaction of and in lieu of all prior discussions and agreements, oral or written, between the Company and the Grantee regarding the subject matter hereof. The Grantee and the Company hereby declare and represent that no promise or agreement not herein expressed has been made and that this Agreement contains the entire agreement between the parties hereto with respect to the Award and replaces and makes null and void any prior agreements between the Grantee and the Company regarding the Award. Subject to the restrictions set forth in Sections 8 and 15, this Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

**20. Grantee Acknowledgment.** The Grantee will signify acceptance of the terms and conditions of this Agreement by acknowledging the acceptance of this Agreement via the procedures described in the online grant and administration program utilized by the Company.

**21. Code Section 409A Compliance.** If any provision of this Agreement would result in the imposition of an excise tax under Section 409A of the Code or the related regulations and Treasury pronouncements ("Section 409A"), that provision will be reformed to avoid imposition of the excise tax and no action taken to comply with Section 409A shall be deemed to impair a benefit under this Agreement.

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**Schedule I**  
**to**  
**Liberty Interactive Corporation**  
**Nonqualified Stock Option Agreement**  
**NOD1101**

Grant Date: [\_\_\_\_\_]

Plan: Liberty Interactive Corporation 2007 Incentive  
Plan  
(As Amended and Restated Effective November 7, 2011)

Base Price: [\$\_\_\_\_\_]

Vesting Percentage: [\_\_\_\_\_]

Vesting Dates: [\_\_\_\_\_]

Additional Vesting Terms: If the Grantee's employment with the Company or a Subsidiary is terminated without Cause prior to [\_\_\_\_\_], the number of Options subject to this Agreement that shall become exercisable as of the date of such termination (including any such Options that theretofore became exercisable, whether or not exercised prior to the date of termination) shall equal the lesser of (a) the sum of (i) the number of such Options that is equal to the product (rounded down to the nearest whole number) of (A) the total number of such Options subject to this Agreement multiplied by (B) a fraction, the numerator of which is the total number of days elapsed during the period beginning on the Grant Date and ending on the date of termination, inclusive, and the denominator of which is the total number of days during the period beginning on the Grant Date and ending on [\_\_\_\_\_], inclusive; plus (ii) the number of such Options that would have become exercisable during the Forward Vesting Period had the Grantee remained in the employ of the Company or a Subsidiary for the entire Forward Vesting Period, and (b) the total number of such type of Option subject to this Agreement. For purposes of this Agreement, "Forward Vesting Period" shall mean the period beginning on the date of termination and ending on the corresponding day (or, if there is no corresponding day, on the last day) of (x) the ninth month thereafter, if the Grantee is an Assistant Vice President or Vice President of the Company on the date of termination of his or her employment with the Company or (y) the twelfth month thereafter, if the Grantee is a Senior Vice President or Executive Vice President of the Company on the date of termination of his or her employment with the Company.

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Additional Provisions Applicable to Grantee: Forfeiture for Misconduct and Repayment of Certain Amounts. If (i) a material restatement of any financial statement of the Company (including any consolidated financial statement of the Company and its consolidated Subsidiaries) is required and (ii) in the reasonable judgment of the Committee, (A) such restatement is due to material noncompliance with any financial reporting requirement under applicable securities laws and (B) such noncompliance is a result of misconduct on the part of the Grantee, the Grantee will repay to the Company Forfeitable Benefits received by the Grantee during the Misstatement Period in such amount as the Committee may reasonably determine, taking into account, in addition to any other factors deemed relevant by the Committee, the extent to which the market value of Common Stock during the Misstatement Period was affected by the error(s) giving rise to the need for such restatement. "Forfeitable Benefits" means (i) any and all cash and/or shares of Common Stock received by the Grantee (A) upon the exercise during the Misstatement Period of any SARs held by the Grantee or (B) upon the payment during the Misstatement Period of any Cash Award or Performance Award held by the Grantee, the value of which is determined in whole or in part with reference to the value of Common Stock, and (ii) any proceeds received by the Grantee from the sale, exchange, transfer or other disposition during the Misstatement Period of any shares of Common Stock received by the Grantee upon the exercise, vesting or payment during the Misstatement Period of any Award held by the Grantee. By way of clarification, "Forfeitable Benefits" will not include any shares of Common Stock received upon exercise of any Options during the Misstatement Period that are not sold, exchanged, transferred or otherwise disposed of during the Misstatement Period. "Misstatement Period" means the 12-month period beginning on the date of the first public issuance or the filing with the Securities and Exchange Commission, whichever occurs earlier, of the financial statement requiring restatement.



**LIBERTY INTERACTIVE CORPORATION**  
**2002 Nonemployee Director Incentive Plan**  
**(As Amended and Restated Effective November 7, 2011)**

**NONQUALIFIED STOCK OPTION AGREEMENT**

THIS NONQUALIFIED STOCK OPTION AGREEMENT (this "Agreement") is made as of the date set forth on Schedule I hereto (the "Grant Date"), by and between LIBERTY INTERACTIVE CORPORATION, a Delaware corporation (the "Company"), and the recipient (the "Grantee") of an Award of Options granted by the Board of Directors of the Company (the "Board") as set forth in this Agreement.

The Company has adopted the incentive plan identified on Schedule I hereto (as may be further amended, the "Plan"), a copy of which is attached via a link at the end of this online Agreement as Exhibit A and by this reference made a part hereof, for the benefit of eligible Nonemployee Directors of the Company. Capitalized terms used and not otherwise defined in this Agreement will have the meanings ascribed to them in the Plan.

Pursuant to the Plan, the Board has determined that it would be in the interest of the Company and its stockholders to award Options to the Grantee, subject to the conditions and restrictions set forth herein and in the Plan, in order to provide the Grantee with additional remuneration for services rendered as a Nonemployee Director and to increase the Grantee's personal interest in the continued success and progress of the Company.

The Company and the Grantee therefore agree as follows:

**1. Definitions.** The following terms, when used in this Agreement, have the following meanings:

"Base Price" means the amount set forth on Schedule I hereto, which is the Fair Market Value of a share of Common Stock on the Grant Date.

"Board" has the meaning specified in the preamble to this Agreement.

"Business Day" means any day other than Saturday, Sunday or a day on which banking institutions in Denver, Colorado, are required or authorized to be closed.

"Cause" has the meaning specified as "cause" in Section 11.2(b) of the Plan.

"Close of Business" means, on any day, 5:00 p.m., Denver, Colorado time.

"Common Stock" has the meaning specified in Section 2.

"Company" has the meaning specified in the preamble to this Agreement.

"Grant Date" has the meaning specified in the preamble to this Agreement.

"Grantee" has the meaning specified in the preamble to this Agreement.

"Options" has the meaning specified in Section 2.

"Option Share" has the meaning specified in Section 4(c)(i).

"Plan" has the meaning specified in the recitals of this Agreement.

"Required Withholding Amount" has the meaning specified in Section 5.

"Section 409(A)" has the meaning specified in Section 21.

"Term" has the meaning specified in Section 2.

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“Unvested Fractional Option” has the meaning specified in Section 3(b).

“Vesting Date” has the meaning specified in Section 3(a).

“Vesting Percentage” has the meaning specified in Section 3(a).

**2. Award.** Pursuant to the terms of the Plan and in consideration of the covenants and promises of the Grantee herein contained, the Company hereby awards to the Grantee as of the Grant Date nonqualified stock options to purchase from the Company at the Base Price the number of shares of the Company's Series A Liberty Interactive Common Stock (“Common Stock”) authorized by the Board and set forth in the notice of online grant delivered to the Grantee pursuant to the Company's online grant and administration program and Schedule I of this Agreement, subject to the conditions and restrictions set forth in this Agreement and in the Plan (the “Options”). The Options are exercisable as set forth in Section 3 during the period commencing on the Grant Date and expiring at the Close of Business on the seventh anniversary of the Grant Date (the “Term”) subject to earlier termination as provided in Section 7 below. No fractional shares of Common Stock will be issuable upon exercise of an Option, and the Grantee will receive, in lieu of any fractional share of Common Stock that the Grantee otherwise would receive upon such exercise, cash equal to the fraction representing such fractional share multiplied by the Fair Market Value of one share of Common Stock as of the date on which such exercise is considered to occur pursuant to Section 4.

**3. Conditions of Exercise.** Unless otherwise determined by the Board in its sole discretion, the Options will be exercisable only in accordance with the conditions stated in this Section 3.

(a) Except as otherwise provided in Section 11.1(b) of the Plan, the Options may be exercised only to the extent they have become exercisable in accordance with the provisions of this Section 3(a) or Section 3(b), and subject to the provisions of Section 3(c). That number of Options that is equal to the fraction or percentage specified on Schedule I hereto (the “Vesting Percentage”) of the total number of Options that are subject to this Agreement, in each case rounded down to the nearest whole number of such Options, shall become exercisable on each of the dates specified on Schedule I hereto (each such date, together with any other date on which Options vest pursuant to this Agreement, a “Vesting Date”).

(b) If rounding pursuant to Section 3(a) prevents any portion of an Option from becoming exercisable on a particular Vesting Date (any such portion, an “Unvested Fractional Option”), one additional Option to purchase a share of Common Stock will become exercisable on the earliest succeeding Vesting Date on which the cumulative fractional amount of all Unvested Fractional Options to purchase shares of Common Stock (including any Unvested Fractional Option created on such succeeding Vesting Date) equals or exceeds one whole Option, with any excess treated as an Unvested Fractional Option thereafter subject to the application of this Section 3(b). Any Unvested Fractional Option comprising part of a whole Option that vests pursuant to the preceding sentence will thereafter cease to be an Unvested Fractional Option.

(c) Notwithstanding the foregoing, (i) in the event that any date on which Options would otherwise become exercisable is not a Business Day, such Options will become exercisable on the first Business Day following such date, (ii) all Options will become exercisable on the date of the Grantee's termination of service as a Nonemployee Director if (A) the Grantee's service as a Nonemployee Director terminates by reason of Disability or (B) the Grantee dies while serving as a Nonemployee Director.

(d) To the extent the Options become exercisable, such Options may be exercised in whole or in part (at any time or from time to time, except as otherwise provided herein) until expiration of the Term or earlier termination thereof.

(e) The Grantee acknowledges and agrees that the Board, in its discretion and as contemplated by Section 3.3 of the Plan, may adopt rules and regulations from time to time after the date hereof with respect to the exercise of the Options and that the exercise by the Grantee of Options will be subject to the further condition that such exercise is made in accordance with all such rules and regulations as the Board may determine are applicable thereto.

**4. Manner of Exercise.** Options will be considered exercised (as to the number of Options specified in the notice referred to in Section 4(c)(i)) on the latest of (a) the date of exercise designated in the written notice referred to in Section 4(c)(i), (b) if the date so designated is not a Business Day, the first Business Day following such date or (c) the earliest Business Day by which the Company has received all of the following:

(i) Written notice, in such form as the Board may require, containing such representations and warranties as the Board may require and designating, among other things, the date of exercise and the number of shares of Common Stock to be purchased by exercise of Options (each, an “Option Share”);

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(ii) Payment of the Base Price for each Option Share in any (or a combination) of the following forms: (A) cash, (B) check, (C) the delivery, together with a properly executed exercise notice, of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the Base Price (and, if applicable, the Required Withholding Amount as described in Section 5) or (D) the delivery of irrevocable instructions via the Company's online grant and administration program for the Company to withhold the number of shares of Common Stock (valued at the Fair Market Value of such Common Stock on the date of exercise) required to pay the Base Price (and, if applicable, the Required Withholding Amount as described in Section 5) that would otherwise be delivered by the Company to the Grantee upon exercise of the Options; and

(iii) Any other documentation that the Board may reasonably require.

**5. Mandatory Withholding for Taxes.** The Grantee acknowledges and agrees that the Company will deduct from the shares of Common Stock otherwise payable or deliverable upon exercise of any Options that number of shares of Common Stock (valued at the Fair Market Value of such Common Stock on the date of exercise) that is equal to the amount of all federal, state and local taxes required to be withheld by the Company upon such exercise, as determined by the Company (the "Required Withholding Amount"), unless provisions to pay such Required Withholding Amount have been made to the satisfaction of the Company. If the Grantee elects to make payment of the Base Price by delivery of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the Base Price, such instructions may also include instructions to deliver the Required Withholding Amount to the Company. In such case, the Company will notify the broker promptly of its determination of the Required Withholding Amount.

**6. Payment or Delivery by the Company.** As soon as practicable after receipt of all items referred to in Section 4, and subject to the withholding referred to in Section 5, the Company will (a) deliver or cause to be delivered to the Grantee certificates issued in the Grantee's name for, or cause to be transferred to a brokerage account through Depository Trust Company for the benefit of the Grantee, the number of shares of Common Stock purchased by exercise of Options and (b) deliver any cash payment to which the Grantee is entitled in lieu of a fractional share of Common Stock as provided in Section 2. Any delivery of shares of Common Stock will be deemed effected for all purposes when certificates representing such shares have been delivered personally to the Grantee or, if delivery is by mail, when the stock transfer agent of the Company has deposited the certificates in the United States mail, addressed to the Grantee or at the time the stock transfer agent initiates transfer of shares to a brokerage account through Depository Trust Company for the benefit of the Grantee, if applicable, and any cash payment will be deemed effected when a check from the Company, payable to the Grantee and in the amount equal to the amount of the cash payment, has been delivered personally to the Grantee or deposited in the United States mail, addressed to the Grantee.

**7. Early Termination of Options.** The Options will terminate, prior to the expiration of the Term, at the time specified below:

(a) Subject to Section 7(b), if the Grantee's service as a Nonemployee Director is terminated other than (i) by the Company for Cause or (ii) by reason of death or Disability, then the Options will terminate at the Close of Business on the first Business Day following the expiration of the one-year period that began on the date of termination of the Grantee's service.

(b) If the Grantee dies while serving as a Nonemployee Director or prior to the expiration of a period of time following termination of the Grantee's service during which the Options remain exercisable as provided in Section 7(a) or Section 7(c), as applicable, the Options will terminate at the Close of Business on the first Business Day following the expiration of the one-year period that began on the date of the Grantee's death.

(c) Subject to Section 7(b), if the Grantee's service as a Nonemployee Director terminates by reason of Disability, then the Options will terminate at the Close of Business on the first Business Day following the expiration of the one-year period that began on the date of termination of the Grantee's service.

(d) If the Grantee's service as a Nonemployee Director is terminated by the Company for Cause, then the Options will terminate immediately upon such termination of the Grantee's service

In any event in which Options remain exercisable for a period of time following the date of termination of the Grantee's service as provided above, the Options may be exercised during such period of time only to the extent the same were exercisable as provided in Section 3 on such date of termination of the Grantee's service. Notwithstanding any period of time referenced in this Section 7 or any other provision of this Section 7 that may be construed to the contrary, the Options will in any event terminate upon the expiration of the Term.

**8. Nontransferability.** During the Grantee's lifetime, the Options are not transferable (voluntarily or involuntarily) other

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than pursuant to a Domestic Relations Order and, except as otherwise required pursuant to a Domestic Relations Order, are exercisable only by the Grantee or the Grantee's court appointed legal representative. The Grantee may designate a beneficiary or beneficiaries to whom the Options will pass upon the Grantee's death and may change such designation from time to time by filing a written designation of beneficiary or beneficiaries with the Board on the form attached via a link to this online Agreement as Exhibit B or such other form as may be prescribed by the Board, provided that no such designation will be effective unless so filed prior to the death of the Grantee. If no such designation is made or if the designated beneficiary does not survive the Grantee's death, the Options will pass by will or the laws of descent and distribution. Following the Grantee's death, the Options will pass accordingly to the designated beneficiary and such beneficiary will be deemed the Grantee for purposes of any applicable provisions of this Agreement.

**9. No Stockholder Rights.** Prior to the exercise of Options in accordance with the terms and conditions set forth in this Agreement, the Grantee will not be deemed for any purpose to be, or to have any of the rights of, a stockholder of the Company with respect to any shares of Common Stock represented by the Options, nor will the existence of this Agreement affect in any way the right or power of the Company or its stockholders to accomplish any corporate act, including, without limitation, the acts referred to in Section 11.15 of the Plan.

**10. Adjustments.** If the outstanding shares of Common Stock are subdivided into a greater number of shares (by stock dividend, stock split, reclassification or otherwise) or are combined into a smaller number of shares (by reverse stock split, reclassification or otherwise), or if the Board determines that any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase any shares of Common Stock, or other similar corporate event (including mergers or consolidations other than those that constitute Approved Transactions, which shall be governed by Section 11.1(b) of the Plan) affects shares of Common Stock such that an adjustment is required to preserve the benefits or potential benefits intended to be made available under this Agreement, then the Options (including the number of Options and the Base Price) will be subject to adjustment in such manner as the Board, in its sole discretion, deems equitable and appropriate in connection with the occurrence of any of the events described in this Section 10 following the Grant Date.

**11. Restrictions Imposed by Law.** Without limiting the generality of Section 11.7 of the Plan, the Grantee will not exercise the Options, and the Company will not be obligated to make any cash payment or issue or cause to be issued any shares of Common Stock, if counsel to the Company determines that such exercise, payment or issuance would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of Common Stock are listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the exercise of the Options or the resulting payment of cash or issuance of shares of Common Stock to comply with any such law, rule, regulation or agreement.

**12. Notice.** Unless the Company notifies the Grantee in writing of a different procedure or address, any notice or other communication to the Company with respect to this Agreement will be in writing and will be delivered personally or sent by first class mail, postage prepaid, to the following address:

Liberty Interactive Corporation  
12300 Liberty Boulevard  
Englewood, Colorado 80112  
Attn: General Counsel

Unless the Company elects to notify the Grantee electronically pursuant to the online grant and administration program or via email, any notice or other communication to the Grantee with respect to this Agreement will be in writing and will be delivered personally, or will be sent by first class mail, postage prepaid, to the Grantee's address as listed in the records of the Company on the Grant Date, unless the Company has received written notification from the Grantee of a change of address.

**13. Amendment.** Notwithstanding any other provision hereof, this Agreement may be supplemented or amended from time to time as approved by the Board as contemplated by Section 11.6(b) of the Plan. Without limiting the generality of the foregoing, without the consent of the Grantee:

- (a) this Agreement may be amended or supplemented from time to time as approved by the Board (i) to cure any ambiguity or to correct or supplement any provision herein that may be defective or inconsistent with any other provision herein, (ii) to add to the covenants and agreements of the Company for the benefit of the Grantee or surrender any right or power reserved to or conferred upon the Company in this Agreement, subject to any required approval of the Company's stockholders, and provided, in each case, that such changes or corrections will not adversely affect the rights of the Grantee with respect to the Award evidenced hereby or (iii) to make such other changes as the Company, upon advice of

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counsel, determines are necessary or advisable because of the adoption or promulgation of, or change in the interpretation of, any law or governmental rule or regulation, including any applicable federal or state securities laws; and

(b) subject to any required action by the Board or the stockholders of the Company, the Options granted under this Agreement may be canceled by the Board and a new Award made in substitution thereof, provided that the Award so substituted will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect any Options to the extent then exercisable.

**14. Status as Director.** Nothing contained in this Agreement, and no action of the Company or the Board with respect hereto, will confer or be construed to confer on the Grantee any right to continue as a director of the Company or interfere in any way with the right of the Company or its stockholders to terminate the Grantee's status as a director at any time, with or without Cause.

**15. Nonalienation of Benefits.** Except as provided in Section 8, (a) no right or benefit under this Agreement will be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same will be void, and (b) no right or benefit hereunder will in any manner be subjected to or liable for the debts, contracts, liabilities or torts of the Grantee or other person entitled to such benefits.

**16. Governing Law.** This Agreement will be governed by, and construed in accordance with, the internal laws of the State of Colorado. Each party irrevocably submits to the general jurisdiction of the state and federal courts located in the State of Colorado in any action to interpret or enforce this Agreement and irrevocably waives any objection to jurisdiction that such party may have based on inconvenience of forum.

**17. Construction.** References in this Agreement to "this Agreement" and the words "herein," "hereof," "hereunder" and similar terms include all Exhibits and Schedules appended hereto, including the Plan. All references to "Sections" in this Agreement shall be to Sections of this Agreement unless explicitly stated otherwise. The word "include" and all variations thereof are used in an illustrative sense and not in a limiting sense. All decisions of the Board upon questions regarding the Plan or this Agreement will be conclusive. Unless otherwise expressly stated herein, in the event of any inconsistency between the terms of the Plan and this Agreement, the terms of the Plan will control. The headings of the sections of this Agreement have been included for convenience of reference only, are not to be considered a part hereof and will in no way modify or restrict any of the terms or provisions hereof.

**18. Rules by the Board.** The rights of the Grantee and the obligations of the Company hereunder will be subject to such reasonable rules and regulations as the Board may adopt from time to time.

**19. Entire Agreement.** This Agreement is in satisfaction of and in lieu of all prior discussions and agreements, oral or written, between the Company and the Grantee regarding the subject matter hereof. The Grantee and the Company hereby declare and represent that no promise or agreement not herein expressed has been made and that this Agreement contains the entire agreement between the parties hereto with respect to the Award and replaces and makes null and void any prior agreements between the Grantee and the Company regarding the Award. Subject to the restrictions set forth in Sections 8 and 15, this Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

**20. Grantee Acknowledgment.** The Grantee will signify acceptance of the terms and conditions of this Agreement by acknowledging the acceptance of this Agreement via the procedures described in the online grant and administration program utilized by the Company.

**21. Code Section 409A Compliance.** If any provision of this Agreement would result in the imposition of an excise tax under Section 409A of the Code or the related regulations and Treasury pronouncements ("Section 409A"), that provision will be reformed to avoid imposition of the excise tax and no action taken to comply with Section 409A shall be deemed to impair a benefit under this Agreement.

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**Schedule I**  
**to**  
**Liberty Interactive Corporation**  
**Nonqualified Stock Option Agreement**  
**NND1101**

Grant Date: [\_\_\_\_\_]

Plan: Liberty Interactive Corporation 2002 Nonemployee Director Incentive  
Plan  
(As Amended and Restated Effective November 7, 2011)

Number of Options: [\_\_\_\_\_]

Base Price: [\$\_\_\_\_\_]

Vesting Percentage: [\_\_\_\_\_%]

Vesting Dates: [\_\_\_\_\_]

**LIBERTY MEDIA CORPORATION  
2007 INCENTIVE PLAN**

**NON-QUALIFIED STOCK OPTION AGREEMENT**

THIS NON-QUALIFIED STOCK OPTION AGREEMENT ("Agreement") is effective as of March 2, 2011 (the "Effective Date"), by and between LIBERTY MEDIA CORPORATION, a Delaware corporation (the "Company"), and Michael George (the "Grantee").

The Grantee is employed as the President and Chief Executive Officer of QVC, Inc., a Delaware corporation ("QVC") that is a wholly-owned Subsidiary of the Company, pursuant to the terms of an employment agreement dated as of May 3, 2011 that become effective as of January 1, 2011 (the "Employment Agreement"). The Company has adopted the Liberty Media Corporation 2007 Incentive Plan (as amended prior to or after the date of this Agreement, the "Plan"), a copy of which is attached to this Agreement as Exhibit A and by this reference made a part hereof, for the benefit of eligible employees and independent contractors of the Company and its Subsidiaries. Capitalized terms used and not otherwise defined herein will have the meaning given thereto in the Plan.

Pursuant to the Plan, the Compensation Committee of the Board of Directors of the Company (the "Committee") has determined that it would be in the interest of the Company and its stockholders to award Options to the Grantee, subject to the terms, conditions and restrictions set forth herein, in the Plan and in the Employment Agreement, in order to provide the Grantee additional remuneration for services rendered, to encourage the Grantee to remain in the employ of QVC and to increase the Grantee's personal interest in the continued success and progress of the Company and its Subsidiaries.

The Company and the Grantee therefore agree as follows:

1. **Definitions.** The following terms, when used in this Agreement, have the following meanings:

"Base Price" means with respect to each Option, \$16.01, the Fair Market Value of a share of LINTA Stock on the Effective Date.

"Business Day" means any day other than Saturday, Sunday or a day on which banking institutions in Denver, Colorado, are required or authorized to be closed.

"Cause" has the meaning specified in the Employment Agreement.

"Close of Business" means, on any day, 5:00 p.m., Denver, Colorado time.

"Committee" has the meaning specified in the recitals to this Agreement.

"Company" has the meaning specified in the preamble to this Agreement.

"Disability" has the meaning specified in the Employment Agreement.

"Employment Agreement" has the meaning specified in the recitals to this Agreement.

"Good Reason" has the meaning specified in the Employment Agreement.

"Grantee" has the meaning specified in the preamble to this Agreement.

"LINTA Stock" has the meaning specified in Section 2 of this Agreement.

"Option" has the meaning specified in Section 2 of this Agreement.

"Option Shares" has the meaning specified in Section 4(a) of this Agreement.

"Plan" has the meaning specified in the recitals to this Agreement.

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“Required Withholding Amount” has the meaning specified in Section 5 of this Agreement.

“Term” has the meaning specified in Section 2 of this Agreement.

**2. Grant of Options.** Subject to the terms and conditions herein, pursuant to the Plan, the Company grants to the Grantee as of the Effective Date options to purchase from the Company, exercisable during the period commencing on the Effective Date and expiring at Close of Business on the seventh anniversary of the Effective Date (such period, the “Term”), subject to earlier termination as provided in Section 7 below, at the Base Price, the number of shares of Liberty Media Corporation Series A Liberty Interactive Common Stock (“LINTA Stock”) set forth on the signature page to this Agreement. Each option granted hereunder is a “Nonqualified Stock Option” and is hereinafter referred to as an “Option.” The Base Price of each Option and the number of Options granted hereunder are subject to adjustment pursuant to Section 11 below. No fractional shares of LINTA Stock will be issuable upon exercise of an Option, and the Grantee will receive, in lieu of any fractional share of LINTA Stock that the Grantee otherwise would receive upon such exercise, cash equal to the fraction representing such fractional share multiplied by the Fair Market Value of one share of LINTA Stock as of the date on which such exercise is considered to occur pursuant to Section 4 below.

**3. Conditions of Exercise.** Unless otherwise determined by the Committee in its sole discretion, the Options will be exercisable only in accordance with the conditions stated in this Section 3.

(a) Except as otherwise provided in Section 11.1(b) of the Plan, the Options may be exercised only to the extent they have become exercisable in accordance with the provisions of this Section 3(a), subject to the provisions of Section 3(b) below. Subject to the Grantee's continued employment with QVC on such dates, one-half of the number of Options subject to this Agreement will become exercisable on each of December 15, 2014 and December 15, 2015.

(b) Notwithstanding the foregoing, (i) in the event that any date on which Options would otherwise become exercisable is not a Business Day, such Options will become exercisable on the Business Day next following such date, (ii) all Options will become exercisable on the date of the Grantee's termination of employment if (A) the Grantee's employment with QVC terminates by reason of Disability or (B) the Grantee dies while employed by QVC, and (iii) Options may also become exercisable on the date of the Grantee's termination of employment with QVC to the extent provided in Section 9 of the Employment Agreement.

(c) To the extent the Options become exercisable, any or all of such Options may be exercised (at any time or from time to time, except as otherwise provided herein) until expiration of the Term or earlier termination thereof as provided herein.

(d) The Grantee acknowledges and agrees that the Committee, in its discretion and as contemplated by Section 3.3 of the Plan, may adopt rules and regulations from time to time after the date hereof with respect to the exercise of the Options and that the exercise by the Grantee of Options will be subject to the further condition that such exercise is made in accordance with all such rules and regulations as the Committee may determine are applicable thereto.

**4. Manner of Exercise.** Options will be considered exercised (as to the number of Options specified in the notice referred to in Section 4(a) below) on the latest of (i) the date of exercise designated in the written notice referred to in Section 4(a) below, (ii) if the date so designated is not a Business Day, the first Business Day following such date or (iii) the earliest Business Day by which the Company has received all of the following:

(a) Written notice, in such form as the Committee may require, containing such representations and warranties as the Committee may require and designating, among other things, the date of exercise and the number of shares of LINTA Stock (“Option Shares”) to be purchased;

(b) Payment of the Base Price for each Option Share to be purchased in any (or a combination) of the following forms: (A) cash, (B) check or (C) the delivery, together with a properly executed exercise notice, of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the Base Price (and, if applicable the Required Withholding Amount, as described in Section 5 below); and

(c) Any other documentation that the Committee may reasonably require.

**5. Mandatory Withholding for Taxes.** The Grantee acknowledges and agrees that the Company will deduct from the shares of LINTA Stock otherwise payable or deliverable upon exercise of any Options, that number of shares of

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LINTA Stock (valued at the Fair Market Value of such LINTA Stock on the date of exercise) that is equal to the amount of all federal, state and local taxes required to be withheld by the Company or any Subsidiary of the Company upon such exercise, as determined by the Company (the "Required Withholding Amount"), unless provisions to pay such Required Withholding Amount have been made to the satisfaction of the Company. If the Grantee elects to make payment of the Base Price by delivery of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the Base Price, such instructions may also include instructions to deliver the Required Withholding Amount to the Company. In such case, the Company will notify the broker promptly of the Company's determination of the Required Withholding Amount.

**6. Payment or Delivery by the Company.** As soon as practicable after receipt of all items referred to in Section 4, and subject to the withholding referred to in Section 5, the Company will (i) deliver or cause to be delivered to the Grantee certificates issued in the Grantee's name for, or cause to be transferred to a brokerage account through Depository Trust Company for the benefit of the Grantee, the number of shares of LINTA Stock purchased by exercise of Options, and (ii) deliver any cash payment to which the Grantee is entitled in lieu of a fractional share of LINTA Stock as provided in Section 2 above. Any delivery of shares of LINTA Stock will be deemed effected for all purposes when certificates representing such shares have been delivered personally to the Grantee or, if delivery is by mail, when the stock transfer agent of the Company has deposited the certificates in the United States mail, addressed to the Grantee, or at the time the stock transfer agent initiates transfer of shares to a brokerage account through Depository Trust Company for the benefit of the Grantee, if applicable, and any cash payment will be deemed effected when a check from the Company, payable to the Grantee and in the amount equal to the amount of the cash payment, has been delivered personally to the Grantee or deposited in the United States mail, addressed to the Grantee.

**7. Termination of Options.** The Options will terminate, prior to the expiration of the Term, at the times specified below:

(a) Subject to any longer period of exercisability provided for in Section 7(b) of this Agreement or in Section 9 of the Employment Agreement, if the Grantee's employment with QVC is terminated other than (i) by QVC for Cause or (ii) by reason of the Grantee's death or Disability, then the Options will terminate at the Close of Business on the first Business Day following the expiration of the 90-day period which began on the date of termination of the Grantee's employment.

(b) Subject to any longer period of exercisability provided for in Section 9 of the Employment Agreement, if the Grantee dies while employed by QVC (or prior to the Close of Business on the first Business Day following the expiration of the 90-day period which began on the date of termination of the Grantee's employment), the Options will terminate at the Close of Business on the first Business Day following the expiration of the one-year period which began on the date of the Grantee's death.

(c) Subject to any longer period of exercisability provided for in Section 9 of the Employment Agreement, if the Grantee's employment with QVC terminates by reason of Disability, then the Options will terminate at the Close of Business on the first Business Day following the expiration of the one-year period which began on the date of termination of the Grantee's employment.

(d) Subject to any longer period of exercisability provided for in Section 9 of the Employment Agreement, if the Grantee's employment with QVC is terminated by QVC for Cause, then the Options will terminate immediately upon such termination of the Grantee's employment.

In any event in which Options remain exercisable for a period of time following the date of termination of the Grantee's employment as provided above, the Options may be exercised during such period of time only to the extent the same were exercisable as provided in Section 3 above on such date of termination of the Grantee's employment. Notwithstanding any period of time referenced in this Section 7 or any other provision of this Section 7 or the Employment Agreement that may be construed to the contrary, the Options will in any event terminate no later than upon the expiration of the Term.

**8. Nontransferability.** During the Grantee's lifetime, the Options are not transferable (voluntarily or involuntarily) other than pursuant to a Domestic Relations Order and, except as otherwise required pursuant to a Domestic Relations Order, are exercisable only by the Grantee or the Grantee's court appointed legal representative. The Grantee may designate a beneficiary or beneficiaries to whom the Options will pass upon the Grantee's death and may change such designation from time to time by filing a written designation of beneficiary or beneficiaries with the Committee on the form annexed hereto as Exhibit B or such other form as may be prescribed by the Committee, provided that no such designation will be effective unless so filed prior to the death of the Grantee. If no such designation is made or if the designated beneficiary does not survive the Grantee's death, the Options will pass by will or the laws of descent and distribution. Following the Grantee's death, the Options, if otherwise exercisable, may be exercised by the person to whom such option or right passes according to the foregoing and such person will

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be deemed the Grantee for purposes of any applicable provisions of this Agreement.

**9. Forfeiture for Misconduct and Repayment of Certain Amounts.** If (i) a material restatement of any financial statement of the Company (including any consolidated financial statement of the Company and its consolidated subsidiaries) is required and (ii) in the reasonable judgment of the Committee, (A) such restatement is due to material noncompliance with any financial reporting requirement under applicable securities laws and (B) such noncompliance is a result of misconduct on the part of the Grantee, the Grantee will repay to the Company Forfeitable Benefits received by the Grantee during the Misstatement Period in such amount as the Committee may reasonably determine, taking into account, in addition to any other factors deemed relevant by the Committee, the extent to which the market value of LINTA Stock during the Misstatement Period was affected by the error(s) giving rise to the need for such restatement. "Forfeitable Benefits" means (i) any and all cash and/or shares of LINTA Stock received by the Grantee (A) upon the exercise during the Misstatement Period of any SARs held by the Grantee or (B) upon the payment during the Misstatement Period of any Cash Award or Performance Award held by the Grantee, the value of which is determined in whole or in part with reference to the value of LINTA Stock, and (ii) any proceeds received by the Grantee from the sale, exchange, transfer or other disposition during the Misstatement Period of any shares of LINTA Stock received by the Grantee upon the exercise, vesting or payment during the Misstatement Period of any Award held by the Grantee. By way of clarification, "Forfeitable Benefits" will not include any shares of LINTA Stock received upon exercise of any Options during the Misstatement Period that are not sold, exchanged, transferred or otherwise disposed of during the Misstatement Period. "Misstatement Period" means the 12-month period beginning on the date of the first public issuance or the filing with the Securities and Exchange Commission, whichever occurs earlier, of the financial statement requiring restatement.

**10. No Stockholder Rights.** Prior to the exercise of Options in accordance with the terms and conditions set forth in this Agreement, the Grantee will not be deemed for any purpose to be, or to have any of the rights of, a stockholder of the Company with respect to any shares of LINTA Stock, nor will the existence of this Agreement affect in any way the right or power of the Company or any stockholder of the Company to accomplish any corporate act, including, without limitation, the acts referred to in Section 11.16 of the Plan.

**11. Adjustments.** If the outstanding shares of LINTA Stock are subdivided into a greater number of shares (by stock dividend, stock split, reclassification or otherwise) or are combined into a smaller number of shares (by reverse stock split, reclassification or otherwise), or if the Committee determines that any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase any shares of LINTA Stock or other similar corporate event (including mergers or consolidations other than those which constitute Approved Transactions, which shall be governed by Section 11.1(b) of the Plan) affects shares of LINTA Stock such that an adjustment is required to preserve the benefits or potential benefits intended to be made available under this Agreement, then the Options will be subject to adjustment (including, without limitation, as to the number of Options and the Base Price per share of such Options) in such manner as the Committee, in its sole discretion, deems equitable and appropriate in connection with the occurrence of any of the events described in this Section 11 following the Effective Date.

**12. Restrictions Imposed by Law.** Without limiting the generality of Section 11.8 of the Plan, the Grantee will not exercise the Options, and the Company will not be obligated to make any cash payment or issue or cause to be issued any shares of LINTA Stock if counsel to the Company determines that such exercise, payment or issuance would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of LINTA Stock are listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the exercise of the Options or the resulting payment of cash or issuance of shares of LINTA Stock to comply with any such law, rule, regulation or agreement.

**13. Notice.** Unless the Company notifies the Grantee in writing of a different procedure, any notice or other communication to the Company with respect to this Agreement will be in writing and will be delivered personally or sent by United States first class mail, postage prepaid and addressed as follows:

Liberty Media Corporation  
12300 Liberty Boulevard  
Englewood, Colorado 80112  
Attn: General Counsel

Unless the Company elects to notify the Grantee electronically pursuant to the online grant and administration program or via e-mail, any notice or other communication to the Grantee with respect to this Agreement will be in writing and will be delivered personally, or will be sent by United States first class mail, postage prepaid, to the Grantee's address as listed in the records of the Company on the Effective Date, unless the Company has received written notification from the Grantee of a change of address.

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**14. Amendment.** Notwithstanding any other provision hereof, this Agreement may be supplemented or amended from time to time as approved by the Committee as contemplated in Section 11.7(b) of the Plan. Without limiting the generality of the foregoing, without the consent of the Grantee,

(a) this Agreement may be amended or supplemented from time to time as approved by the Committee (i) to cure any ambiguity or to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or (ii) to add to the covenants and agreements of the Company for the benefit of the Grantee or surrender any right or power reserved to or conferred upon the Company in this Agreement, subject to any required approval of the Company's stockholders and, provided, in each case, that such changes or corrections will not adversely affect the rights of the Grantee with respect to the Award evidenced hereby, or (iii) to make such other changes as the Company, upon advice of counsel, determines are necessary or advisable because of the adoption or promulgation of, or change in or of the interpretation of, any law or governmental rule or regulation, including any applicable federal or state securities laws; and

(b) subject to any required action by the Board or the stockholders of the Company, the Options granted under this Agreement may be canceled by the Company and a new Award made in substitution therefor, provided that the Award so substituted will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect any Options to the extent then exercisable.

**15. Grantee Employment.** Nothing contained in this Agreement, and no action of the Company or the Committee with respect hereto, will confer or be construed to confer on the Grantee any right to continue in the employ of QVC or interfere in any way with the right of QVC to terminate the Grantee's employment at any time, with or without cause, subject to the provisions of the Employment Agreement.

**16. Nonalienation of Benefits.** Except as provided in Section 8 of this Agreement, (i) no right or benefit under this Agreement will be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same will be void, and (ii) no right or benefit hereunder will in any manner be liable for or subject to the debts, contracts, liabilities or torts of the Grantee or other person entitled to such benefits.

**17. Governing Law.** This Agreement will be governed by, and construed in accordance with, the internal laws of the State of Colorado. Each party irrevocably submits to the general jurisdiction of the state and federal courts located in the State of Colorado in any action to interpret or enforce this Agreement and irrevocably waives any objection to jurisdiction that such party may have based on inconvenience of forum.

**18. Construction.** References in this Agreement to "this Agreement" and the words "herein," "hereof," "hereunder" and similar terms include all Exhibits and Schedules appended hereto. The word "include" and all variations thereof are used in an illustrative sense and not in a limiting sense. All decisions of the Committee upon questions regarding this Agreement will be conclusive. Unless otherwise expressly stated herein, in the event of any inconsistency between the terms of the Plan and this Agreement, the terms of the Plan will control. The headings of the sections of this Agreement have been included for convenience of reference only, are not to be considered a part hereof and will in no way modify or restrict any of the terms or provisions hereof.

**19. Duplicate Originals.** The Company and the Grantee may sign any number of copies of this Agreement. Each signed copy will be an original, but all of them together represent the same agreement.

**20. Rules by Committee.** The rights of the Grantee and the obligations of the Company hereunder will be subject to such reasonable rules and regulations as the Committee may adopt from time to time.

**21. Entire Agreement.** This Agreement, together with the applicable provisions of the Employment Agreement, is in satisfaction of and in lieu of all prior discussions and agreements, oral or written, between the Company or any Subsidiary of the Company and the Grantee regarding the subject matter hereof. The Grantee and the Company hereby declare and represent that no promise or agreement not expressed herein or in the Employment Agreement has been made and that this Agreement, together with the Employment Agreement, contains the entire agreement among the Grantee, the Company and QVC with respect to the Award and replaces and makes null and void any prior agreements among the Grantee, the Company and QVC regarding the Award. This Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

**22. Grantee Acceptance.** The Grantee will signify acceptance of the terms and conditions of this

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Agreement by signing in the space provided at the end hereof and returning a signed copy to the Company.

**23. Code Section 409A Compliance.** If any provision of this Agreement would result in the imposition of an excise tax under Section 409A of the Code and related regulations and Treasury pronouncements ("Section 409A"), that provision will be reformed to avoid imposition of the excise tax and no action taken to comply with Section 409A shall be deemed to impair a benefit under this Agreement.

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**Signature Page to Non-Qualified Stock Option Agreement dated March 2, 2011 between Liberty Media Corporation and Michael George.**

LIBERTY MEDIA CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

GRANTEE:

Michael George

\_\_\_\_\_

Number of Options Granted:

Options	3,800,000
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**Exhibit A**  
**to**  
**Non-Qualified Stock Option Agreement**  
**dated as of March 2, 2011 between Liberty Media Corporation and Grantee**

**[Copy of Liberty Media Corporation 2007 Incentive Plan]**

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**Exhibit B**  
**to**  
**Non-Qualified Stock Option Agreement**  
**dated as of March 2, 2011 between Liberty Media Corporation and Grantee**  
**[Copy of Designation of Beneficiary Form]**

**LIBERTY INTERACTIVE CORPORATION**  
**2002 Nonemployee Director Incentive Plan**  
**(As Amended and Restated Effective November 7, 2011)**

**RESTRICTED STOCK AWARD AGREEMENT**

**THIS RESTRICTED STOCK AWARD AGREEMENT** (this "Agreement") is made as of the date set forth on Schedule I hereto (the "Grant Date"), by and between LIBERTY INTERACTIVE CORPORATION, a Delaware corporation (the "Company"), and the recipient (the "Grantee") of an Award of Restricted Shares granted by the Board of Directors of the Company (the "Board") as set forth in this Agreement.

The Company has adopted the incentive plan identified on Schedule I hereto (as may be further amended, the "Plan"), a copy of which is attached via a link at the end of this online Agreement as Exhibit A and by this reference made a part hereof, for the benefit of eligible Nonemployee Directors of the Company. Capitalized terms used and not otherwise defined in this Agreement will have the meanings ascribed to them in the Plan.

Pursuant to the Plan, the Board has determined that it would be in the interest of the Company and its stockholders to award shares of common stock to the Grantee, subject to the conditions and restrictions set forth herein and in the Plan, in order to provide the Grantee with additional remuneration for services rendered as a Nonemployee Director and to increase the Grantee's personal interest in the continued success and progress of the Company.

The Company and the Grantee therefore agree as follows:

1. **Definitions.** The following terms, when used in this Agreement, have the following meanings:

"Board" has the meaning specified in the preamble to this Agreement.

"Common Stock" has the meaning specified in Section 2.

"Company" has the meaning specified in the preamble to this Agreement.

"Grant Date" has the meaning specified in the preamble to this Agreement.

"Grantee" has the meaning specified in the preamble to this Agreement.

"Plan" has the meaning specified in the recitals of this Agreement.

"Restricted Shares" has the meaning specified in Section 2.

"Retained Distributions" has the meaning specified in Section 4.

"Section 409(A)" has the meaning specified in Section 25.

"Unvested Fractional Restricted Share" has the meaning specified in Section 5.

"Vesting Date" has the meaning specified in Section 5.

"Vesting Percentage" has the meaning specified in Section 5.

2. **Award.** Pursuant to the terms of the Plan and in consideration of the covenants and promises of the Grantee herein contained, the Company hereby awards to the Grantee as of the Grant Date the number of shares of the Company's Series A Liberty Interactive Common Stock ("Common Stock") authorized by the Board and set forth in the notice of online grant delivered to the Grantee pursuant to the Company's online grant and administration program and Schedule I of this Agreement, subject to the conditions and restrictions set forth in this Agreement and in the Plan (the "Restricted Shares").

3. **Issuance of Restricted Shares at Beginning of the Restriction Period.** Upon issuance of the Restricted Shares, such Restricted Shares will be registered in a book entry account in the name of the Grantee. During the Restriction Period, any

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certificates representing the Restricted Shares that may be issued during the Restriction Period, and any securities constituting Retained Distributions will bear a restrictive legend to the effect that ownership of the Restricted Shares (and such Retained Distributions), and the enjoyment of all rights appurtenant thereto, are subject to the restrictions, terms and conditions provided in the Plan and this Agreement. Any such certificates will remain in the custody of the Company, and upon their issuance the Grantee will deposit with the Company stock powers or other instruments of assignment, each endorsed in blank, so as to permit retransfer to the Company of all or any portion of the Restricted Shares and any securities constituting Retained Distributions that will be forfeited or otherwise not become vested in accordance with the Plan and this Agreement.

4. **Restrictions.** The Restricted Shares will constitute issued and outstanding shares of Common Stock for all corporate purposes. The Grantee will have the right to vote such Restricted Shares, to receive and retain such dividends and distributions paid or distributed on such Restricted Shares as the Board may in its sole discretion designate and to exercise all other rights, powers and privileges of a holder of Common Stock with respect to such Restricted Shares, except that (a) the Grantee will not be entitled to delivery of the stock certificate or certificates representing such Restricted Shares until the Restriction Period shall have expired and unless all other vesting requirements with respect thereto shall have been fulfilled or waived, (b) the Company will retain custody of any stock certificate or certificates representing the Restricted Shares during the Restriction Period as provided in Section 8.2 of the Plan, (c) other than such dividends and distributions as the Board may in its sole discretion designate, the Company or its designee will retain custody of all distributions (“Retained Distributions”) made or declared with respect to the Restricted Shares (and such Retained Distributions will be subject to the same restrictions, terms and vesting and other conditions as are applicable to the Restricted Shares) until such time, if ever, as the Restricted Shares with respect to which such Retained Distributions shall have been made, paid or declared shall have become vested, and such Retained Distributions will not bear interest or be segregated in a separate account, (d) the Grantee may not sell, assign, transfer, pledge, exchange, encumber or dispose of the Restricted Shares or any Retained Distributions or the Grantee's interest in any of them during the Restriction Period and (e) a breach of any restrictions, terms or conditions provided in the Plan or established by the Board with respect to any Restricted Shares or Retained Distributions will cause a forfeiture of such Restricted Shares and any Retained Distributions with respect thereto.

5. **Vesting and Forfeiture of Restricted Shares.** Subject to earlier vesting in accordance with Section 6, the Grantee will become vested as to that number of Restricted Shares (if any) subject to this Agreement that is equal to the fraction or percentage set forth on Schedule I hereto (the “Vesting Percentage”) (in each case, rounded down to the nearest whole number of such Restricted Shares) on each of the dates indicated on Schedule I hereto (each such date, together with any other date on which Restricted Shares vest pursuant to this Agreement, a “Vesting Date”). If rounding pursuant to the preceding sentence prevents any portion of a Restricted Share from becoming vested on a particular Vesting Date (any such portion, an “Unvested Fractional Restricted Share”), one additional Restricted Share will become vested on the earliest succeeding Vesting Date on which the cumulative fractional amount of all Unvested Fractional Restricted Shares (including any Unvested Fractional Restricted Share created on such succeeding Vesting Date) equals or exceeds one whole Restricted Share, with any excess treated as an Unvested Fractional Restricted Share thereafter subject to the application of this sentence and the following sentence. Any Unvested Fractional Restricted Share comprising part of a whole Restricted Share that vests pursuant to the preceding sentence will thereafter cease to be an Unvested Fractional Restricted Share. Notwithstanding the foregoing, (a) the Grantee will not vest, pursuant to this Section 5, in Restricted Shares as to which the Grantee would otherwise vest as of a given date if the Grantee has not been continuously providing services as a Nonemployee Director from the date of this Agreement through such date (the vesting or forfeiture of such shares to be governed instead by the provisions of Section 6), and (b) in the event that any date on which vesting would otherwise occur is a Saturday, Sunday or a holiday, such vesting will instead occur on the business day next following such date. Unless otherwise determined by the Board in its sole discretion, Retained Distributions will be subject to the same vesting and forfeiture conditions that are applicable to the Restricted Shares to which such Retained Distributions relate.

6. **Early Termination or Vesting.** Unless otherwise determined by the Board in its sole discretion:

- (a) If the Grantee's service as a Nonemployee Director terminates for any reason other than death or Disability, then the Award, to the extent not theretofore vested, will be forfeited immediately;
- (b) If the Grantee dies while serving as a Nonemployee Director, then the Award, to the extent not theretofore vested, will immediately become fully vested; and
- (c) If the Grantee's service as a Nonemployee Director terminates by reason of Disability, then the Award, to the extent not theretofore vested, will immediately become fully vested.

7. **Completion of the Restriction Period.** On the Vesting Date with respect to each award of Restricted Shares, and the satisfaction of any other applicable restrictions, terms and conditions (a) all or the applicable portion of such Restricted Shares will become vested and (b) any Retained Distributions with respect to such Restricted Shares will become vested to the

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extent that the Restricted Shares related thereto shall have become vested, all in accordance with the terms of this Agreement. Any such Restricted Shares and Retained Distributions that shall not become vested will be forfeited to the Company, and the Grantee will not thereafter have any rights (including dividend and voting rights) with respect to such Restricted Shares or any Retained Distributions that are so forfeited.

8. **Adjustments; Early Vesting in Certain Events.**

(a) The Restricted Shares will be subject to adjustment (including, without limitation, as to the number of Restricted Shares) in such manner as the Board, in its sole discretion, may deem equitable and appropriate in connection with the occurrence of any of the events described in Section 4.2 of the Plan following the Grant Date.

(b) In the event of any Approved Transaction, Board Change or Control Purchase, the restrictions in Section 3 and 4 will lapse. Notwithstanding the foregoing, the Board may, in its sole discretion, determine that the restrictions in Section 3 and 4 will not lapse on an accelerated basis in connection with an Approved Transaction if the Board or the surviving or acquiring corporation, as the case may be, makes or causes to be made effective provision for the taking of such action as in the opinion of the Board is equitable and appropriate to substitute a new Award for the Award evidenced by this Agreement or to assume this Agreement and the Award evidenced hereby and in order to make such new or assumed Award, as nearly as may be practicable equivalent to the Award evidenced by this Agreement as then in effect (but before giving effect to any acceleration of the exercisability hereof unless otherwise determined by the Board), taking into account, to the extent applicable, the kind and amount of securities, cash or other assets into or for which the Restricted Shares may be changed, converted or exchanged in connection with the Approved Transaction.

9. **Mandatory Withholding for Taxes.** The Grantee acknowledges and agrees that, upon the expiration of the Restriction Period, the Company will deduct from the shares of Common Stock otherwise deliverable to the Grantee (or the Grantee's beneficiary, if applicable) that number of shares of Common Stock (valued at the Fair Market Value on the applicable Vesting Date) that is equal to the amount, as determined by the Company, of all federal, state or other governmental withholding tax requirements imposed upon the Company with respect to the vesting of Restricted Shares, unless other provisions to pay such withholding requirements have been made to the satisfaction of the Company. Upon the payment of any cash dividends with respect to Restricted Shares during the Restriction Period, the amount of such dividends will be reduced to the extent necessary to satisfy any withholding tax requirements applicable thereto prior to payment to the Grantee.

10. **Delivery by the Company.** As soon as practicable after the vesting of Restricted Shares pursuant to Sections 5, 6 or 8, but no later than 30 days after such vesting occurs, and subject to the withholding referred to in Section 9, the Company will (a) cause to be removed from the Restricted Shares that have vested the restriction described in Section 3 or cause to be issued and delivered to the Grantee (in certificate or electronic form) shares of Common Stock equal to the number of Restricted Shares that have vested; and (b) shall cause to be delivered to the Grantee any Retained Distributions with respect to such vested shares. If delivery of certificates is by mail, delivery of shares of Common Stock will be deemed effected for all purposes when a stock transfer agent of the Company has deposited the certificates in the United States mail, addressed to the Grantee.

11. **Nontransferability of Restricted Shares Before Vesting.** Before vesting and during the Grantee's lifetime, the Restricted Shares are not transferable (voluntarily or involuntarily) other than pursuant to a Domestic Relations Order and, except as otherwise required pursuant to a Domestic Relations Order, may be issued only to the Grantee or the Grantee's court appointed legal representative. The Grantee may designate a beneficiary or beneficiaries, to whom the Restricted Shares will pass upon the Grantee's death and may change such designation from time to time by filing a written designation of beneficiary or beneficiaries with the Board on the form attached via a link to this online Agreement as Exhibit B or such other form as may be prescribed by the Board, provided that no such designation will be effective unless so filed prior to the death of the Grantee. If no such designation is made or if the designated beneficiary does not survive the Grantee's death, the Restricted Shares will pass by will or the laws of descent and distribution. Following the Grantee's death, the Restricted Shares will pass accordingly to the designated beneficiary, and such beneficiary will be deemed the Grantee for purposes of any applicable provisions of this Agreement.

12. **Company's Rights.** The existence of this Agreement will not affect in any way the right or power of the Company or its stockholders to accomplish any corporate act, including, without limitation, the acts referred to in Section 11.15 of the Plan.

13. **Limitation of Rights.** Nothing in this Agreement or the Plan will be construed to:

(a) give the Grantee any right to be awarded any further Restricted Shares other than in the sole discretion of the Board; or

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(b) give the Grantee or any other person any interest in any fund or in any specified asset or assets of the Company or any Subsidiary of the Company.

14. **Prerequisites to Benefits.** Neither the Grantee nor any person claiming through the Grantee will have any right or interest in the Restricted Shares awarded hereunder, unless and until there shall have been full compliance with all the terms, conditions and provisions of this Agreement and the Plan that affect the Grantee or such other person.

15. **Restrictions Imposed by Law.** Without limiting the generality of Section 11.7 of the Plan, the Grantee will not require the Company to deliver any Restricted Shares and the Company will not be obligated to deliver any Restricted Shares if counsel to the Company determines that such exercise, delivery or payment would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of Common Stock are listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the delivery of any Restricted Shares to comply with any such law, rule, regulation or agreement.

16. **Notice.** Unless the Company notifies the Grantee in writing of a different procedure or address, any notice or other communication to the Company with respect to this Agreement will be in writing and will be delivered personally or sent by first class mail, postage prepaid, to the following address:

Liberty Interactive Corporation  
12300 Liberty Boulevard  
Englewood, Colorado 80112  
Attn: General Counsel

Unless the Company elects to notify the Grantee electronically pursuant to the online grant and administration program or via email, any notice or other communication to the Grantee with respect to this Agreement will be in writing and will be delivered personally, or will be sent by first class mail, postage prepaid, to the Grantee's address as listed in the records of the Company on the Grant Date, unless the Company has received written notification from the Grantee of a change of address.

17. **Amendment.** Notwithstanding any other provision hereof, this Agreement may be supplemented or amended from time to time as approved by the Board as contemplated by Section 11.6(b) of the Plan. Without limiting the generality of the foregoing, without the consent of the Grantee,

(a) this Agreement may be amended or supplemented from time to time as approved by the Board (i) to cure any ambiguity or to correct or supplement any provision herein that may be defective or inconsistent with any other provision herein, (ii) to add to the covenants and agreements of the Company for the benefit of the Grantee or surrender any right or power reserved to or conferred upon the Company in this Agreement, subject to any required approval of the Company's stockholders and provided, in each case, that such changes or corrections will not adversely affect the rights of the Grantee with respect to the Award evidenced hereby or (iii) to make such other changes as the Company, upon advice of counsel, determines are necessary or advisable because of the adoption or promulgation of, or change in the interpretation of, any law or governmental rule or regulation, including any applicable federal or state securities laws; and

(b) subject to any required action by the Board of Directors or the stockholders of the Company, the Award evidenced by this Agreement may be canceled by the Board and a new Award made in substitution therefor, provided that the Award so substituted will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect the Restricted Shares to the extent then vested.

18. **Status as a Director.** Nothing contained in this Agreement, and no action of the Company or the Board with respect hereto, will confer or be construed to confer on the Grantee any right to continue as a director of the Company or interfere in any way with the right of the Company or its stockholders to terminate the Grantee's status as a director at any time, with or without cause.

19. **Nonalienation of Benefits.** Except as provided in Section 11 and prior to the vesting of any Restricted Share, (a) no right or benefit under this Agreement will be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same will be void, and (b) no right or benefit hereunder will in any manner be subjected to or liable for the debts, contracts, liabilities or torts of the Grantee or other person entitled to such benefits.

20. **Governing Law.** This Agreement will be governed by, and construed in accordance with, the internal laws of the State of Colorado. Each party irrevocably submits to the general jurisdiction of the state and federal courts located in the State

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of Colorado in any action to interpret or enforce this Agreement and irrevocably waives any objection to jurisdiction that such party may have based on inconvenience of forum.

21. **Construction.** References in this Agreement to “this Agreement” and the words “herein,” “hereof,” “hereunder” and similar terms include all Exhibits and Schedules appended hereto, including the Plan. All references to “Sections” in this Agreement shall be to Sections of this Agreement unless explicitly stated otherwise. The word “include” and all variations thereof are used in an illustrative sense and not in a limiting sense. All decisions of the Board upon questions regarding the Plan or this Agreement will be conclusive. Unless otherwise expressly stated herein, in the event of any inconsistency between the terms of the Plan and this Agreement, the terms of the Plan will control. The headings of the sections of this Agreement have been included for convenience of reference only, are not to be considered a part hereof and will in no way modify or restrict any of the terms or provisions hereof.

22. **Rules by the Board.** The rights of the Grantee and the obligations of the Company hereunder will be subject to such reasonable rules and regulations as the Board may adopt from time to time.

23. **Entire Agreement.** This Agreement is in satisfaction of and in lieu of all prior discussions and agreements, oral or written, between the Company and the Grantee regarding the subject matter hereof. The Grantee and the Company hereby declare and represent that no promise or agreement not herein expressed has been made and that this Agreement contains the entire agreement between the parties hereto with respect to the Restricted Shares and replaces and makes null and void any prior agreements between the Grantee and the Company regarding the Restricted Shares. Subject to the restrictions set forth in Sections 11 and 19, this Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

24. **Grantee Acknowledgment.** The Grantee will signify acceptance of the terms and conditions of this Agreement by acknowledging the acceptance of this Agreement via the procedures described in the online grant and administration program utilized by the Company.

25. **Code Section 409A Compliance.** If any provision of this Agreement would result in the imposition of an excise tax under Section 409A of the Code or the related regulations and Treasury pronouncements (“Section 409A”), that provision will be reformed to avoid imposition of the excise tax and no action taken to comply with Section 409A shall be deemed to impair a benefit under this Agreement.

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**Schedule I**  
**to**  
**Liberty Interactive Corporation**  
**Restricted Stock Award Agreement**  
**NDR1101**

Grant Date: [\_\_\_\_\_]

Plan: Liberty Interactive Corporation 2002 Nonemployee Director Incentive  
Plan  
(As Amended and Restated Effective November 7, 2011)

Restricted Shares Granted: [\_\_\_\_\_]

Vesting Percentage: [\_\_\_\_ %]

Vesting Date(s): [\_\_\_\_\_]

**EMPLOYMENT AGREEMENT**

This Employment Agreement (the "Agreement") is made this 3<sup>rd</sup> day of May, 2011 by and between Michael George ("Executive") and QVC, Inc., a Delaware corporation ("QVC").

In consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties, intending to be legally bound hereby, agree as follows:

1. Duties and Responsibilities. Executive will be employed as President and Chief Executive Officer of QVC. Executive will perform the duties and services of those positions, as well as performing any other duties and services consistent with those positions as QVC may reasonably request. Executive shall at all times be subject to (i) during such time as Liberty Media Corporation ("Liberty Media") is the ultimate parent entity of QVC, the supervision and control of the Chairman or Chief Executive Officer of Liberty Media as the Board of Directors of Liberty Media (the "LMC Board") may designate, or (ii) during such time as Liberty Media is not the ultimate parent entity of QVC, the supervision and control of the governing body of the person that is then the ultimate parent entity of QVC or such executive officer of the new ultimate parent entity as such entity may designate, or (iii) if QVC is itself a publicly-traded company, the supervision and control of the board of directors of QVC. Executive shall devote substantially all of Executive's business time, attention and energy to the performance of Executive's duties and to the promotion of the business and interests of QVC and its affiliated companies. Executive shall also adhere to QVC's general employee policies. Nothing herein shall preclude Executive from (a) serving on the boards of directors of public corporations with the approval of the LMC Board (which approval shall not be unreasonably withheld), (b) serving on the boards of a reasonable number of trade associations and/or charitable organizations, (c) engaging in charitable activities and community affairs, and (d) managing his personal investments and affairs, provided that such activities do not conflict or materially interfere with the effective discharge of his duties and responsibilities under this Section 1.

2. Term. The term of this Agreement shall commence retroactively on January 1, 2011 (the "Effective Date") and end on December 15, 2015, unless this Agreement is sooner terminated in accordance with Section 8 ("Term").

3. Compensation.

A. Base Compensation. For all services Executive renders to QVC and its affiliated companies, QVC will pay Executive a salary at the rate of One Million Dollars (\$1,000,000) per annum ("Base Compensation") for the period from the Effective Date to December 31, 2011, which Base Compensation shall be paid in accordance with QVC's customary payroll practices. Thereafter, during the Term, the Base Compensation will increase by 3% of the prior year's Base Compensation.

B. Bonus Compensation. Executive will be eligible to receive an annual cash bonus (the "Bonus"). Executive's target bonus each year during the Term will equal 100% of Executive's base salary for the year, subject to satisfaction of the criteria established for such bonus as described below. The Bonus will be determined by the CEO of Liberty Media pursuant to criteria established in QVC's annual bonus program as such program is approved each year by the CEO of Liberty Media (or of any successor parent entity) in such person's sole discretion. If, however, Executive is expected to be a "covered employee" in any given year for purposes of Section 162(m) of the Internal Revenue Code, the Bonus will be determined by the Compensation Committee of the LMC Board in its sole discretion, and will be based on such criteria (i) as are approved in advance by such Compensation Committee and (ii) that are designed in a manner such that the Bonus will be treated as "qualified performance-based compensation" within the meaning of Section 162(m). For the avoidance of doubt, Executive's bonus for calendar year 2010 will be determined in accordance with the terms of Executive's employment agreement that was in effect as of December 31, 2010.

C. Withholding. All payments made to Executive pursuant to this Agreement, including pursuant to this Section 3 and Section 9, will be made net of any amounts that QVC is required to deduct or withhold pursuant to any foreign, federal, state or local laws, rules or regulations.

D. 2011 LINTA Option Grant.

(i) On March 2, 2011, Executive was granted 3,800,000 options to acquire Liberty Media Series A Liberty

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Interactive common stock (the "2011 LINTA Options") at an exercise price of \$16.01 per share. It is anticipated that Executive will not receive any additional grants of options, warrants, restricted stock or other equity or equity derivatives in QVC or Liberty Media or any of their respective affiliates ("Equity Awards") during the Term. For the avoidance of doubt, Executive acknowledges that the only Equity Awards held by Executive as of the date this Agreement was signed by him, other than the 2011 LINTA Options, are listed on Schedule 1 to this Agreement.

(ii) The term of the 2011 LINTA Options is seven (7) years, subject to earlier termination in accordance with the terms of this Agreement and the separate Non-Qualified Stock Option Agreement dated effective as of March 2, 2011 between Liberty Media and Executive (the "2011 Option Agreement").

(iii) Unless the exercisability of the 2011 LINTA Options is accelerated pursuant to Section 9.A., Section 9.C., or Section 9.G., and subject to Executive's continued employment with QVC or its affiliates in accordance with the terms of the 2011 Option Agreement, 50% of the 2011 LINTA Options will become exercisable on December 15, 2014, and 50% of the 2011 LINTA Options will become exercisable on December 15, 2015.

E. Pre-2011 Equity Awards. Equity Awards granted to Executive prior to January 1, 2011 are also impacted by this Agreement, as described in more detail in Sections 9.A., 9.B., 9.C., 9.E. and 9.G. For purposes of this Agreement, the following terms have the meanings set forth below:

(i) "Pre-2011 Unvested Awards" means Equity Awards granted to Executive prior to January 1, 2011 that are outstanding and unvested as of the date of termination of Executive's employment with QVC.

(ii) "Pre-2011 Vested Awards" means Equity Awards granted to Executive prior to January 1, 2011 that are outstanding and vested, but unexercised, as of the date of termination of Executive's employment with QVC.

4. Welfare, Retirement and Fringe Benefits. During the Term, Executive shall be entitled to participate in the welfare, retirement and fringe benefit programs then available to senior-level executives of QVC, including but not limited to medical, dental, hospitalization, disability and life insurance plans, retirement plans or programs, including, without limitation, defined benefit and defined contribution plans, deferred compensation plans and such other plans and programs that may be provided by QVC from time to time.

5. Restrictions.

A. (i) Other Work: Except as otherwise provided in Section 1, Executive shall not perform any work for, or render services to, any person, firm or company other than QVC, unless done pursuant to his duties hereunder or approved in advance in writing by QVC.

(ii) Gifts/Samples: Executive shall promptly report in writing to the General Counsel of QVC all gifts, services or consideration Executive receives from a third party which is connected with QVC business in any way. The determination as to such gifts, services or considerations shall be made in accordance with QVC's Code of Conduct and the Liberty Media Code of Conduct. In addition, all samples which Executive receives from QVC vendors or prospective vendors must be returned to the vendor or given to QVC after Executive has completed Executive's evaluation of a product, unless such sample is consumed or otherwise depleted during the course of Executive's evaluation. All samples Executive receives from QVC vendors or prospective vendors which are not (a) given to QVC or returned to the vendor or (b) consumed or otherwise depleted in connection with Executive's evaluation of the product within ninety (90) days after Executive's receipt of the product must be promptly reported in writing to the General Counsel of QVC. QVC may return to a vendor samples it receives from Executive or QVC may dispose of such samples as it determines in its discretion.

(iii) Confidential Information: Executive shall not disclose to any third party other than QVC's subsidiaries or affiliates, nor shall Executive make use of, confidential and proprietary business information regarding QVC which is not generally known to the public or to the relevant trade or industry, except in the course of performing his duties under this Agreement. Anything herein to the contrary notwithstanding, the provisions of this Section 5.A.(iii) will not apply (a) if disclosure is required by law or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with apparent jurisdiction to order Executive to disclose or make available such information, provided, however that Executive will promptly notify QVC in writing upon receiving a request for such information and, if QVC requests, reasonably cooperate with QVC at QVC's expense in seeking a protective order or other appropriate protection of such information or (b) to the extent reasonably necessary in connection with any other litigation, arbitration or mediation involving this Agreement, including but not limited to enforcement of this Agreement.

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(iv) Confidential Letter: Executive shall not disclose, without the prior written approval of QVC, the contents of this Agreement to any person except that Executive may make such disclosure: (a) on a confidential basis to his tax, financial or legal advisors, his immediate family members and any prospective employer or business partner, *provided* that, in each case, such third party agrees to keep the terms of this Agreement confidential and *provided, further*, that any such disclosure to a prospective employer or business partner shall be limited to Sections 2, 5 and 8 of this Agreement; (b) when disclosure is required by law or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with actual or apparent jurisdiction to order Executive to disclose or make accessible any information; and (c) to the extent reasonably necessary in connection with any other litigation, arbitration or mediation involving this Agreement, including, but not limited to, the enforcement of this Agreement.

(v) Non-Competition/Non-Solicitation:

(a) For purposes of this subparagraph, the following terms shall have the meanings set forth below:

(1) The term "Direct Electronic Retailing" shall mean transmission by television, video, radio or other electronic means (other than Internet Retailing as defined below), through which a consumer is requested to respond by mail, telephone, computer or other electronic means to an individual or entity offering a retail product or service for sale; and

(2) The term "Internet Retailing" shall mean the retail marketing of goods and services through the use of the Internet (including wired, wireless, mobile and similar technologies), digital media or other similar means; and

(3) The term "Primary Internet Retailer" shall mean any person, firm or entity engaged in the Internet Retailing business where fifty percent (50%) or more of the gross revenue of such person, firm or entity (together with those of its affiliates, in the aggregate) has been during the past year or is expected to be during the following year directly or indirectly derived from any form of retail marketing of goods or services by means of Internet Retailing; and

(4) The term "Major Retailer" shall mean any person, firm or entity (together with its affiliates, in the aggregate) that had during the prior year or is expected to have during the following year revenues from all sources, including the Internet Retailing business, of more than \$500,000,000; and

(5) The term "Permitted Position" shall mean an employment by or engagement for a Major Retailer in which the responsibilities of the employment or engagement do not relate to the direct management of Internet Retailing.

(b) In consideration of Executive's employment by QVC pursuant to the terms of this Agreement, Executive agrees that for so long as Executive is employed by QVC or any of its affiliated entities (whether pursuant to this Agreement or otherwise) and for a period of one year (or, in the case of Section 5.A.(v)(b)(1)(i), Section 5.A.(v)(b)(1)(ii)(z), Section 5.A.(v)(b)(2) and Section 5.A.(v)(b)(3), two years) after Executive's last day of employment with QVC or any of its affiliated entities (whether pursuant to this Agreement or otherwise), Executive shall not, directly or, except as specifically provided below, indirectly:

(1) within the United States and elsewhere where QVC or any of its affiliated entities conducts its business, (i) provide direct management services in connection with any form of Direct Electronic Retailing or (ii) become employed by, or render services to, any person, firm or entity which is (x) both a Primary Internet Retailer and a Major Retailer, and/or (y) is a Major Retailer, other than in a Permitted Position, and/or (z) is engaged in, or about to be engaged in, the marketing of goods or services by means of Direct Electronic Retailing, where more than 25% of the gross revenue of such person, firm or entity (together with those of its affiliates, in the aggregate) is directly or indirectly derived (or for persons, firms or entities preparing to be engaged in the marketing of goods or services by means of Direct Electronic Retailing, is expected to be derived) from any form of Direct Electronic Retailing, whether the services listed in (x), (y), and (z) above are rendered as a principal, partner, officer, director, agent, employee, representative, consultant, independent contractor or otherwise, without the prior written consent of QVC; and/or

(2) induce or attempt to induce, except in the course of carrying out his duties under this Agreement, any employee of QVC or any of its subsidiaries or affiliates to leave the employ of QVC or any such subsidiary or affiliate; and/or

(3) induce or attempt to induce, except in the course of carrying out his duties under this Agreement, any person to terminate a relationship with QVC or any of its subsidiaries or affiliates.

(vi) Codes of Conduct: Executive agrees to abide by the QVC Code of Conduct and the Liberty Media Code of Conduct.

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B. Executive's obligations under this Section 5 are of a special and unique character which gives them a peculiar value. QVC cannot be reasonably or adequately compensated in damages in an action at law in the event Executive breaches such obligations. Executive agrees that, in addition to any other rights or remedies which QVC may possess, QVC shall be entitled to injunctive relief and other equitable relief to prevent a breach of this Section 5, including but not limited to a temporary restraining order or preliminary injunction from any court of competent jurisdiction restraining any threatened or actual violation. Executive waives the making of a bond as a condition for obtaining such relief. Such rights shall be cumulative and in addition to any other legal or equitable rights and remedies QVC may have.

6. Reimbursement of Business Related Expenses. QVC shall reimburse Executive for all reasonable and necessary out-of-pocket expenses that Executive actually incurs in the performance of Executive's duties, including, but not limited to, expenses for travel and other miscellaneous business expenses; provided, however, that Executive shall submit to QVC written itemized expense reports and such additional substantiation QVC may reasonably request. QVC will also reimburse Executive for one-half of the reasonable legal fees incurred by him in connection with the negotiation and drafting of this Agreement.

7. Proceeds of Executive's Services/Use of Executive's Image

A. Executive acknowledges and agrees that any and all proceeds of all services provided to QVC and any and all works created or produced by Executive for QVC (collectively referred to herein as the "Works") are being prepared by and for, and at the instigation and under the direction of, QVC and that the Works are and at all times shall be regarded as "work made for hire" as that term is used in the United States copyright laws, and that all copyrights in and to the Works belong to QVC as "work made for hire". Without limiting the preceding sentence, and by this Agreement, Executive assigns, grants and delivers, exclusively unto QVC, its legal representatives, successors and assigns, all right, title and interest of every kind and nature whatsoever in and to the Works, and all copies, versions, derivatives, processes, systems, products and proceeds thereof, or resulting therefrom, including any copyrights in any country.

B. Executive also grants QVC the use of Executive's performances and pictures for advertising, public displays, promotion and all other legal presentations including, without limitation, the above-mentioned uses. After the term of this Agreement, QVC will not make use of Executive's performances and pictures in a manner in which Executive is the subject of the advertising, public displays, promotion and other presentations except with respect to any of the foregoing that were created during the Term. Executive releases QVC, its successors and assigns, from all liability to the extent resulting from the use of Executive's own performance or picture.

8. Termination.

A. Executive's employment may be terminated by QVC with or without prior notice and with or without Cause (as defined in Section 9.B.) at any time prior to the end of the Term. Executive's employment shall immediately terminate upon Executive's death or Disability (as defined in Section 9.A.). During the Term, Executive may voluntarily terminate Executive's employment with QVC by giving (i) 30 days' advance written notice to QVC of Executive's intent to so terminate for Good Reason, and (ii) six months' advance written notice to QVC of Executive's intent to so terminate other than for Good Reason or Disability. In order for such a termination to qualify as a "Good Reason" termination such termination must be based on one of more of the circumstances described in the next sentence. For purposes of this Agreement, "Good Reason" shall be an action by QVC, other than in connection with the termination of Executive's employment by QVC for Cause (i) that results in a material diminution or material adverse change in Executive's title, authority, duties or responsibilities including but not limited to assignment to Executive of duties materially inconsistent with Executive's duties as described in Section 1 or that materially impair his ability to carry out those duties; (ii) requiring Executive to be based at any office or location other than offices of QVC in West Chester, Pennsylvania; provided, however, that a general relocation of the offices of QVC to a location not more than 25 miles from West Chester, Pennsylvania shall not constitute a Good Reason; (iii) that results in a reduction in Executive's (a) then current Base Compensation or (b) eligibility to receive a Bonus with a target of 100% of Base Compensation (it being acknowledged that QVC and the LMC Board have no obligation to actually award any Bonus); (v) that would substantially diminish the aggregate value of the benefits provided to Executive, including, but not limited to, benefits under QVC's medical, health, accident, disability, life insurance, thrift and retirement and deferred compensation plans other than any action that applies to all senior officers of QVC with respect to the benefit plans; (vi) that results in a change in the reporting structure applicable to Executive other than as permitted by Section 1; (vii) that results in a breach by QVC of any material provision of this Agreement; or (viii) that results in the failure of QVC to obtain, within a reasonable period of time after Executive's written request, the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of QVC. Good Reason will not be deemed to exist unless Executive gives QVC notice within 120 days following the occurrence of the event which Executive believes constitutes the basis for Good Reason, specifying the particular act or failure to act which Executive believes constitutes the basis for Good Reason and provides QVC with a reasonable opportunity of at least 30 days to cure such act or failure to act.

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B. Executive's employment by QVC may be voluntarily terminated by Executive, other than for Good Reason or Disability, on not less than six (6) months' prior written notice to QVC.

C. Subject to Section 10.B., this Agreement will terminate upon the termination of Executive's employment with QVC.

9. Rights Upon Termination Prior to Expiration of Term

A. Termination for Death or Disability

(i) Upon termination of Executive's employment for Executive's death or Disability (as defined in clause (iii) below) prior to the expiration of the Term, QVC shall pay Executive, or Executive's designated beneficiary or estate, as the case may be, (a) Executive's then current Base Compensation in accordance with QVC's customary payroll practices for a period of one year after such payments commence under this Agreement (the "Base Compensation Continuing Payments"); (b) Executive's Base Compensation through the date of termination; (c) the amount of any reimbursable expenses incurred by Executive pursuant to Section 6 prior to the date of termination but not yet reimbursed; (d) any declared but unpaid Bonus for the calendar year prior to the year in which the termination occurs; (e) vested benefits, if any, owed to Executive in accordance with other applicable plans, programs and arrangements of QVC and its affiliates; and (f) any other amounts that QVC is required pursuant to applicable law to pay Executive.

(ii) Upon termination of Executive's employment for Executive's death or Disability prior to the expiration of the Term, the Pre-2011 Vested Awards, the Pre-2011 Unvested Awards and the 2011 LINTA Options (a) will immediately vest and become exercisable to the extent not already vested as of the date of termination of employment, and (b) will be exercisable throughout the remainder of the full original term of such Equity Award (determined without reference to any provision in the applicable award agreement that reduces the exercisability of, or limits the vesting of, such Equity Award upon Executive's termination of employment, but otherwise in accordance with the terms and conditions applicable to such Equity Award).

(iii) For purposes of this Agreement, "Disability" means Executive's inability to perform his duties because of physical or mental incapacity for a period of 180 consecutive days and, within 30 days after a notice of termination is given to Executive, Executive has not returned to work. Notwithstanding the foregoing, Executive will not be considered to have suffered a Disability unless he is also "disabled" as such term is defined under Section 409A(a)(2)(C) of the Internal Revenue Code.

(iv) Except as specified in this Section 9.A., QVC will have no further liability or obligation to Executive following a termination of Executive's employment prior to expiration of the Term as a result of death or Disability.

(v) Payment of the benefits described above will be subject to the timing requirements set forth in Section 20.

B. Termination for Cause

(i) Upon a termination of Executive's employment for Cause (as defined in clause (iii) below) prior to the expiration of the Term, QVC shall pay Executive (a) Executive's Base Compensation through the date of termination; (b) the amount of any reimbursable expenses incurred by Executive pursuant to Section 6 prior to the date of termination but not yet reimbursed; (c) vested benefits, if any, owed to Executive in accordance with other applicable plans, programs and arrangements of QVC and its affiliates; and (d) any other amounts that QVC is required pursuant to applicable law to pay Executive.

(ii) Upon a termination of Executive's employment for Cause prior to the expiration of the Term (a) Executive will forfeit all rights to any Pre-2011 Unvested Awards and to any 2011 LINTA Options then held by Executive that have not become exercisable as of the date of termination of Executive's employment; and (b) any Pre-2011 Vested Awards that are options or similar rights and any 2011 LINTA Options that are outstanding and vested, but unexercised, as of the date of termination of Executive's employment will be exercisable for a period of up to 90 days after the date of termination (but in no event will be exercisable after the stated term of such option or similar right).

(iii) "Cause" shall be (a) if Executive commits a material breach of this Agreement, (b) if Executive commits fraud or embezzlement or other serious misconduct against QVC or its affiliates, including, without limitation, a serious or material violation of the QVC Code of Conduct or the Liberty Media Code of Conduct, (c) the conviction of Executive of any felony under or within the meaning of United States federal law or state law, or (d) the conviction of Executive of a misdemeanor which conviction relates to Executive's suitability for employment in Executive's then current position but excluding any conviction for a minor traffic violation. In no event will Executive be terminated for Cause without (x) a reasonable opportunity for Executive

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to be heard by the LMC Board, (y) a vote or written action in favor of a termination for Cause by at least a majority of all the members of the LMC Board, and (z) written notification to Executive of a termination for Cause.

(iv) Except as specified in this Section 9.B., QVC will have no further liability or obligation to Executive following a termination of Executive's employment for Cause prior to expiration of the Term.

C. Termination by Executive For Good Reason or by QVC Without Cause

(1) Upon termination of Executive's employment by QVC prior to the expiration of the Term other than for death, Disability or Cause, or upon the termination of Executive's employment by Executive prior to the expiration of the Term for Good Reason (collectively, a "Protected Termination"), QVC shall pay Executive (i) the Base Compensation Continuing Payments; (ii) a lump sum payment of One Million Five Hundred Thousand Dollars (\$1,500,000) (the "Severance Payment"); and (iii) the amounts specified in Section 9.B.(i).

(2) Upon a Protected Termination prior to the expiration of the Term, any Pre-2011 Unvested Awards that are held by Executive on the date of such termination and that would have vested during the 365-day period following the date of such termination had Executive continued to be employed by QVC during such period will vest as of the date of such termination.

(3) Upon a Protected Termination prior to the expiration of the Term, a pro rata portion of each tranche of the 2011 LINTA Options that is not vested on the date of such termination will vest as of the date of such termination, such pro rata portion to be equal to a fraction, the numerator of which is the number of days Executive was employed by QVC and its affiliates during the vesting period for such tranche of 2011 LINTA Options plus 365, and the denominator of which is the number of days in the entire vesting period for such tranche of 2011 LINTA Options (in no event to exceed the total number of unvested 2011 LINTA Options as of the date of a Protected Termination).

(4) Upon a Protected Termination prior to the expiration of the Term, the exercisability of any Pre-2011 Vested Awards, any options constituting Pre-2011 Unvested Awards that vest because of a Protected Termination, and any vested 2011 LINTA Options, including any that vest because of a Protected Termination, will be extended to the earlier of (i) the original expiration date of the option (determined without reference to any provision in the applicable award agreement that reduces the exercisability of such option upon Executive's termination of employment, but otherwise in accordance with the terms and conditions applicable to such option), or (ii) the date that is two years from the date of the Protected Termination (but in no event will be exercisable after the stated term of such option or similar right).

(5) Except as specified in this Section 9.C., QVC will have no further liability or obligation to Executive following a termination of Executive's employment prior to expiration of the Term by Executive for Good Reason or by QVC without Cause.

(6) Payment of the benefits described above will be subject to the timing requirements set forth in Section 20.

D. Voluntary Termination.

(i) Upon a voluntary termination by Executive of his employment prior to expiration of the Term (other than a termination for Good Reason), QVC shall pay Executive (a) Executive's Base Compensation through the date of termination; (b) any declared but unpaid Bonus for the calendar year prior to the year in which the termination occurs, (c) the amount of any reimbursable expenses incurred by Executive pursuant to Section 6 prior to the date of termination but not yet reimbursed; (d) vested benefits, if any, owed to Executive in accordance with other applicable plans, programs and arrangements of QVC and its affiliates; and (e) any other amounts that QVC is required pursuant to applicable law to pay Executive.

(ii) Upon a voluntary termination by Executive of his employment prior to expiration of the Term (other than a termination for Good Reason) (a) Executive will forfeit all rights to any Pre-2011 Unvested Awards and to any 2011 LINTA Options then held by Executive that have not become exercisable as of the date of termination of Executive's employment; (b) any Pre-2011 Vested Awards that are options or similar rights will be treated as specified in the applicable agreement governing such Equity Award; and (c) any 2011 LINTA Options that are outstanding and vested, but unexercised, as of the date of termination of Executive's employment will be exercisable for a period of up to 90 days after the date of termination (but in no event will be exercisable after the stated term of such option or similar right).

(iii) Except as specified in this Section 9.D., QVC will have no further liability or obligation to Executive following a voluntary termination by Executive of his employment prior to expiration of the Term (other than a termination for

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Good Reason).

E. Termination At or Following Expiration of the Term

(i) Upon a termination of Executive's employment by Executive or QVC at or following expiration of the Term for any reason, including termination by QVC with or without Cause, voluntary termination by Executive with or without Good Reason, and termination by reason of death or Disability, QVC shall pay Executive (a) Executive's Base Compensation through the date of termination; (b) except in the case of termination by QVC for Cause, any declared but unpaid Bonus for the calendar year prior to the year in which the termination occurs, (c) the amount of any reimbursable expenses incurred by Executive pursuant to Section 6 prior to the date of termination but not yet reimbursed; (d) vested benefits, if any, owed to Executive in accordance with other applicable plans, programs and arrangements of QVC and its affiliates; and (e) any other amounts that QVC is required pursuant to applicable law to pay Executive. In addition, except in the case of termination by QVC for Cause, if Executive's employment ends on the last day of the Term, Executive will also be eligible to receive the Bonus he would have received for calendar year 2015 if he had remained employed by QVC as of the date of determination of the 2015 bonuses payable to QVC employees, determined as described in Section 3.B. in the sole discretion of the decision maker. For clarity, in no event will the termination of Executive's employment by QVC or by Executive at the end of the Term or thereafter constitute a termination without Cause by QVC or by Executive for Good Reason, nor will any termination of Executive's employment at or following expiration of the Term as a result of Executive's death or Disability be governed by Section 9.A.

(ii) Upon a termination of Executive's employment by Executive or QVC at or following expiration of the Term (including termination by reason of death or Disability, termination by QVC with or without Cause, and voluntary termination by Executive with or without Good Reason), any Pre-2011 Vested Awards and any 2011 LINTA Options then held by Executive that are outstanding and vested, but unexercised, will be exercisable throughout the remainder of the full original term of such Equity Award (determined without reference to any provision in the applicable award agreement that reduces the exercisability of, or limits the vesting of, such Equity Award upon Executive's termination of employment, but otherwise in accordance with the terms and conditions applicable to such Equity Award).

(iii) Except as specified in this Section 9.E., QVC will have no further liability or obligation to Executive (or his legal representative as the case may be) following a termination of Executive's employment by Executive or QVC at or following expiration of the Term for any reason, including termination by QVC with or without Cause, voluntary termination by Executive with or without Good Reason, and termination by reason of death or Disability.

F. Waiver of Payments. Executive acknowledges and agrees that the amounts, if any, which may be payable under this Section 9 are in lieu of and not in addition to any severance payments which may be generally available to employees of QVC and Executive hereby waives any right Executive may have in or to any severance payments not contained in this Section 9.

G. Protected Termination Following a Change of Control

(i) If within six months following a Change in Control of QVC (as defined in clause (iii) below) and prior to the expiration of the Term: (a) Executive's employment is terminated by QVC without Cause, or (b) Executive gives notice pursuant to Section 8.A. that he is terminating his employment for Good Reason and Executive's employment subsequently terminates based on such notice following expiration of QVC's cure period, then Executive shall be entitled to the payments specified in Section 9.C.(1) and Executive's Equity Awards shall be impacted as described in Section 9.G.(ii).

(ii) If Section 9.G.(i) is applicable, the Pre-2011 Vested Awards, the Pre-2011 Unvested Awards and the 2011 LINTA Options (a) will immediately vest and become exercisable to the extent not already vested as of the date of such Protected Termination, and (b) will be exercisable throughout the remainder of the full original term of such Equity Award (determined without reference to any provision in the applicable award agreement that reduces the exercisability of such Equity Award upon Executive's termination of employment, but otherwise in accordance with the terms and conditions applicable to such Equity Award).

(iii) For purposes of this Agreement, a "Change of Control of QVC" means (a) any merger, consolidation or share exchange not constituting a Reorganization Event (as defined below) to which QVC is a party as a result of which persons who are common stockholders of QVC immediately prior thereto have less than a majority of the combined voting power of the outstanding capital stock of the surviving corporation ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors immediately following such merger, consolidation or share exchange, or (b) any sale, lease, exchange or other transfer not constituting a Reorganization Event (in one transaction or a series of related transactions) of all, or substantially all, of the assets of QVC or QVC's subsidiaries, taken as a whole. In no event will any Reorganization Event constitute a Change of Control of QVC. A "Reorganization Event" includes (1) any direct or indirect spin-

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off or split-off of QVC from Liberty Media Corporation ("LMC") or its ultimate parent at such time, however effected (including, for example, by a redemption, pro rata distribution or an exchange offer), and (2) any transfer of equity of QVC to, or merger, consolidation of QVC, however effected, with LMC or any person or entity controlling, controlled by, or under common control with, LMC.

(iv) Except as specified in this Section 9.G., QVC will have no further liability or obligation to Executive following a Protected Termination that occurs within six months following a Change of Control of QVC.

H. General Release. If Executive's employment hereunder is terminated pursuant to Section 9.A., Section 9.C., Section 9.E or Section 9.G., the payment by QVC to Executive of any Base Compensation Continuing Payments or Severance Payment under the applicable Section, as well as any acceleration of vesting or extension of exercise period described in the applicable Section shall be subject to the execution and delivery to QVC by Executive (or by Executive's legal representative, if applicable), within the applicable time period described below, of a severance agreement and general release (the "Release") in a form that is reasonably satisfactory to QVC and consistent with the form of severance agreement and general release then used by QVC for senior executives. The form of Release shall be delivered to Executive on the date of termination in the case of a termination of Executive's employment by QVC, or as soon as reasonably practicable following the date of termination in the case of a termination of employment by Executive or for death or Disability. Executive shall have a period of 21 days (or, if required by applicable law, a period of 45 days) from Executive's (or Executive's legal representative, if applicable) receipt of the form of Release (the "Consideration Period") in which to execute and return the original, signed Release to QVC. If Executive delivers the original, signed Release to QVC prior to the expiration of the Consideration Period and does not thereafter revoke such Release within any period of time provided for such revocation under applicable law, Executive shall, subject to Section 9.I., be entitled to any Base Compensation Continuing Payments and Severance Payments specified in Section 9.A., Section 9.C. or Section 9.G., as applicable and to any acceleration of vesting or extension of exercise periods of Equity Awards specified in such Sections or in Section 9.E., payable in accordance with the timing requirements set forth in Section 20. In such event, an amount equal to one-twelfth of the aggregate Base Compensation Continuing Payments (or, in the case of a termination pursuant to Section 9.E., the continued exercisability of Equity Awards provided for in Section 9.E.(ii)) shall constitute consideration for Executive's delivery of the Release pursuant to this Section 9.H. (the "Release Consideration").

I. Continued Compliance. Executive and QVC hereby acknowledge that any Base Compensation Continuing Payments or Severance Payments to be made by QVC pursuant to Section 9.A., Section 9.C. or Section 9.G., as applicable, other than the Release Consideration, are part of the consideration for Executive's undertakings under Section 5.A.(v). Payment of such amounts by QVC is subject to Executive's continued compliance with the provisions of Section 5.A.(v). If Executive violates any provision of Section 5.A.(v), then QVC will have no obligation to pay Executive any Base Compensation Continuing Payments or Severance Payments pursuant to Section 9.A., 9.C. or 9.G. to the extent any or all of the same remain payable by QVC on or after the date of such violation, except to the extent of any unpaid Release Consideration. In addition, to the extent that a Severance Payment was previously made to Executive, Executive will return a pro rata portion of such Severance Payment to QVC based on the percentage of the time period applicable to the Section 5.A.(v) restriction that was breached that elapsed prior to Executive breaching such restriction (e.g., if the restriction that was breached was to continue for one year following Executive's termination and six months of such restrictive time period remained at the time Executive breached such restriction, Executive would return 50% of the Severance Payment to QVC).

10. Severability and Survival.

A. Should any portion of this Agreement be held to be void, invalid or unenforceable, such decision shall not affect the validity or enforceability of the remainder of the Agreement, and the remaining provisions herein shall be effective as though such invalid or unenforceable provision had not been included herein. If such invalidity or unenforceability is caused by the length of any period of time, the geographic scope of any provision, or the breadth of activities covered by any provision, then the period of time, geographic scope or breadth of activities, or all of them, shall be reduced to the extent necessary to cure such invalidity or unenforceability. Section 5.A.(v) shall be construed and enforced to the maximum extent permitted by law.

B. The provisions of Sections 5.A.(iii), 5.A.(iv), 5.A.(v), 5.B., 7, 9, 15, 18 and 20 shall survive the expiration or termination of this Agreement.

11. Notices. Any notice required or permitted to be given under this Agreement shall be sufficient, if in writing and if delivered by hand or sent by overnight courier service or by registered, overnight or certified mail, if to Executive, to Executive's last known address listed in the records of QVC, and if to QVC, to the General Counsel, with a copy to the Chief Financial Officer at QVC's principal office. Notices shall be effective upon receipt.

12. Assignment. This Agreement is personal in its nature and neither of the parties hereto will, without the consent of the

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other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that in the event of a merger, consolidation, or transfer or sale of all or substantially all of the assets of QVC to any other individual(s) or entity, this Agreement will, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of QVC hereunder, and promptly after a request by Executive, such transferee or successor shall be required to assume such obligations by contract (unless such assumption occurs by operation of law). No rights or obligations of Executive under this Agreement may be assigned or transferred by Executive, without QVC's prior written consent, other than his rights to compensation and benefits, which may be transferred only by will or operation of law; provided, however, that to the extent Executive is permitted to do so under any applicable plan, policy, program, agreement, or other arrangement with QVC or any of its affiliates, Executive shall be entitled to select and change a beneficiary or beneficiaries designated by Executive to receive any compensation, entitlement or benefit payable thereunder following Executive's death by his giving QVC written notice thereof.

13. Waiver. Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement will operate as a waiver thereof, nor will any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege, nor will any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver will be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

14. Headings/Section References. The paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement or give full notice thereof. Unless otherwise specified, all Section references in this Agreement are to the applicable Section of this Agreement.

15. Applicable Law. This Agreement shall be interpreted and construed under the internal laws of the Commonwealth of Pennsylvania exclusive of choice of laws principles and Executive and QVC hereby consent to the exclusive jurisdiction of the state courts of the Commonwealth of Pennsylvania, Chester County and the United States Federal Courts for the Eastern District of Pennsylvania in all matters arising hereunder. By execution and delivery of this Agreement, each of the parties irrevocably waives any objection, including any objection to the laying of venue or based on the grounds of forum non conveniens or lack of personal jurisdiction, which it may now or hereafter have to the bringing of any action or proceeding in such courts in respect of this Agreement or the matters contemplated hereby.

16. Entire Agreement. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all prior written agreements and prior or contemporaneous oral agreements with respect to the subject matter hereof. This Agreement shall not be changed or altered, except by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought. In the event of any inconsistency between the terms of this Agreement and the terms of any other QVC plan, policy, arrangement or agreement with Executive, the provisions of this Agreement will govern.

17. No Restrictions on Employment; Contingency.

A. Representations and Warranties. To induce QVC to enter into this Agreement, Executive represents, warrants and covenants to QVC as follows:

(1) Executive has the full and complete ability and authority to enter into this Agreement and render services pursuant hereto and Executive is not subject to any legal, contractual or other restriction on Executive's employment which would impair or otherwise restrict Executive's ability to perform the services to QVC hereunder; and

(2) Executive has not disclosed to QVC any confidential information or trade secrets of any third party, nor will Executive disclose to QVC any confidential information or trade secrets of a third party where such disclosure would violate the terms of any agreement or otherwise breach any duty Executive may have to any such third party.

B. Indemnity. Executive shall indemnify, defend and hold harmless QVC, its successors and assigns, upon demand, from and against any loss, liability, damage or expense (including reasonable attorneys' fees) which QVC may sustain or incur by reason of the breach of his representations, warranties or covenants in Section 17.A.

18. Indemnification of Executive.

A. During the Term and thereafter, QVC agrees to indemnify and hold Executive and his heirs and representatives harmless, to the fullest extent permitted under QVC's Certificate of Incorporation and bylaws or, if greater, under applicable law,

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against any and all damages, costs, liabilities, losses and expenses (including reasonable attorneys' fees) as a result of any claim or proceeding, or threatened claim or proceeding, against Executive that arises out of or relates to his service as an officer, director or employee, as the case may be, of QVC, or his service in any such capacity or similar capacity with an affiliate of QVC or other entity at the request of QVC, both prior to and after the Effective Date, and to advance to Executive or his heirs or representatives such expenses upon written request. In the event QVC advances any expenses to Executive pursuant to this Section 18 and it is subsequently determined by a court of competent jurisdiction that Executive is not entitled to indemnification by QVC, Executive shall promptly refund all amounts advanced to Executive by QVC.

B. At the time of the execution of this Agreement, QVC does not maintain a policy of directors' and officers' liability insurance. In the event QVC obtains a policy of directors' and officers' liability insurance during the Term, then QVC shall provide Executive with coverage under such policy on a basis no less favorable than that applying to any other then current or former director or officer.

19. QVC's Representations. QVC represents and warrants that (i) the execution, delivery and performance of this Agreement by QVC has been fully and validly authorized by all necessary corporate action, (ii) the officer signing this Agreement on behalf of QVC is duly authorized to do so, (iii) the execution, delivery and performance of this Agreement does not violate any applicable law, regulation, order, judgment or decree or any agreement, plan or corporate governance document to which QVC is a party or by which it is bound and (iv) upon execution and delivery of this Agreement by the parties hereto, it will be a valid and binding obligation of QVC enforceable against it in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

20. Compliance with 409A.

A. The provisions of this Agreement are intended to meet the requirements of Section 409A of the Internal Revenue Code, any Treasury regulations promulgated thereunder and any guidance issued by the Internal Revenue Service relating thereto (collectively, "Section 409A"), and will be interpreted in a manner that is consistent with such intent. The parties intend that, to the maximum extent possible, any amounts paid as Base Compensation Continuing Payments or Severance Payments or otherwise shall qualify as a short-term deferral pursuant to Section 409A or as separation pay exempt from Section 409A. To the extent that any payment provided under this Agreement is not exempt from Section 409A then, to the extent required by Section 409A, the following will apply: Any payment that is triggered upon Executive's termination of employment will be conditioned upon the triggering termination constituting a Separation from Service, as defined below.

B. With respect to any amount that becomes payable to Executive upon his Separation from Service, as defined below, for any reason, if QVC determines in good faith that Executive is a "specified employee" within the meaning of Section 409A then, to the extent required under Section 409A, payment of any amount that becomes payable to Executive upon his Separation from Service (other than by reason of his death) and that otherwise would be payable during the six-month period following such Separation from Service will be suspended until the lapse of such six-month period (or, if earlier, the date of Executive's death). Any payment suspended under this provision, unadjusted for interest on such suspended payment, will be paid to Executive in a single payment on the first business day following the end of such six-month period or, if earlier, within 30 days following Executive's death, provided that such death during such six-month period will not cause the acceleration of any amount that otherwise would be payable on any date during such six-month period following the date of such death.

C. A "Separation from Service" means Executive's separation from service, as defined in Section 409A, with QVC and all other entities with which QVC would be considered a single employer under Internal Revenue Code Section 414(b) or (c), applying the 80% threshold used in such Internal Revenue Code Sections or any Treasury regulations promulgated thereunder.

D. Any payment that is contingent upon the execution and nonrevocation of the Release required under Section 9.H, which is not suspended by the application of the provisions applicable to specified employees, as described above, will be paid or commence to be paid on the 60th day following Executive's Separation from Service, notwithstanding any earlier expiration of the Consideration Period.

E. Unless otherwise permitted under Section 409A, all expenses or other reimbursements paid pursuant to this Agreement that are taxable income to Executive (i) will be paid no later than the end of the calendar year next following the calendar year in which Executive incurs such expense; and (ii) will not be subject to liquidation or exchange for another benefit.

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IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement the day and year first above written.

QVC, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXECUTIVE:

MICHAEL GEORGE

\_\_\_\_\_

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SCHEDULE 1 TO MIKE GEORGE'S EMPLOYMENT AGREEMENT  
EXISTING EQUITY AWARDS

<b>Grant Date</b>	<b>Grant Code</b>	<b>Option Type</b>	<b>Option Shares Granted</b>	<b>FMV</b>	<b>Option Price</b>	<b>Aggregate Option Price</b>	<b>Total Value</b>	<b>Plan</b>
2/27/2009	QOD0902	NQ	175,000	\$ 3.240000	\$ 3.240000	\$ 567,000.00	\$ 567,000.00	2000 Plan
2/27/2009	QOD0902	NQ	175,000	\$ 3.240000	\$ 6.000000	\$ 1,050,000.00	\$ 567,000.00	2000 Plan
2/27/2009	QRD0901	RES	400,000	\$ 3.240000	\$ —	\$ —	\$1,296,000.00	2000 Plan
4/6/2009	QOD0903	NQ	600,000	\$ 3.410000	\$ 3.410000	\$ 2,046,000.00	\$ 2,046,000.00	2000 Plan
4/6/2009	QOD0903	NQ	600,000	\$ 3.410000	\$ 6.000000	\$ 3,600,000.00	\$ 2,046,000.00	2000 Plan
4/6/2009	QOD0904	NQ	150,000	\$ 3.410000	\$ 3.410000	\$ 511,500.00	\$ 511,500.00	2007 Plan
4/6/2009	QOD0904	NQ	150,000	\$ 3.410000	\$ 6.000000	\$ 900,000.00	\$ 511,500.00	2007 Plan
3/1/2010	QOD1001	NQ	657,895	\$ 12.970000	\$ 12.970000	\$ 8,532,898.15	\$ 8,532,898.15	2000 Plan
3/1/2010	QRD1001	RES	107,143	\$ 12.970000	\$ —	\$ —	\$ 1,389,644.71	2000 Plan

**AGREEMENT REGARDING LINTA EQUITY AWARDS**

This Agreement Regarding LINTA Equity Awards (this "**Agreement**"), dated effective as of September 23, 2011 (the "**Effective Date**"), is made by and between Liberty Interactive Corporation, a Delaware corporation f/k/a Liberty Media Corporation (the "**Company**"), and Gregory B. Maffei (the "**Executive**").

**RECITALS**

A. Pursuant to a Contribution Agreement dated as of September 22, 2011, the Executive Employment Agreement dated as of December 17, 2009 (the "**Assigned Executive Employment Agreement**") between the Executive and the Company, then known as Liberty Media Corporation, was assigned to, and assumed by, Liberty Media Corporation, a Delaware corporation then known as Liberty CapStarz, Inc., and f/k/a Liberty Splitco, Inc. ("**Splitco**"). At the time of such assignment, Splitco was an indirect wholly-owned subsidiary of the Company.

B. On the Effective Date, the Company redeemed (1) all outstanding shares of Liberty Media Corporation Series A Liberty Capital Common Stock for shares of Splitco Series A Splitco Capital Common Stock, (2) all outstanding shares of Liberty Media Corporation Series B Liberty Capital Common Stock for shares of Splitco Series B Splitco Capital Common Stock, (3) all outstanding shares of Liberty Media Corporation Series A Liberty Starz Common Stock for shares of Splitco Series A Splitco Starz Common Stock, and (4) all outstanding shares of Liberty Media Corporation Series B Liberty Starz Common Stock for shares of Splitco Series B Splitco Starz Common Stock. The foregoing redemptions and the resulting separation of Splitco from the Company is referred to in this Agreement as the "**Split-off**."

C. Effective as of the Effective Date, the Assigned Executive Employment Agreement was amended and restated in its entirety pursuant to an Amended and Restated Executive Employment Agreement dated as of the Effective Date between the Executive and Splitco (as amended from time to time, the "**Amended and Restated Employment Agreement**") providing for the Executive to serve as the President and Chief Executive Officer of Splitco. As of the Effective Date, the Executive is also the President and Chief Executive Officer of the Company. While the Company may reimburse Splitco for part of Executive's salary and other benefits and may directly pay a portion of the Executive's bonus compensation under the Amended and Restated Employment Agreement in accordance with an agreement between the Company and Splitco, the Executive, except as otherwise provided herein, is not directly entitled to the payment of any salary, bonus, severance or other benefits from the Company, including upon the Executive ceasing to be the President or Chief Executive Officer of the Company.

D. The Company and the Executive desire to enter into this Agreement to provide for certain matters, including, without limitation, matters related to equity awards of the Company held by the Executive that were not converted pursuant to the Split-off.

**NOW, THEREFORE**, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is mutually acknowledged, the Company and the Executive agree as follows:

**1. Definitions.**

(a) "**Affiliate**" means any Person Controlling, Controlled by or under common Control with the Company; and "**Control**" (including the correlative terms "**Controlling**" and "**Controlled**") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For the avoidance of doubt, Splitco is not an "Affiliate" of the Company as of the Effective Date.

(b) "**Board**" means the Board of Directors of the Company.

(c) "**Cause**" means: (i) the Executive's willful failure to follow the lawful instructions of the Board (other than due to Disability); (ii) the commission by the Executive of any fraud, misappropriation or misconduct that causes demonstrable material injury to the Company or any Affiliate; (iii) the Executive's conviction of, or plea of guilty or nolo contendere to, a

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felony; or (iv) the Executive's failure to comply in any material respect with this Agreement or any other agreement between the Executive, on the one hand, and the Company or any Affiliate, on the other, if such failure results in demonstrable material injury to the Company or any Affiliate. Notwithstanding anything contained herein to the contrary, the Executive's employment may not be terminated for Cause pursuant to clause (i), (ii) or (iv) above unless (A) the decision is made by a majority of the Board at a Board meeting where the Executive and his counsel had an opportunity to be heard on at least ten days' prior written notice; (B) the Company provides the Executive with written notice of the Board's decision to terminate the Executive's employment for Cause specifying the particular act(s) or failure(s) to act serving as the basis for such decision; and (C) if such act or failure to act is capable of being cured, the Executive fails to cure any such act or failure to act to the reasonable satisfaction of the Board within ten days after such notice.

For purposes of this Agreement, no act or failure to act, on the part of the Executive, will be considered **Willful** unless it is done, or omitted to be done, by the Executive in bad faith and without reasonable belief that the Executive's action or omission was legal, proper, and in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company will be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company.

(d) **"Change in Control"** means, with respect to the period following the Effective Date (i) any merger, consolidation or share exchange to which the Company is a party as a result of which Persons who are common stockholders of the Company immediately prior thereto have less than a majority of the combined voting power of the outstanding capital stock of the surviving corporation ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors immediately following such merger, consolidation or share exchange, (ii) the adoption of any plan or proposal for the liquidation or dissolution of the Company, (iii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of (1) the Company or (2) the Company's Subsidiaries, taken as a whole, (iv) at any time during any period of two consecutive years beginning on or after the Effective Date, individuals who at the beginning of such period were members of the Board ("**Original Directors**") and new directors, if any, whose election or nomination for election to the Board was recommended or approved by a majority of the Original Directors and the new directors whose nomination had previously been so approved, cease for any reason to constitute a majority of the then incumbent members of the Board, (v) any transaction (or series of related transactions) in which any person (as such term is defined in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), corporation or other entity (other than the Company, any of its Subsidiaries, any employee benefit plan sponsored by the Company or any of its Subsidiaries, any Exempt Person (as defined in the Company's 2007 Incentive Plan, as in effect as of the date hereof) or any member of the Malone Group (as defined in Section 4(c)) shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the then outstanding securities of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors (calculated as provided in Rule 13d-3(d) under the Exchange Act in the case of rights to acquire the Company's securities) or (vi) a spin-off, split-off, split-up or other similar event or events (each, a "Spin Transaction"), either in a single transaction or in a series of related or unrelated transactions (provided that such related or unrelated transactions occur during a period of 24 consecutive months), pursuant to which assets of the Company or of one or more of its Subsidiaries having either a fair market value (as determined in the good faith reasonable judgment of the Board) or book value equal to 40% or more of the total fair market value or book value of the assets of the Company and its Subsidiaries (taken as a whole) are directly or indirectly transferred or distributed by dividend or otherwise, excluding any Spin Transaction in which (A) the Executive is appointed as the chief executive officer of the separate publicly-traded entity that is the subject of such Spin Transaction, whether or not he elects to accept such appointment, and (B) any equity-based awards previously granted by the Company to the Executive are adjusted in a manner that (1) preserves the intrinsic value of such option or similar right (or, in the case of the grant of a new option or similar right, preserves the intrinsic value of the option or similar right in respect of which such new option or similar right is granted) and (2) complies with, or is exempt from, Section 409A of the Code. For the purpose of calculating whether the 40% threshold described in clause (vi) of the preceding sentence has been reached or exceeded in a series of two or more transactions, the following calculation will apply:

$$X = \frac{40 - P}{100 - P}$$

where

- X = percentage of book or fair market value, as applicable, required to reach the 40% threshold as of the date of the second or any subsequent transaction; and
- P = percentage of book or fair market value, as applicable, disposed of in all prior spin-off, split-off, split-up or other similar events to which clause (vi) applies, determined as of the date of each such transaction.
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(e) “**Code**” means the Internal Revenue Code of 1986, as amended.

(f) “**Common Stock**” means each or any (as the context may require) series of the Company's common stock.

(g) “**Disabled**” or “**Disability**” means the Executive's inability to substantially perform his duties to the Company due to physical or mental impairment for six consecutive months and, within 30 days after a notice of termination is given to the Executive, the Executive has not returned to work. Notwithstanding the foregoing, the Executive will not be considered Disabled unless the Executive is also “disabled,” as such term is defined under Section 409A(a)(2)(C) of the Code.

(h) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute or statutes thereto.

(i) “**Fundamental Corporate Event**” means a corporate event which results in a change to the number or type of shares of stock subject to an Existing Equity Award, including a stock dividend, stock split, reverse stock split, reclassification, recapitalization, reorganization, split-up, spin-off, combination, share exchange, merger, consolidation or similar corporate event

(j) “**Good Reason**” means the occurrence of any of the following events:

(i) the failure of the Company to appoint the Executive to, or to permit him to remain in, the positions set forth in Section 2, if that failure is not cured within 10 days after written notice;

(ii) the assignment by the Company to the Executive of duties materially inconsistent with his status as the chief executive officer of a publicly-traded company or any material diminution in the Executive's duties and/or responsibilities, reporting obligations, titles or authority, as set forth in Section 2, if that inconsistency or diminution is not cured within 10 days after written notice;

(iii) the Company's failure to provide any payments or employee benefits required to be provided to the Executive and continuation of that failure for 10 days after written notice;

(iv) any purported termination by the Company of the Executive's employment for Cause which is not substantially effected pursuant to the procedures described in Section 1(c);

(v) a Change in Control; provided that the Executive may exercise his right to terminate his employment for Good Reason pursuant to this Section 1(j) only during the 30-day period that commences 90 days after the occurrence of such Change in Control;

(vi) any material breach of the Agreement or any other agreement between the Executive, on the one hand, and the Company or any Affiliate, on the other, by the Company or any Affiliate, if not cured within 10 days after written notice; and/or

(vii) a failure of the Company to have any successor to the Company assume in writing the Company's obligations under the Agreement, if not cured within 10 days after written notice.

Notwithstanding the foregoing, Good Reason will not be deemed to exist unless the Executive gives the Company notice within 120 days after the occurrence of the event which the Executive believes constitutes the basis for Good Reason, specifying the particular act or failure to act which the Executive believes constitutes the basis for Good Reason.

(k) “**Person**” means an individual, corporation, limited liability company, partnership, trust, incorporated or unincorporated association, joint venture or other entity of any kind.

(l) “**Reorganization Agreement**” means the Reorganization Agreement dated as of August 30, 2011 between the Company and Splitco.

(m) “**Separation from LINTA**” means the Executive's “separation from service” from the Company, as defined in Treasury Regulation Section 1.409A-1(h).

(n) “**Separation from Splitco**” means the Executive's “separation from service” from Splitco, as defined in Treasury Regulation Section 1.409A-1(h).

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- (o) “**Splitco**” has the meaning specified in Recital A.
- (p) “**Subsidiary**” means, with respect to any Person, any other Person Controlled by that Person.

2. **Title, Position and Duties.**

(a) **Title and Reporting.** During the Executive's employment with the Company, the Executive will be employed as the Company's President and Chief Executive Officer, and he will report solely and directly to the Board. All other employees of the Company and its Affiliates (other than the Chairman of the Board, if the Chairman of the Board is an employee of the Company) will report to the Executive or his designees.

(b) **Board Position.** Immediately following the Effective Date, the Executive will continue to serve as a member of the Board and, so long as there is an Executive Committee of the Board, will be entitled to serve on such committee for so long as the Executive serves on the Board. Throughout Executive's employment with the Company through and including December 31, 2014, the Company will nominate and recommend to the stockholders of the Company that the Executive be elected to the Board at each of the Company's annual meetings occurring prior to December 31, 2014.

(c) **Duties.** In his capacity as President and Chief Executive Officer, the Executive will perform such duties as are consistent with his title and position as President and Chief Executive Officer of a publicly-traded company, it being acknowledged that the duties performed by the Executive, and the level of management authority and responsibility that the Executive had, as of the Effective Date are consistent with his title and position. No other employee of the Company will have authority or responsibilities that are equal to or greater than those of the Executive (other than the Chairman of the Board, if the Chairman of the Board is an employee of the Company). Notwithstanding the foregoing, the Executive will not be required to perform any duties or responsibilities which would be likely to result in non-compliance with, or a violation of, any applicable law or regulation.

(d) **Time and Effort.** The Executive will devote his efforts and abilities to the performance of his duties to the Company; provided that he will, to the extent the same does not substantially interfere with the performance of his duties hereunder, be permitted to: (i) serve on corporate and civic boards and committees; (ii) deliver lectures, fulfill speaking engagements or teach at educational institutions; and (iii) manage personal and family investments; provided further, that notwithstanding anything contained herein to the contrary, the Executive is permitted to continue in the employ and service of Splitco and its Subsidiaries and the Executive's devotion of his business and other time to such employment and service shall not in any way be deemed to breach this Agreement or any other agreement between the Executive and the Company or any Affiliate or to interfere with the performance of his duties hereunder. It is expressly understood and agreed that the continued conduct by the Executive of such activities, as listed on Appendix A, will not be deemed to interfere with the performance of the Executive's responsibilities hereunder.

3. **Salary, Bonus, Benefits, Expenses and Equity Grants**

(a) **Salary.** The Executive is not entitled to any base salary from the Company.

(b) **Bonus.** The Executive is not entitled to any bonus from the Company. To the extent the Company directly pays any part of the Executive's bonus compensation under the Amended and Restated Employment Agreement, such portion paid with respect to services performed in any calendar year will be paid prior to March 15<sup>th</sup> of the year following the year to which such service relates.

(c) **Benefits; Vacation; Perquisites.** The Executive is not entitled to any benefits, paid vacation and/or paid time off or any perquisites or other personal benefits from the Company; provided, however, that the Company hereby consents to any vacation and other time off taken by the Executive that corresponds with vacation and other time off taken by the Executive with Splitco.

(d) **Business Expenses.** The Company will promptly pay or reimburse the Executive for reasonable expenses incurred in connection with the Executive's employment and/or other service with the Company in accordance with the Company's standard policies and practices as in effect from time to time or, alternatively, will arrange for Splitco to reimburse the Executive for such expenses (provided that the Company shall remain liable for the same to the extent not reimbursed by Splitco).

(e) **Code Section 409A Timing of Reimbursements.** All reimbursements under this Agreement, including

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without limitation Section 3(d), will be made as soon as practicable following submission of a reimbursement request, but no later than the end of the year following the year during which the underlying expense was incurred (or as may be later provided in Section 10(g)). Additionally, reimbursements or in-kind benefits made or provided to the Executive during any taxable year will not affect the expenses eligible for reimbursement or in-kind benefits provided in any other taxable year and no such reimbursements or in-kind benefits will be subject to liquidation or exchange for another benefit.

(f) **Equity Grants.** On December 17, 2009, the Company granted to the Executive options to acquire 8,743,000 shares of Liberty Media Corporation Series A Liberty Interactive common stock (the "**Original LINTA Options**"). Except as otherwise provided in this Section or in Section 4 or Section 5, subject to the Executive's continued employment with any of Splitco, any other Qualifying Subsidiary (as defined in the Reorganization Agreement) or any of their respective Subsidiaries (as defined in the Reorganization Agreement), or the Company or its Affiliates, 50% of the Original LINTA Options will vest on December 17, 2013, and the remaining 50% of the Original LINTA Options will vest on December 17, 2014. Upon the occurrence of a Change in Control prior to the Executive's Separation from LINTA, (A) any outstanding unvested portion of the Original LINTA Options, (B) any other restricted stock, options and other equity or equity derivatives held by the Executive as of the Effective Date that were issued or granted to the Executive by the Company or which as of the Effective Date are in respect of Common Stock, other than any such awards that were converted into Splitco awards pursuant to the Split-off (the awards described in clauses (A) and (B) hereof, the "**Existing LINTA Equity Awards**" and any Existing LINTA Equity Award that is an option or similar equity derivative, an "**Existing LINTA Option Award**") and that are outstanding and unvested at the time of such Change in Control, and (C) any restricted stock, options or other equity or equity derivatives that are issued after the Effective Date to the Executive by the Company or any of its Affiliates pursuant to a Fundamental Corporate Event in full or partial replacement of, as an adjustment to, or otherwise with respect to, any Existing LINTA Equity Awards (the awards described in the preceding clauses (A), (B) and (C) being referred to herein as the "**LINTA Equity Awards**") and that are outstanding and unvested at the time of such Change in Control will immediately vest in full and, with respect to any outstanding LINTA Equity Award that is an option or similar equity derivative ("**LINTA Option Award**") such LINTA Option Award will be exercisable throughout the remainder of the full original term of the LINTA Option Award (determined without reference to any provision in such LINTA Option Award that reduces the exercisability of such LINTA Option Award upon the Executive's termination of employment with the Company or any of its Affiliates but otherwise in accordance with the terms and conditions applicable to such LINTA Option Award). Notwithstanding the foregoing, any LINTA Equity Award issued or granted to the Executive after the Effective Date by any Affiliate of the Company that is the subject of a Spin Transaction for which the Executive is appointed to serve as Chief Executive Officer after such Spin Transaction will not so vest and be exercisable, and any such LINTA Equity Award will be subject to provisions governing the vesting and exercise of such LINTA Equity Award upon termination of the Executive's employment by such Affiliate or upon a change in control of such Affiliate that are at least as favorable to the Executive in all material respects as those included in this Agreement, with such changes as may be appropriate to reflect the fact of his employment by such Affiliate. Notwithstanding the foregoing, in the event that any such LINTA Equity Award is subject to (and otherwise not exempt from) Section 409A of the Code, then such LINTA Equity Award will only vest in full if (X) such Change in Control would also be an event described in Section 409A(a)(2)(A)(v) of the Code or (Y) such vesting would not otherwise subject the Executive to any tax, interest or penalty imposed under Section 409A of the Code (or any regulation promulgated thereunder). For the avoidance of doubt, the term "LINTA Equity Award" does not include any "Equity Award" as defined in the Amended and Restated Employment Agreement.

(g) **Amendments to Option Agreements for Original LINTA Options.** A portion of the Original LINTA Options were granted to the Executive pursuant to the Liberty Media Corporation 2000 Incentive Plan (As Amended and Restated Effective February 22, 2007) and are governed by a Non-Qualified Stock Option Agreement dated as of December 17, 2009 between the Company and the Executive (the "**2009 Option Agreement (2000 Plan)**"). The rest of the Original LINTA Options were granted to the Executive pursuant to the Liberty Media Corporation 2007 Incentive Plan, and are governed by a Non-Qualified Stock Option Agreement dated as of December 17, 2009 between the Company and the Executive (the "**2009 Option Agreement (2007 Plan)**"). From and after the Effective Date, each of the 2009 Option Agreement (2000 Plan) and the 2009 Option Agreement (2007 Plan) is hereby deemed amended with respect to the Original LINTA Options to the extent necessary to reflect the terms and conditions of this Agreement. As of the date this Agreement was signed, the Company and the Executive were negotiating forms of amended and restated option agreements with respect to the Original LINTA Options that include the amendments to such options effected pursuant to this Agreement. Pending the execution of such amended and restated option agreements, the terms of this Agreement will control with respect to the Original LINTA Options to the extent there is an inconsistency between this Agreement and the 2009 Option Agreement (2000 Plan) or the 2009 Option Agreement (2007 Plan), as applicable.

#### 4. Separation from LINTA.

(a) **Separation from LINTA Due to Death.** In the event of the Executive's death, and notwithstanding any provision to the contrary contained herein, in any equity plan, grant agreement or any other document relating to a LINTA

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Equity Award, all outstanding, unvested LINTA Equity Awards will vest in full and any outstanding LINTA Option Award will be exercisable throughout the remainder of the full original term of the LINTA Option Award (determined without reference to any provision in such LINTA Option Award that reduces the exercisability of such LINTA Option Award upon the Executive's termination of employment with the Company or any of its Affiliates but otherwise in accordance with the terms and conditions applicable to such LINTA Option Award). In such an event, the Executive's estate shall also be entitled to receive a lump sum payment of any unpaid expense reimbursement and any amounts required by law to be paid to the Executive.

(b) **Separation from LINTA Due to the Executive's Disability.** Upon 30 days' prior written notice to the Executive, the Company may terminate the Executive's employment due to Disability. Upon the Executive's Separation from LINTA due to Disability, and notwithstanding any provision to the contrary contained herein, in any equity plan, grant agreement or any other document relating to a LINTA Equity Award, all outstanding, unvested LINTA Equity Awards will vest in full and any outstanding LINTA Option Award will be exercisable throughout the remainder of the full original term of the LINTA Option Award (determined without reference to any provision in such LINTA Option Award that reduces the exercisability of such LINTA Option Award upon the Executive's termination of employment with the Company or any of its Affiliates but otherwise in accordance with the terms and conditions applicable to such LINTA Option Award). In such an event, the Executive shall also be entitled to receive a lump sum payment of any unpaid expense reimbursement and any amounts required by law to be paid to the Executive.

(c) **Separation from LINTA by LINTA Without Cause or by the Executive for Good Reason**

(i) The Company may terminate the Executive's employment without Cause, which shall require 30 days' prior written notice to the Executive. The Executive may terminate his employment with the Company for Good Reason upon 30 days' prior written notice to the Company. Upon such a Separation from LINTA, notwithstanding any provision to the contrary herein (other than Section 4(c)(ii), Section 4(c)(iii) and Section 5) or in any equity plan, grant agreement or other document relating to a LINTA Equity Award, all of the outstanding, unvested Original LINTA Options and all other outstanding, unvested LINTA Equity Awards will vest in a percentage equal to a fraction the numerator of which is the total combined number of days the Executive was employed by Splitco, any Qualifying Subsidiary (as defined in the Reorganization Agreement), any of their respective Subsidiaries (as defined in the Reorganization Agreement), the Company or its Affiliates (without duplication) during the vesting period associated with such LINTA Equity Award to and including the date of the Executive's Separation from LINTA plus 548, and the denominator of which is the entire vesting term of such LINTA Equity Award (in days). The foregoing will not apply to the Existing LINTA Equity Awards if the Executive makes a "Vesting Continuation Election" for such awards as described in Section 4(c)(ii). Upon the Executive's Separation from LINTA pursuant to this Section 4(c)(i), the Executive shall also be entitled to receive a lump sum payment of any unpaid expense reimbursement and any amounts required by law to be paid to the Executive.

(ii) If at the time of the Executive's Separation from LINTA pursuant to Section 4(c)(i), the Executive continues to be employed following such Separation by Splitco, any Qualifying Subsidiary (as defined in the Reorganization Agreement) or any of their respective Subsidiaries (as defined in the Reorganization Agreement), the Executive may elect to have all, but not less than all, of the outstanding, unvested Existing LINTA Equity Awards continue to vest as described below in Section 5. Such election (a "**Vesting Continuation Election**") shall be made if at all by giving written notice to the Company within 60 days following the date of the Executive's Separation from LINTA pursuant to Section 4(c)(i). If the Executive makes a Vesting Continuation Election, vesting of the outstanding, unvested Existing LINTA Equity Awards following the Executive's Separation from LINTA shall be governed by Section 5.

(iii) Notwithstanding Sections 4(c)(i) and (ii), if (A) the members of the Malone Group (as defined below) cease to beneficially own (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, securities of the Company representing at least 20% of the combined voting power of the then outstanding securities of the Company ordinarily (and apart from rights accruing under special circumstances) having the right to vote in the election of directors (such percentage to be calculated as provided in Rule 13d-3(d) under the Exchange Act in the case of rights to acquire the Company's securities) and (B) within the period beginning 90 days before and ending 210 days after the date the condition prescribed in the foregoing clause (A) is satisfied (the "**Malone Termination Period**"), the Executive's Separation from LINTA shall occur pursuant to Section 4(c)(i), then all of the outstanding, unvested Original LINTA Options and all other outstanding, unvested LINTA Equity Awards will vest in full. The "Malone Group" means John C. Malone, his spouse, his children and other lineal descendants or any trust, foundation or other Person established by a member of the Malone Group for the benefit of one or more members of the Malone Group or for a charitable purpose. Subject to Section 4(d) and Section 4(e), any vested LINTA Option Awards, including without limitation any LINTA Option Award that vested pursuant to this Section 4(c), will remain

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exercisable throughout the remainder of the full original term of the LINTA Option Award (determined without reference to any provision in such LINTA Option Award that reduces the exercisability of such LINTA Option Award upon an individual's termination of employment with the Company or any of its Affiliates but otherwise in accordance with the terms and conditions applicable to such LINTA Option Award).

(d) **Termination For Cause.** Subject to the provisions of Section 1(c), the Company may terminate the Executive's employment for Cause. Upon such Separation from LINTA, all unvested LINTA Equity Awards will be forfeited and all vested, unexercised LINTA Equity Awards that are options or similar rights will cease to be exercisable 90 days after the Separation from LINTA date (but in no event after the stated term of such option or similar right has expired); provided, that if a Separation from LINTA for Cause occurs after December 31, 2014, any vested, unexercised Original LINTA Options will remain exercisable throughout the remainder of the full original term of such Original LINTA Options (determined without reference to any provision in such option that reduces the exercisability of such option upon an individual's termination of employment with the Company or any of its Affiliates but otherwise in accordance with the terms and conditions applicable to such option); provided further that if such Separation from LINTA occurs after a Change in Control has occurred, all vested LINTA Option Awards outstanding at the time of such Separation from LINTA that, pursuant to such Change in Control, previously became exercisable throughout the remainder of the full original term of such options will remain exercisable throughout the remainder of the full original term of such options (determined without regard to any provision in such LINTA Option Award that reduces the exercisability of such LINTA Option Award upon the individual's termination of employment but otherwise in accordance with the terms and conditions applicable to such LINTA Option Award). Upon the Executive's separation from LINTA pursuant to this Section 4(d), the Executive shall also be entitled to receive a lump sum payment of any unpaid expense reimbursement and any amounts required by law to be paid to the Executive.

(e) **Termination Without Good Reason.** Upon 30 days' prior written notice to the Company, the Executive will have the right to terminate his employment with the Company without Good Reason or any reason at all. Upon such Separation from LINTA, all outstanding, unvested LINTA Equity Awards will be forfeited and all outstanding, vested, unexercised LINTA Equity Awards that are options or similar rights will cease to be exercisable 90 days after the Separation from LINTA date (but in no event after the stated term of such option or similar right has expired); provided, that if a Separation from LINTA without Good Reason occurs after December 31, 2014, any outstanding, vested, unexercised Original LINTA Options will remain exercisable throughout the remainder of the full original term of such Original LINTA Options (determined without reference to any provision in such option that reduces the exercisability of such option upon an individual's termination of employment with the Company or any of its Affiliates but otherwise in accordance with the terms and conditions applicable to such option); provided further that if such Separation from LINTA occurs after a Change in Control has occurred, all vested LINTA Option Awards outstanding at the time of such Separation from LINTA that, pursuant to such Change in Control, previously became exercisable throughout the remainder of the full original term of such options will remain exercisable throughout the remainder of the full original term of such options (determined without regard to any provision in such LINTA Option Award that reduces the exercisability of such LINTA Option Award upon the individual's termination of employment but otherwise in accordance with the terms and conditions applicable to such LINTA Option Award). Upon the Executive's Separation from LINTA pursuant to this Section 4(e), the Executive shall also be entitled to receive a lump sum payment of any unpaid expense reimbursement and any amounts required by law to be paid to the Executive.

5. **Vesting Continuation Election.** Notwithstanding anything contained herein or any equity plan, grant agreement or other document relating to an Existing LINTA Equity Award to the contrary, the provisions of this Section 5 will apply to the Existing LINTA Equity Awards if (i) the Executive's Separation from LINTA occurs pursuant to Section 4(c)(i) and a Change in Control did not occur prior to such Separation from LINTA, (ii) Section 4(c)(iii) is not applicable, (iii) the Executive timely makes a Vesting Continuation Election and (iv) the Executive is employed by Splitco, any Qualifying Subsidiary (as defined in the Reorganization Agreement) or any of their respective Subsidiaries (as defined in the Reorganization Agreement) immediately following such Separation from LINTA.

(a) **General Vesting.** Except as otherwise provided below in this Section 5, subject to the Executive's continued employment with any of Splitco, any Qualifying Subsidiary (as defined in the Reorganization Agreement) or any of their respective Subsidiaries (as defined in the Reorganization Agreement), (i) 50% of the Original LINTA Options will vest on December 17, 2013, (ii) the remaining 50% of the Original LINTA Options will vest on December 17, 2014 and (iii) all other Existing LINTA Equity Awards will vest and become exercisable in accordance with the vesting schedule set forth in the applicable equity award agreements.

(b) **Termination with Splitco by reason of Death or Disability.** Upon the Executive's Separation from Splitco by reason of his death or due to his disability in accordance with Section 5(a) or Section 5(b) of the Amended and Restated Employment Agreement, and notwithstanding any provision to the contrary contained herein, in any equity plan, grant

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agreement or any other document relating to an Existing LINTA Equity Award, all outstanding, unvested Existing LINTA Equity Awards will vest in full and any outstanding Existing LINTA Option Award will be exercisable throughout the remainder of the full original term of the Existing LINTA Option Award (determined without reference to any provision in such award that reduces the exercisability of such award upon the Executive's termination of employment but otherwise in accordance with the terms and conditions applicable to such Existing LINTA Option Award).

(c) **Termination by Splitco Without Cause or by the Executive for Good Reason** If the Executive's Separation from Splitco occurs pursuant to Section 5(c) of the Amended and Restated Employment Agreement (Termination by Splitco without Cause or by the Executive for Good Reason), then upon such Separation from Splitco and notwithstanding any provision to the contrary herein or in any equity plan, grant agreement or other document relating to an Existing LINTA Equity Award, all of the outstanding, unvested Existing LINTA Option Awards and all other outstanding, unvested Existing LINTA Equity Awards will vest in a percentage equal to a fraction the numerator of which is the total combined number of days the Executive was employed by Splitco, any Qualifying Subsidiary (as defined in the Reorganization Agreement), any of their respective Subsidiaries (as defined in the Reorganization Agreement), the Company or its Affiliates (without duplication) during the vesting period associated with such Existing LINTA Equity Award to and including the date of the Executive's Separation from Splitco plus 548, and the denominator of which is the entire vesting term of such Existing LINTA Equity Award (in days). Notwithstanding the foregoing, if (i) the members of the Malone Group cease to beneficially own (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, securities of Splitco representing at least 20% of the combined voting power of the then outstanding securities of Splitco ordinarily (and apart from rights accruing under special circumstances) having the right to vote in the election of directors (such percentage to be calculated as provided in Rule 13d-3(d) under the Exchange Act in the case of rights to acquire Splitco's securities) and (ii) within the period beginning 90 days before and ending 210 days after the date the condition prescribed in the foregoing clause (i) is satisfied (the "**Malone Splitco Termination Period**"), the Executive's Separation from Splitco pursuant to Section 5(c) of the Amended and Restated Employment Agreement shall occur, then all of the outstanding, unvested Existing LINTA Option Awards and any other outstanding, unvested Existing LINTA Equity Awards will vest in full. Subject to Section 5(d) and Section 5(e), any vested Existing LINTA Option Awards, including without limitation any Existing LINTA Option Awards that vested pursuant to this Section 5(c) will remain exercisable throughout the remainder of the full original term of such award (determined without reference to any provision in such award that reduces the exercisability of such award upon an individual's termination of employment but otherwise in accordance with the terms and conditions applicable to such award).

(d) **Termination For Cause.** If the Executive's Separation from Splitco occurs pursuant to Section 5(d) of the Amended and Restated Employment Agreement (Termination for Cause), then upon such Separation from Splitco all unvested Existing LINTA Equity Awards will be forfeited and all outstanding, vested, unexercised Existing LINTA Equity Awards will cease to be exercisable 90 days after the Separation from Splitco date (but in no event after the stated term of such option or similar right has expired); provided, that if such a Separation from Splitco occurs after December 31, 2014, any outstanding, vested, unexercised Original LINTA Options will remain exercisable throughout the remainder of the full original term of such Original LINTA Options (determined without reference to any provision in such option that reduces the exercisability of such option upon an individual's termination of employment but otherwise in accordance with the terms and conditions applicable to such option); provided further that if such Separation from Splitco occurs after a Change in Control has occurred, all vested Existing LINTA Option Awards outstanding at the time of such Separation from Splitco that, pursuant to such Change in Control, previously became exercisable throughout the remainder of the full original term of such options will remain exercisable throughout the remainder of the full original term of such options (determined without regard to any provision in such Existing LINTA Option Award that reduces the exercisability of such Existing LINTA Option Award upon the individual's termination of employment but otherwise in accordance with the terms and conditions applicable to such Existing LINTA Option Award).

(e) **Termination Without Good Reason.** If the Executive's Separation from Splitco occurs pursuant to Section 5(e) of the Amended and Restated Employment Agreement (Termination without Good Reason), then upon such Separation from Splitco all unvested Existing LINTA Equity Awards will be forfeited and all outstanding, vested, unexercised Existing LINTA Equity Awards will cease to be exercisable 90 days after the Separation from Splitco date (but in no event after the stated term of such option or similar right has expired); provided, that if such a Separation from Splitco occurs after December 31, 2014, any outstanding, vested, unexercised Original LINTA Options will remain exercisable throughout the remainder of the full original term of such Original LINTA Options (determined without reference to any provision in such option that reduces the exercisability of such option upon an individual's termination of employment but otherwise in accordance with the terms and conditions applicable to such option); provided further that if such Separation from Splitco occurs after a Change in Control has occurred, all vested Existing LINTA Option Awards outstanding at the time of such Separation from Splitco that, pursuant to such Change in Control, previously became exercisable throughout the remainder of the full original term of such options will remain exercisable throughout the remainder of the full original term of such options (determined without regard to any provision in such Existing LINTA Option Award that reduces the exercisability of such Existing LINTA Option Award).

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upon the individual's termination of employment but otherwise in accordance with the terms and conditions applicable to such Existing LINTA Option Award).

(f) **Change in Control.** Upon the occurrence of a Change in Control prior to the Executive's Separation from Splitco, any outstanding and unvested portion of the Original LINTA Options and any other outstanding and unvested Existing LINTA Equity Awards will immediately vest in full and, with respect to any outstanding Existing LINTA Option Award, such Existing LINTA Option Award will be exercisable throughout the remainder of the full original term of the Existing LINTA Option Award (determined without reference to any provision in such Existing LINTA Option Award that reduces the exercisability of such Existing LINTA Option Award upon the Executive's termination of employment but otherwise in accordance with the terms and conditions applicable to such Existing LINTA Option Award).

6. **Provisions Related to Termination.**

(a) **Specified Employee.** Notwithstanding any other provision of this Agreement, if (i) the Executive is to receive payments or benefits under Section 4 or Section 5 of this Agreement by reason of his separation from service (as such term is defined in Section 409A of the Code) other than as a result of his death, (ii) the Executive is a "specified employee" within the meaning of Section 409A of the Code for the period in which the payment or benefits would otherwise commence, and (iii) such payment or benefit would otherwise subject the Executive to any tax, interest or penalty imposed under Section 409A of the Code (or any regulation promulgated thereunder) if the payment or benefit were to commence within six months after a termination of the Executive's employment, then such benefit required under Section 4 or Section 5 will instead be paid as provided in this Section 6(a). Such benefits which would have otherwise been required to be made over such six month period will be paid, without interest, to the Executive in one lump sum payment or otherwise provided to the Executive on the first business day that is six months and one day after the Executive's separation from service. Thereafter, the payments and benefits will continue, if applicable, for the relevant period set forth above. For purposes of this Agreement, all references to "Separation," "termination of employment" and other similar language will be deemed to refer to the Executive's "separation from service" with the applicable service recipient as defined in Treasury Regulation Section 1.409A-1(h), including, without limitation, the default presumptions thereof.

(b) **Full Settlement; No Mitigation.** The Company's obligation to perform its obligations hereunder will not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company or any Affiliate may have against the Executive. In no event will the Executive be obligated to seek other employment or take any other action by way of mitigation of any benefits owed to the Executive under any of the provisions of this Agreement.

(c) **Non-exclusivity of Rights.** Nothing in this Agreement will prevent or limit the Executive's continuing or future participation in any employee benefit plan, program, policy or practice provided by the Company or an Affiliate and for which the Executive may qualify, except as specifically provided herein. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of the Company or an Affiliate at or subsequent to a termination of employment from the Company will be payable in accordance with such plan, policy, practice or program, except as explicitly modified by this Agreement.

7. **Confidential Information.** The Executive will not, during or after his employment with the Company, without the prior express written consent of the Company, directly or indirectly use or divulge, disclose or make available or accessible any Confidential Information (as defined below) to any person, firm, partnership, corporation, trust or any other entity or third party (other than when required to do so in good faith to perform the Executive's duties and responsibilities under this Agreement or when (i) required to do so by a lawful order of a court of competent jurisdiction, any governmental authority or agency, or any recognized subpoena power, or (ii) necessary to prosecute the Executive's rights against the Company or its Affiliates or to defend himself against any allegations). The Executive will also proffer to the Company, no later than the effective date of any termination of the Executive's engagement with the Company for any reason, and without retaining any copies, notes or excerpts thereof, all memoranda, computer disks or other media, computer programs, diaries, notes, records, data, customer or client lists, marketing plans and strategies, and any other documents consisting of or containing Confidential Information that are in the Executive's actual or constructive possession or which are subject to the Executive's control at such time. For purposes of this Agreement, "**Confidential Information**" will mean all information respecting the business and activities of the Company or any Affiliate of the Company, including, without limitation, the clients, customers, suppliers, employees, consultants, computer or other files, projects, products, computer disks or other media, computer hardware or computer software programs, marketing plans, financial information, methodologies, know-how, processes, practices, approaches, projections, forecasts, formats, systems, trade secrets, data gathering methods and/or strategies of the Company or any Affiliate of the Company. Notwithstanding the immediately preceding sentence, Confidential Information will not include any information that is, or becomes, generally available to the public (unless such availability occurs as a result of the Executive's breach of any of his obligations under this Section). If the Executive is in breach of any of the provisions of this Section 7, or if

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any such breach is threatened by the Executive, in addition to and without limiting or waiving any other rights or remedies available to the Company at law or in equity, the Company shall be entitled to immediate injunctive relief in any court, domestic or foreign, having the capacity to grant such relief, without the necessity of posting a bond, to restrain any such breach or threatened breach and to enforce the provisions of this Section 7. The Executive agrees that there is no adequate remedy at law for any such breach or threatened breach and, if any action or proceeding is brought seeking injunctive relief, the Executive will not use as a defense thereto that there is an adequate remedy at law.

8. **Successors and Assigns.** This Agreement will bind and inure to the benefit of and be enforceable by the Executive, the Company, the Executive's and the Company's respective successors and assigns and the Executive's estate, heirs and legal representatives (as applicable). The Company will require any successor to all or substantially all of its business and/or assets, whether direct or indirect, by purchase, merger, consolidation, acquisition of stock, or, by an agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform if no such succession had taken place.

9. **Notices.** Any notice provided for in this Agreement must be in writing and must be either personally delivered, mailed by first class mail (postage prepaid and return receipt requested) or sent by reputable overnight courier service (charges prepaid) to the recipient at the address below indicated:

To the Company: Liberty Interactive Corporation  
12300 Liberty Boulevard  
Englewood, CO 80112  
Attention: Chairman of the Board

With a copy to the Company's  
counsel at: Liberty Interactive Corporation  
12300 Liberty Boulevard  
Englewood, CO 80112  
Attention: Legal Department  
To the Executive: at the address listed in the Company's personnel records

With a copy to the Executive's  
counsel at: Dechert LLP  
1095 Avenue of the Americas  
New York, NY 10036-6797  
Attention: Stephen W. Skonieczny, Esq.  
Telephone: (212) 698-3524  
Facsimile: (212) 314-0024

10. **General Provisions.**

(a) **Severability.** Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will (except as otherwise expressly provided herein) be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

(b) **Entire Agreement.** This Agreement, together with any agreement evidencing the grant of a LINTA Equity Award, contains the entire agreement between the parties concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the parties with respect thereto, including without limitation any non-binding term sheets addressing potential provisions of this agreement. The Executive acknowledges and agrees that the Executive Employment Agreement dated as of December 17, 2009 between the Company and the Executive is no longer in effect and that the Company has no further obligations under such agreement. Without limiting the foregoing, the Executive acknowledges that the Split-off and the transfer of Executive's employment to Splitco did not constitute a Change in Control under such agreement or otherwise give rise to any rights of the Executive under such agreement.

(c) **No Strict Construction; headings.** The language used in this Agreement will be deemed to be the language

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chosen by the parties hereto to express their mutual intent, and no rule of strict construction will be applied against any party. The headings of the sections contained in this Agreement are for convenience only and will not be deemed to control or affect the meaning or construction of any provision of this Agreement.

(d) **Counterparts.** This Agreement may be executed and delivered in separate counterparts (including by means of facsimile), each of which is deemed to be an original and all of which taken together constitute one and the same agreement. This Agreement will become effective only when counterparts have been executed and delivered by all parties whose names are set forth on the signature page(s) hereof.

(e) **Applicable Law.** This Agreement will be governed by and construed in accordance with the laws of the State of Colorado, applied without reference to principles of conflict of laws.

(f) **Legal Fees and Other Expenses.** The Company will pay or reimburse the Executive for all legal fees and expenses incurred by the Executive in connection with the review, preparation and negotiation of this Agreement, any option agreement, restricted stock award, LINTA Equity Award and/or any other agreements or plans referenced herein and any documents related thereto. Any such reimbursement will be made as soon as practicable following submission of a reimbursement request, but no later than the later of (i) the end of the year following the year during which the underlying expense was incurred or (ii) the end of the year following the year in which the Executive's right to such reimbursement arises.

(g) **Compliance with Section 409A.** To the extent that the provisions of Section 409A of the Code or any Treasury regulations promulgated thereunder are applicable to any amounts payable hereunder, the parties intend that this Agreement will meet the requirements of such Code section and regulations and that the provisions hereof will be interpreted in a manner that is consistent with such intent. If, however, the Executive is liable for the payment of any tax, penalty or interest pursuant to Section 409A of the Code, or any successor or like provision (the "**409A Tax**"), with respect to any payments or property transfers received or to be received under this Agreement or otherwise (including, without limitation, with respect to any LINTA Equity Awards), the Company will pay the Executive an amount (the "**Special Reimbursement**") which, after payment to the Executive (or on the Executive's behalf) of any federal, state and local taxes, including, without limitation, any further tax, penalty or interest under Section 409A of the Code, with respect to or resulting from the Special Reimbursement, equals the net amount of the 409A Tax. Any payment due to the Executive under this Section will be made to the Executive, or on behalf of the Executive, as soon as practicable after the determination of the amount of such payment, but no sooner than the date on which the Company is required to withhold such amount or the Executive is required to pay such amount to the Internal Revenue Service. Notwithstanding the foregoing, all payments under this Section will be made to the Executive, or on the Executive's behalf, no later than the end of the year following the year in which the Executive or the Company paid the related taxes, interest or penalties. The Executive will cooperate with the Company in taking such actions as the Company may reasonably request to assure that this Agreement will meet the requirements of Section 409A of the Code and any regulations promulgated thereunder and to limit the amount of any additional payments required by this Section 10(g) to be made to the Executive.

(h) **Amendment and Waiver.** The provisions of this Agreement may be amended only by a writing signed by the Company and the Executive. No waiver by a party of a breach or default hereunder will be valid unless in a writing signed by the waiving party, and no such waiver will be deemed a waiver of any subsequent breach or default.

(i) **Withholding.** All payments to the Executive under this Agreement will be subject to withholding on account of federal, state and local taxes as required by law.

(j) **Survival.** This Agreement will survive a Separation from LINTA and will remain in full force and effect after such Separation from LINTA but only to the extent that obligations existing as of the date of such Separation from LINTA have not been fully performed or by their nature would be intended to survive a Separation from LINTA, including that the provisions of Sections 5, 6, 7, 8, 9 and 10 will continue in effect in accordance with their terms.

(k) **Arbitration.** Except as provided in Section 7, any controversy, claim or dispute arising out of or in any way relating to this Agreement (including whether such controversy, claim or dispute is subject to arbitration), excepting only claims that may not, by statute, be arbitrated, will be submitted to binding arbitration. Both the Executive and the Company acknowledge that they are relinquishing their right to a jury trial. The Executive and the Company agree that arbitration will be the exclusive method for resolving disputes arising out of or related to the Executive's employment with the Company.

The arbitration will be administered by JAMS in accordance with the Employment Arbitration Rules & Procedures of JAMS then in effect and subject to JAMS Policy on Employment Arbitration Minimum Standards, except as otherwise provided in this Agreement. Arbitration will be commenced and heard in the Denver, Colorado metropolitan area. Only one

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arbitrator will preside over the proceedings, who will be selected by agreement of the parties from a list of five or more qualified arbitrators provided by the arbitration tribunal, or if the parties are unable to agree on an arbitrator within 10 business days following receipt of such list, the arbitration tribunal will select the arbitrator. The arbitrator will apply the substantive law (and the law of remedies, if applicable) of Colorado or federal law, or both, as applicable to the claim(s) asserted. In any arbitration, the burden of proof will be allocated as provided by applicable law. The arbitrator will have the authority to award any and all legal and equitable relief authorized by the law applicable to the claim(s) being asserted in the arbitration, as if the claim(s) were brought in a federal court of law. Either party may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. Discovery, such as depositions or document requests, will be available to the Company and the Executive as though the dispute were pending in U.S. federal court. The arbitrator will have the ability to rule on pre-hearing motions as though the matter were in a U.S. federal court, including the ability to rule on a motion for summary judgment.

If permitted by applicable law, the fees of the arbitrator and any other fees for the administration of the arbitration that would not normally be incurred if the action were brought in a court of law (e.g., filing fees or room rental fees) will be shared equally by the parties. If the foregoing is not permitted by applicable law, the fees of the arbitrator and any other fees for the administration of the arbitration that would not normally be incurred if the action were brought in a court of law will be paid by the Company, provided that the Executive will be required to pay the amount of filing fees equal to that which the Executive would be required to pay to file an action in a Colorado state court. Each party will pay its own attorneys' fees and other costs incurred in connection with the arbitration, unless the relief authorized by law allows otherwise and the arbitrator determines that such fees and costs will be paid in a different manner. The arbitrator must provide a written decision that is subject to limited judicial review consistent with applicable law. If any part of this arbitration provision is deemed to be unenforceable by an arbitrator or a court of law, that part may be severed or reformed so as to make the balance of this arbitration provision enforceable.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement Regarding LINTA Equity Awards to be effective as of the Effective Date.

LIBERTY INTERACTIVE CORPORATION, f/k/a  
Liberty Media Corporation

By: /s/ Charles Y. Tanabe  
Name: Charles Y. Tanabe  
Title: Executive Vice President  
Executed: February 23, 2012

EXECUTIVE:

/s/ Gregory B. Maffei Gregory B. Maffei  
Executed: February 23, 2012

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**Appendix A**  
**Current Permitted Activities**

Chairman and stockholder, 360networks Corporation  
Director, Electronic Arts  
Owner, Lockerz, Inc.

## INDEMNIFICATION AGREEMENT

This AGREEMENT is made and entered into as of this 9th day of May, 2006, by and between Liberty Media Corporation, a Delaware corporation (the "Company"), and [ ] (the "Indemnitee").

WHEREAS, it is essential to the Company and its mission to retain and attract as officers and directors the most capable persons available;

WHEREAS, the Company has asked Indemnitee to serve as a(n) [officer]/[director] of the Company;

WHEREAS, both the Company and Indemnitee recognize the omnipresent risk of litigation and other claims that are routinely asserted against officers and directors of companies operating in the public arena in the current environment, and the attendant costs of defending even wholly frivolous claims;

WHEREAS, it has become increasingly difficult to obtain insurance against the risk of personal liability of officers and directors on terms providing reasonable protection to the individual at reasonable cost to the companies;

WHEREAS, the certificate of incorporation and Bylaws of the Company provide certain indemnification rights to the officers and directors of the Company, as provided by Delaware law;

WHEREAS, to induce Indemnitee to become a(n) [officer]/[director] of the Company, in recognition of Indemnitee's need for substantial protection against personal liability in order to enhance Indemnitee's continued service to the Company in an effective manner, the increasing difficulty in obtaining and maintaining satisfactory insurance coverage, and Indemnitee's reliance on assurance of indemnification, the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the fullest extent permitted by law (whether partial or complete) and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies;

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein and Indemnitee's continuing to serve as an officer of the Company, the parties hereto agree as follows:

1. CERTAIN  
DEFINITIONS:

(a) CHANGE IN CONTROL: shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under such Act), directly or indirectly, of securities of the Company representing 20% or more of the total voting power represented by the Company's then outstanding Voting Securities, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (66-2/3%) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all the Company's assets.

(b) CLAIM: any threatened, pending or completed action, suit or proceeding, whether instituted by the Company or any other party, or any inquiry or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding, whether civil (including intentional and unintentional tort claims), criminal, administrative, investigative or other.

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(c) EXPENSES: include attorneys' fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any Claim relating to any Indemnifiable Event.

(d) INDEMNIFIABLE EVENT: any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company, or is or was serving at the request of the Company as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, or by reason of anything done or not done by Indemnitee in any such capacity.

(e) INDEPENDENT LEGAL COUNSEL: an attorney or firm of attorneys, selected in accordance with the provisions of Section 3, who shall not have otherwise performed services for the Company or Indemnitee within the last five years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements).

(f) REVIEWING PARTY: any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Company's Board of Directors who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(g) VOTING SECURITIES: shares of any series or class of common stock or preferred stock of the Company, in each case, entitled to vote generally upon all matters that may be submitted to a vote of stockholders of the Company at any annual or special meeting thereof.

## 2. BASIC INDEMNIFICATION ARRANGEMENT.

(a) In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee to the fullest extent permitted by law as soon as practicable but in any event no later than thirty days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of such Claim. If so requested by Indemnitee, the Company shall advance (within two business days of such request) any and all Expenses to Indemnitee as incurred (an "Expense Advance").

(b) Notwithstanding the foregoing, (i) the obligations of the Company under Section 2(a) shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 3 hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an Expense Advance pursuant to Section 2(a) shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). If there has not been a Change in Control, the Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 3 hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and agrees to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

## 3. CHANGE IN CONTROL. The Company agrees that if there is a Change in Control of the Company (other than a

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Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then with respect to all matters thereafter arising concerning the rights of Indemnitee to indemnity payments and Expense Advances under this Agreement or any other agreement or Company Bylaw or charter provision now or hereafter in effect relating to Claims for Indemnifiable Events, the Company shall seek legal advice only from Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

4. **INDEMNIFICATION FOR ADDITIONAL EXPENSES.** The Company shall indemnify Indemnitee against any and all expenses (including attorneys' fees) and, if requested by Indemnitee, shall (within two business days of such request) advance such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee (whether pursuant to Section 17 of this Agreement or otherwise) for (i) indemnification or advance payment of Expenses by the Company under this Agreement or any other agreement or Company Bylaw or charter provision now or hereafter in effect relating to Claims for Indemnifiable Events or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, to the fullest extent permitted by law, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be.

5. **PARTIAL INDEMNITY.** If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties and amounts paid in settlement of a Claim but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Expenses incurred in connection therewith.

6. **BURDEN OF PROOF.** In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

7. **NO PRESUMPTIONS.** For purposes of this Agreement, the termination of any claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief.

8. **NONEXCLUSIVITY; SUBSEQUENT CHANGE IN LAW.** The rights of the Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the Company's Bylaws or certificate of incorporation, under Delaware law or otherwise. To the extent that a change in Delaware law (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Company's Bylaws and certificate of incorporation and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

9. **LIABILITY INSURANCE.** To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer.

10. **AMENDMENTS; WAIVER.** No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

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11. SUBROGATION. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.
12. NO DUPLICATION OF PAYMENTS. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, Bylaw or otherwise) of the amounts otherwise indemnifiable hereunder.
13. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), assigns, spouses, heirs, executors and personal and legal representatives. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as a director, officer, employee, agent or fiduciary of the Company or of any other enterprise at the Company's request.
14. SEVERABILITY. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) is held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable in any respect, and the validity and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired and shall remain enforceable to the fullest extent permitted by law.
15. EFFECTIVE DATE. This Agreement shall be effective as of the date hereof and shall apply to any claim for indemnification by the Indemnitee on or after such date.
16. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.
17. INJUNCTIVE RELIEF. The parties hereto agree that Indemnitee may enforce this Agreement by seeking specific performance hereof, without any necessity of showing irreparable harm or posting a bond, which requirements are hereby waived, and that by seeking specific performance, Indemnitee shall not be precluded from seeking or obtaining any other relief to which he may be entitled.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

LIBERTY MEDIA CORPORATION

By:

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INDEMNITEE

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Item	Entity Name	Domicile
1	1227844 Ontario Ltd.	Ontario
2	Affiliate Investment, Inc.	DE
3	Affiliate Relations Holdings, Inc.	DE
4	Affiliate Sales & Marketing, Inc.	DE
5	AI 2, Inc.	DE
6	AMI 2, Inc.	DE
7	Backcountry De Costa Rica Sociedad De Responsabilidad Limitada	Costa Rica
8	Backcountry.com, Inc.	UT
9	Big Horn Alternative Energy, LLC	DE
10	Bodybuilding.com, LLC	DE
11	Bodybuilding.com, Sociedad De Responsabilidad Limitada	Costa Rica
12	BuySeasons, Inc.	DE
13	CDirect Mexico I, Inc.	DE
14	CDirect Mexico II, Inc.	DE
15	Celebrate Interactive Holdings, LLC	DE
16	Celebrate Interactive, Inc.	DE
17	Centennial Rural Development, inc.	DE
18	City Cycle, Inc.	AR
19	Commerce Technologies, Inc. [dba Commerce Hub]	NY
20	Cool Kicks Media, LLC	DE
21	Diamonique Canada Holdings, Inc.	DE
22	DMS DE, Inc.	DE
23	ER Development International, Inc. (dba QVC International Development)	PA
24	ER Marks, Inc.	DE
25	Evite, Inc.	DE
26	GiftCo, Inc.	DE
27	Higher Power Nutrition Common Holdings, LLC	DE
28	IC Marks, Inc.	DE
29	IM Experience, Inc.	PA
30	Influence Marketing Corp (dba QVC @ theMall) [Unlimited Liability Corp.]	Nova Scotia
31	Influence Marketing Services, Inc.	Ontario
32	Innovative Retailing, Inc.	DE
33	iQVC GmbH	Germany
34	Liberty Alta, Inc.	DE
35	Liberty Alternative Energy, LLC	DE
36	Liberty CDE Investments, Inc.	DE
37	Liberty Clean Fuels, Inc.	DE
38	Liberty Interactive Advertising, LLC d/b/a Liberty Advertising	DE
39	Liberty Interactive, LLC	DE
40	Liberty Protein, Inc.	DE
41	Liberty QVC Holding, LLC	DE
42	Liberty USA Holdings, LLC	DE
43	LMC Lockerz, LLC	DE
44	LMC Right Start, Inc.	DE

45	LMC Social, LLC	DE
46	Lockerz, LLC	DE
47	NSTBC, Inc.	DE
48	Provide Berries, Inc.	DE
49	Provide Cards, Inc.	CA
50	Provide Commerce, Inc. (dba Shari's Berries)	DE
51	Provide Creations, Inc., d/b/a Personal Creations	DE
52	Provide Gifts, Inc. (dba RedEnvelope)	DE
53	Q The Music, Inc.	DE
54	QC Marks, Inc.	DE
55	QDirect Ventures, Inc. (fka Qdirect, Inc.)	DE
56	QExhibits, Inc.	DE
57	QHealth, Inc.	DE
58	QK Holdings, LLC (fka QK Holdings, Inc.)	DE
59	QLocal, Inc. (fka QVC Local, Inc.) [dba QVC Productions; QVC Remote Productions]	DE
60	QVC [English Unlimited Liability Company]	UK
61	QVC Britain [English Unlimited Liability Company]	UK
62	QVC Britain I Limited [English limited liability company]	England
63	QVC Britain I, Inc.	UK
64	QVC Britain II, Inc.	UK
65	QVC Britain III, Inc.	UK
66	QVC Call Center GmbH & Co. KG	Germany
67	QVC Call Center Verwaltungs-GmbH	Germany
68	QVC Cayman Holdings LLC	DE
69	QVC Cayman, Ltd.	Cayman
70	QVC Chesapeake, Inc.	VA
71	QVC China Domain Limited (fka QVC Pacific international Limited; Discerning Holdings Limited)	Hong Kong
72	QVC China, Inc.	DE
73	QVC Delaware, Inc.	DE
74	QVC Deutschland GP, Inc.	DE
75	QVC Deutschland Inc. & Co. KG (a partnership) (fka QVC Deutschland GmbH)	Germany
76	QVC eDistribution Inc. & Co. KG	Germany
77	QVC eProperty Management GmbH & Co. KG	Germany
78	QVC eService Inc. & Co. KG	Germany
79	QVC Germany I LLC (fka QVC Germany I, Inc.)	DE
80	QVC Germany II LLC (fka QVC Germany II, Inc.)	DE
81	QVC Global DDGS, Inc.	DE
82	QVC Grundstücksverwaltungs GmbH	Germany
83	QVC GV Real Estate GmbH & Co. KG	Germany
84	QVC Handel GmbH	Germany
85	QVC India, Ltd.	DE
86	QVC Information and Technologies (Shenzhen) Co., Ltd	China
87	QVC International LLC (fka QVC International, Inc.)	DE
88	QVC International Management LLC & Co KG (a partnership)	Germany
89	QVC Italia S.r.l. [Italian limited liability company]	Italy
90	QVC Italy Holdings, LLC	DE

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91	QVC Japan Holdings, Inc.	DE
92	QVC Japan Services, Inc.	DE
93	QVC Japan, Inc.	Japan
94	QVC Mexico II, Inc.	DE
95	QVC Mexico III, Inc.	DE
96	QVC Mexico, Inc.	DE
97	QVC of Thailand, Inc.	DE
98	QVC Pension Trustee Limited	UK
99	QVC Productworks, Inc.	DE
100	QVC Properties, Ltd.	UK
101	QVC Publishing, Inc.	DE
102	QVC Realty, Inc.	PA
103	QVC Rocky Mount, Inc.	NC
104	QVC RS Naples, Inc.	FL
105	QVC San Antonio, LLC (fka QVC San Antonio, Inc.)	TX
106	QVC Satellite, Ltd	Japan
107	QVC Shop International, Inc. (f/k/a EZShop International, Inc.)	DE
108	QVC St. Lucie, Inc.	FL
109	QVC Studio GmbH	Germany
110	QVC Suffolk, Inc. (fka CVN Distribution Co., Inc.; C.O.M.B. Distribution Co.)	VA
111	QVC TX, LLC	DE
112	QVC UK Holdings Limited	England-Wales
113	QVC, Inc.	DE
114	QVC-QRT, Inc.	DE
115	RS Marks, Inc.	DE
116	RS Mebane, Inc.	NC
117	RS Myrtle Beach, Inc.	SC
118	Savor North Carolina, Inc.	NC
119	TATV, Inc.	DE
120	TBH Marks, Inc.	DE
121	TOBH, Inc.	DE

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
Liberty Interactive Corporation:

We consent to the incorporation by reference in the following registration statements of Liberty Interactive Corporation (the Company) of our reports dated February 23, 2012, with respect to the consolidated balance sheets of Liberty Interactive Corporation and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity for each of the years in the three-year period ended December 31, 2011, and the effectiveness of internal control over financial reporting as of December 31, 2011, which reports appear in the December 31, 2011 annual report on Form 10-K of Liberty Interactive Corporation.

Description	Registration statement no.	Description
S-8	333-134114	Liberty Interactive Corporation 2002 Nonemployee Director Incentive Plan (amended 11/7/11)
S-8	333-134115	Liberty Interactive Corporation 2000 Incentive Plan (amended 11/7/11)
S-8	333-142626	Liberty Interactive Corporation 2007 Incentive Plan (amended 11/7/11)
S-8	333-134114	Liberty Interactive Corporation 2002 Nonemployee Director Incentive Plan (amended 11/7/11)
S-8	333-171192	Liberty Interactive Corporation 2000 Incentive Plan (amended 11/7/11)
S-8	333-171193	Liberty Interactive Corporation 2007 Incentive Plan (amended 11/7/11)
S-8	333-172512	Liberty Interactive Corporation 2007 Incentive Plan (amended 11/7/11)
S-8	333-134114	Liberty Interactive Corporation 2002 Nonemployee Director Incentive Plan (amended 11/7/11)
S-8	333-176989	Liberty Interactive 401(k) Savings Plan
S-8	333-177840	Liberty Interactive Corporation 2011 Nonemployee Director Incentive Plan (amended 11/7/11)
S-8	333-177841	Liberty Interactive Corporation 2010 Incentive Plan (amended 11/7/11)
S-8	333-177842	Liberty Interactive Corporation 2007 Incentive Plan (amended 11/7/11)

/s/ KPMG LLP

Denver, Colorado  
February 23, 2012

## CERTIFICATION

I, Gregory B. Maffei, certify that:

1. I have reviewed this annual report on Form 10-K of Liberty Interactive Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements and other financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and
  - d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2012

/s/ GREGORY B. MAFFEI

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Gregory B. Maffei  
*President and Chief Executive Officer*



**CERTIFICATION**

I, Christopher W. Shean, certify that:

1. I have reviewed this annual report on Form 10-K of Liberty Interactive Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements and other financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and
  - d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2012

/s/ CHRISTOPHER W. SHEAN

Christopher W. Shean  
*Senior Vice President and Chief Financial Officer*

**Certification**

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Liberty Interactive Corporation, a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2011 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2012

/s/ GREGORY B. MAFFEI

\_\_\_\_\_  
Gregory B. Maffei  
*President and Chief Executive Officer*

Date: February 23, 2012

/s/ CHRISTOPHER W. SHEAN

\_\_\_\_\_  
Christopher W. Shean  
*Senior Vice President and Chief Financial Officer*  
*(Principal Financial Officer and Principal Accounting Officer)*

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.

**Liberty Interactive Corporation**  
**Reconciliation of Liberty Interactive Corporation ("LINT") Net Assets and**  
**Net Earnings to Liberty Interactive LLC ("LINT LLC") Net Assets and Net Earnings**

**December 31, 2011**

**(unaudited)**

**amounts in millions**

Liberty Interactive Corporation Net Assets	\$ 6,627
Reconciling items:	
LINT put option obligations	<u>2</u>
LINT LLC Net Assets	<u>\$ 6,629</u>
Liberty Interactive Corporation Net Earnings	\$ 965
Reconciling items:	
Unrealized gain on LINT put options	<u>(22)</u>
Liberty Interactive LLC Net Earnings	<u>\$ 943</u>