

Liberty Media Common Stock Fund. Matching contributions always are invested in the Liberty Media Common Stock Fund.

LMC owns interests in a broad range of video programming, broadband distribution, interactive technology services and communications businesses. LMC and its affiliated companies operate in the United States, Europe, South America, and Asia.

3. LMC announced a special rights offering. Holders of record of the Stock on October 31, 2002 (the Record Date), each received 0.04 of a transferable subscription Right for each share of Series A and Series B common stock held. Each whole Right entitled the holder to purchase one share of Series A common stock at a subscription price determined by a special pricing committee of LMC's board of directors, which was determined to be \$6.00 per share.

LMC stock is traded on the New York Stock Exchange. Series A common stock is traded under the symbol L and Series B common stock is traded under the symbol LMC.B.

The Plan was a holder of record of the Stock on the Record Date. The Plan established two temporary investment funds under a separate trust called the "Liberty Media Rights Trust" (the Rights Trust). The Rights Holding Fund is a separate fund established under the Rights Trust to hold the Rights when they are issued. Rights were credited to participants' accounts based on their respective balances in the Liberty Media Common Stock Fund on October 31, 2002. The second fund, the "Liberty Media Receivable Fund" (the Receivable Fund), following the exercise of Rights as directed by the Plan participants, reflected the approximate value of the Liberty Media Series A shares due from the subscription agent.

With respect to Rights allocated to their accounts, Plan participants either may elect to (1) exercise the Rights or (2) sell the Rights. These elections apply to both Stock held in the participant's account attributable to 401(k) contributions and to matching contributions (including vested and unvested matching contributions). Due to securities law restrictions, certain Participants who are reporting persons under Rule 16(b) will not have the right to instruct Fidelity to either Sell or Exercise the Rights credited to their account. Liberty Media provided Fidelity with a list of those Participants. Fidelity established the appropriate restrictions to prevent these participants from exercising or selling the Rights credited to their accounts. As provided by the Plan, Fidelity sold the Rights

credited to these Rule 16(b) participant accounts as soon as administratively feasible after the receipt and allocation of the Rights to the participant accounts.<sup>1</sup>

4. With the exception of those reporting persons under Rule 16(b) as described above, each participant in the Plan may elect to exercise any percentage of the Rights granted on the participant's Stock allocated to the participant's account in the Plan. Under the offering, a participant of the Plan could elect to exercise a Right by speaking to a Fidelity representative at any time prior to 4 p.m. Eastern Time, November 25, 2002, (the Election Close-Out Date). Participants had the opportunity prior to the Election Close-Out Date to revoke or change instructions to exercise by (1) electing a new percentage; (2) by placing an order to sell; or (3) a combination of both.

The dollar amount required to exercise the Rights were exchanged from other investments in the participant's account into the Receivable Fund established under the Rights Trust. The required dollar amount equals the percentage of Rights to be exercised (as elected by the participant) multiplied by the number of Rights credited to the participant's account and multiplied by the exercise price for the Rights offering. The dollar amount was exchanged from the other investment categories in which the account is invested on a proportional basis by source. The Liberty Media Stock Fund was not included unless insufficient funds did not exist in the other investment categories under the participant's account. For those individuals with insufficient funds to permit exercise of the entire elected amount, Fidelity exercised as many rights as the account balance permitted.

On or about November 29, 2002, the Rights to be exercised and necessary funds were submitted to the subscription agent for the purchase of shares. Participant's balances in the Rights Holding Fund were reduced by the number of Rights exercised on a participant's behalf. Fidelity sold all remaining Rights on the open market between November 29, 2002, and December 2, 2002, at which time the Rights expired. Upon receipt of the new shares, the Receivable Fund was closed and the newly received shares were transferred into the Liberty Media Stock Fund and allocated to the participant's accounts.

<sup>1</sup> The Rights issued to the Plan that were sold from the Plan were sold to unrelated third parties on the open market. Those Rights were traded on the New York Stock Exchange under the symbol "LMC.RT".

For any Rights sold by the Plan, a commission of 3.4 cents per Right was charged to the Plan account from which the Right was sold. The commission was not paid to LMC but to the broker dealer, National Financial Services (NFS) for the sale transaction. NFS is an affiliate of Fidelity Management Trust Company, which serves as a non-discretionary Trustee for the Plan. The discretionary fiduciary for the Plan is the Plan Administrative Committee appointed by the Board of Directors of LMC. The Administrative Committee determined, after reasonable consideration of the alternatives, that the use of NFS was in the best interests of the Plan.<sup>2</sup>

Those participants who elected to exercise only a portion of their Rights later could elect to exercise additional Rights if sufficient time existed prior to the Election Close-Out Date. The Election Close-Out Date was established to permit sufficient time for the Trustee to liquidate the other assets in an orderly manner so that the necessary cash would be available to exercise the Rights before the Rights offering expiration date (December 2, 2002). All Rights were exercised or sold prior to the end of the Rights offering period, no Rights held by the Plan expired. A participant may have elected to sell rather than exercise the Rights allocated to his or her account. In order to do so, the participant was required to (1) contact the Fidelity representative; and (2) specify the percentage (in whole amounts) of the Rights he desired to sell. The selling period for participants ran from November 8, 2002, through November 25, 2002.

Participants in the Plan will be in a like position with other shareholders who are receiving the Rights with the sole exception that the Plan participants were not entitled to participate in the oversubscription privilege described in the prospectus. No expense will be incurred by the Plan from the Rights offering, and full disclosure of the Rights offering was made in the public documents filed with the SEC. The Rights offering and the resulting transactions were in the best interests of and beneficial to the Plan and its participants and beneficiaries. The rights of the participants and beneficiaries of the Plan were protected in the Rights offering and subsequent transactions. All involved participants were notified in advance of the Rights offering of the procedure for instructing the Trustee of the participant's desires

<sup>2</sup> The Department provides no opinion as to whether the selection of the broker dealer meets the conditions set forth under section 408(b)(2).