

STARZ ENTERTAINMENT, LLC

FORM 424B3

(Prospectus filed pursuant to Rule 424(b)(3))

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Address	8900 LIBERTY CIRCLE ENGLEWOOD, CO, 80112
Telephone	720-852-5819
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**Filed Pursuant to Rule 424(b)(3)
Commission File No. 333-187950**

PROSPECTUS

\$175,000,000



**Starz, LLC
Starz Finance Corp.**

Exchange Offer for 5.00% Senior Notes due 2019

We are offering to exchange up to \$175,000,000 aggregate principal amount of our registered 5.00% Senior Notes due 2019, or the "exchange notes," for any and all of the unregistered 5.00% Senior Notes due 2019, or the "original notes," that we issued in a private offering on February 8, 2013. We refer to the original notes and the exchange notes together in this prospectus as the "notes." We refer to this exchange as the "exchange offer." The exchange notes are substantially identical to the original notes, except the exchange notes are registered under the Securities Act of 1933, as amended, or the "Securities Act," and the transfer restrictions and registration rights, and related special interest provisions applicable to the original notes will not apply to the exchange notes. The exchange notes will represent the same debt as the original notes and we will issue the exchange notes under the same indenture used in issuing the original notes. If you fail to tender your original notes, you will continue to hold unregistered notes that you will not be able to transfer freely.

The exchange notes will be issued as additional notes under the indenture governing the outstanding 5.00% Senior Notes due 2019 that were originally issued on September 13, 2012 (the "existing 5.00% senior notes") and were exchanged for exchange notes on February 14, 2013. The exchange notes are expected to be treated as a single class with the existing 5.00% senior notes for all purposes and will have the same terms as those of the existing 5.00% senior notes. The exchange notes are expected to trade fungibly with the existing 5.00% senior notes.

No public market currently exists for the original notes or the exchange notes.

Terms of the exchange offer:

- The exchange offer expires at 5:00 p.m., New York City time, on May 23, 2013, unless we extend it.
- We will exchange all outstanding original notes that are validly tendered and not withdrawn prior to the expiration of the exchange offer for an equal principal amount of exchange notes. All interest due and payable on the original notes will become due on the same terms under the exchange notes.
- You may withdraw your tender of original notes at any time prior to the expiration of the exchange offer.
- The exchange offer is subject to customary conditions, which we may waive.
- The exchange of exchange notes for original notes will not be a taxable transaction for U.S. federal income tax purposes, but you should see the discussion under the caption "United States Federal Income Tax Consequences" on page 157 for more information.

See "Risk Factors" beginning on page 13 for a discussion of risks you should consider in connection with the exchange offer and an investment in the exchange notes.

Neither the Securities and Exchange Commission ("SEC") nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Each broker dealer that receives exchange notes in exchange for original notes acquired for its own account as a result of market making or other trading activities must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. By so acknowledging and by delivering a prospectus, a broker dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by broker dealers in connection with such resales. We have agreed to make this prospectus available for a period ending on the earlier of 180 days from the effective date of the registration statement of which this prospectus forms a part and the date on which a broker dealer is no longer required to deliver a prospectus in connection with market making or other trading activities. See "Plan of Distribution."

The date of this prospectus is April 25, 2013.

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YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS AND IN THE LETTER OF TRANSMITTAL ACCOMPANYING THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH ANY INFORMATION OR REPRESENT ANYTHING ABOUT US, OUR PARENT, STARZ, OR THIS PROSPECTUS THAT IS NOT CONTAINED IN THIS PROSPECTUS. IF GIVEN OR MADE, ANY SUCH OTHER INFORMATION OR REPRESENTATION SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY US. WE TAKE NO RESPONSIBILITY FOR, AND CAN PROVIDE NO ASSURANCE AS TO THE ACCURACY OF, ANY OTHER INFORMATION THAT OTHERS MAY GIVE YOU. WE ARE NOT MAKING AN OFFER TO EXCHANGE THESE NOTES IN ANY JURISDICTION WHERE SUCH OFFER IS NOT PERMITTED, YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE ON THE FRONT OF THIS PROSPECTUS. OUR BUSINESS, FINANCIAL CONDITIONS, RESULTS OF OPERATIONS AND PROSPECTUS MAY HAVE CHANGED SINCE THAT DATE.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes statements reflecting assumptions, expectations, projections, intentions or beliefs about future events that are intended as forward-looking statements. All statements included in this prospectus other than statements of historical fact or current fact are forward-looking statements that address activities, events or developments that we or our management expect, believe or anticipate will or may occur in the future. These statements represent our reasonable judgment on the future based on various factors and using numerous assumptions and are subject to known and unknown risks, uncertainties and other factors, many of which are beyond our control and could cause our actual results and financial position to differ materially from those contemplated by the statements. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "project," "forecast," "plan," "may," "will," "should," "could," "expect," or the negative thereof, or other words of similar meaning. In particular, these include, but are not limited to, statements of our current views and estimates of future economic circumstances, industry conditions in domestic and international markets, and our future performance and financial results. These forward-looking statements are subject to a number of factors and uncertainties that could cause our actual results to differ materially from the anticipated results and expectations expressed in such forward-looking statements. We caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. We undertake no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise.

Among the factors that may cause actual results and experiences to differ from the anticipated results and expectations expressed in such forward-looking statements are the following:

- changes in the nature of key strategic relationships with multichannel video programming distributors ("MVPDs") and content providers and our ability to maintain and renew affiliation agreements with MVPDs and programming output agreements with content providers on terms acceptable to us;
- distributor demand for our products and services, including the impact of higher rates paid by our distributors to other programmers, and our ability to adapt to changes in demand;
- consumer demand for our products and services, including changes resulting from the unwillingness of certain distributors to allow us to participate in cooperative marketing campaigns, and our ability to adapt to changes in demand;
- competitor responses to our products and services;
- the cost of and our ability to acquire or produce desirable original programming;
- the cost of and our ability to acquire desirable theatrical movie content;
- disruption in the production of theatrical films or television programs due to strikes by unions representing writers, directors or actors;
- 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 media content consumption;
- continued consolidation of the broadband distribution and movie studio industries;
- uncertainties inherent in the development and deployment 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;
- the ability of our suppliers and vendors to deliver products, equipment, software and services;
- the outcome of any pending or threatened litigation, including matters described in the notes to our consolidated financial statements;
- availability of qualified personnel;
- the regulatory and competitive environment of the industry in which we operate;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission ("FCC"), and/or adverse outcomes from regulatory proceedings;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- 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;
- rapid technological changes;
- fluctuation in foreign currency exchange rates; and
- threatened terrorist attacks or political unrest in international markets.

Any or all of our forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and other factors, many of which are beyond our control, including those set forth under "Risk Factors."

In addition, there may be other factors that could cause our actual results to be materially different from the results referenced in the forward-looking statements. Many of these factors will be important in determining our actual future results. Consequently, no forward-looking statement can be guaranteed. Our actual future results may vary materially from those expressed or implied in any forward-looking statements.

All forward-looking statements contained in this prospectus are qualified in their entirety by this cautionary statement.

PRESENTATION OF FINANCIAL INFORMATION

Starz, LLC operates, directly and through its subsidiaries: Starz Entertainment, LLC, Film Roman, LLC, Starz Media Group, LLC, Starz Media, LLC, Anchor Bay Entertainment, LLC, Overture Films, LLC and certain other immaterial subsidiaries. Starz, LLC is primarily a holding company with limited operating activities. Starz Entertainment, LLC is a wholly-owned restricted subsidiary of Starz, LLC and the sole guarantor of the notes. All of our subsidiaries other than Starz Entertainment, LLC and Starz Finance Corp. are unrestricted subsidiaries that will not guarantee the notes (such subsidiaries are collectively referred to herein as the "Unrestricted Group"). The Unrestricted Group will not be subject to the covenants in the indenture governing the notes. You should not rely on the assets or cash flow of the Unrestricted Group to pay principal or interest on the notes. We have presented financial information in this prospectus showing Starz, LLC and its

subsidiaries on a consolidated basis. See audited consolidated financial statements of Starz, LLC for consolidating financial information of the sole guarantor, Starz Entertainment, LLC.

SPECIAL NOTE REGARDING NON-GAAP FINANCIAL MEASURES

The body of generally accepted accounting principles in the United States ("U.S.") is commonly referred to as GAAP. A non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that could not be so adjusted in the most comparable GAAP measure. Adjusted OIBDA, as presented in this prospectus, is a supplemental measure of our performance that is not required by, or presented in accordance with, GAAP.

We evaluate performance and make decisions about allocating resources to our operating segments based on financial measures such as Adjusted OIBDA. We define Adjusted OIBDA as: revenue less programming costs, production and acquisition costs, home video cost of sales, operating expenses, advertising and marketing costs and general and administrative expenses. Our chief operating decision maker uses this measure of performance in conjunction with other measures to evaluate our operating segments and make decisions about allocating resources among our operating segments. We believe that Adjusted OIBDA is an important indicator of the operational strength and performance of our operating segments, including each operating segment's ability to assist in servicing our debt and fund investments in films and television programs. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between operating segments and identify strategies to improve performance. This measure of performance excludes stock compensation, long-term incentive plan and phantom stock appreciation rights, depreciation and amortization and impairment of goodwill and other assets 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, income from continuing operations before income taxes, net income, net cash provided by operating activities and other measures of financial performance prepared in accordance with GAAP. The primary material limitations associated with the use of Adjusted OIBDA as compared to GAAP results are (i) it may not be comparable to similarly titled measures used by other companies in our industry, and (ii) it excludes financial information that some may consider important in evaluating our performance. We compensate for these limitations by providing a reconciliation of Adjusted OIBDA to GAAP results to enable investors to perform their own analysis of our operating results.

INDUSTRY AND MARKET DATA

Market data and other statistical data regarding us and our subsidiaries, and used throughout this prospectus, are based on independent industry publications, government publications, reports by market research firms, including Nielsen, or other published independent sources, as well as management's knowledge of, experience in and estimates about the industry and markets in which we operate. Although we believe the third-party sources to be reliable, we have not independently verified the data obtained from these sources. Similarly, our internal research and forecasts are based upon our management's understanding of industry conditions and such information has not been verified by any independent sources. Although we are not aware of any misstatements regarding any market, industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors."

NON-RELIANCE ON STARZ

We are a wholly-owned subsidiary of Starz. Starz is a company whose securities are registered under the Securities Exchange Act of 1934, as amended, or the "Exchange Act," and is therefore required to file periodic and current reports and other materials with the SEC. While such information is available, investors are cautioned that Starz is not the issuer of the notes and is not otherwise a guarantor or obligor (contingent or otherwise) with respect to the notes, and will not otherwise provide credit support for the notes. ***Therefore, you are directed to rely solely on this prospectus in making your decision with respect to the exchange offer.***

SUMMARY

This summary contains a general summary of the information contained in this prospectus. The following information is qualified in its entirety by the more detailed information and financial statements and the notes related thereto appearing elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in the notes. Investing in the notes involves significant risks, including those described herein under "Risk Factors." In this prospectus unless otherwise indicated or the context otherwise requires, the terms "Starz, LLC," "we," "us" and "our" refer to Starz, LLC, the co-issuer of the notes and its subsidiaries; the term "Finance Corp." refers to Starz Finance Corp., the co-issuer of the notes; the term "Starz" or "Old LMC" refers to Starz, the parent corporation of Starz, LLC (which was formerly known as Liberty Media Corporation prior to the separation described below under "Starz Relationship"); the term "Starz Entertainment" refers to Starz Entertainment, LLC, a wholly-owned restricted subsidiary of Starz, LLC and the sole guarantor of the notes; the term "Film Roman" refers to Film Roman, LLC, a wholly-owned unrestricted and non-guarantor subsidiary; the term "Starz Media" refers to Starz Media Group, LLC, a majority-owned unrestricted and non-guarantor subsidiary which is 25% owned by The Weinstein Company LLC ("TWC") and 75% owned by Starz, LLC; the terms "Starz Media, LLC," "Anchor Bay Entertainment," and "Overture Films" refer to indirect, majority-owned unrestricted and non-guarantor subsidiaries of Starz, LLC. Unless otherwise specified, the operations and financial information in this prospectus (including the Consolidated Financial Statements) includes the Unrestricted Group.

COMPANY OVERVIEW

Starz, LLC's principal businesses are conducted by our wholly-owned subsidiaries Starz Entertainment and Film Roman and by our majority-owned subsidiary Starz Media. Our operations are managed by and organized around our Starz Networks (previously referred to as Starz Channels), Starz Distribution and Starz Animation operating segments.

Starz Entertainment

Starz Entertainment's principal business includes the operations of our Starz Networks operating segment. Starz Networks is a leading provider of premium subscription video programming to MVPDs, including cable operators (such as Comcast and Time Warner Cable), satellite television providers (such as DIRECTV and Dish Network), and telecommunications companies (such as AT&T and Verizon). Starz Networks' flagship premium networks are *Starz* and *Encore*. As of December 31, 2012, these networks were available for subscription in approximately 100 million U.S. multichannel households, defined as households subscribing to services offered by MVPDs, as well as over the internet. As of December 31, 2012, Starz Networks had 21.2 million *Starz* subscribers and 34.8 million *Encore* subscribers. Starz Networks' subscriber numbers do not include subscribers who receive *Starz* programming over the internet or who receive our programming free as part of a promotional offer. Our third network, *MoviePlex*, offers a variety of library content, art house, independent films and classic movies. *Starz* and *Encore*, along with *MoviePlex*, air over 1,000 movies monthly across 17 linear channels complemented by On Demand and internet services.

Starz Entertainment's financial results also include the ancillary revenue and expenses related to Starz Networks' original programming content that is managed within our Starz Media subsidiary. Starz Entertainment pays Starz Media a distribution fee for managing its original content.

Starz Media and Other Businesses

Starz Media and Other Businesses include the operations of our Starz Distribution and Starz Animation operating segments. As discussed above, the ancillary revenue and expenses of the Starz Networks' original programming content is managed by Starz Media through the Starz Distribution

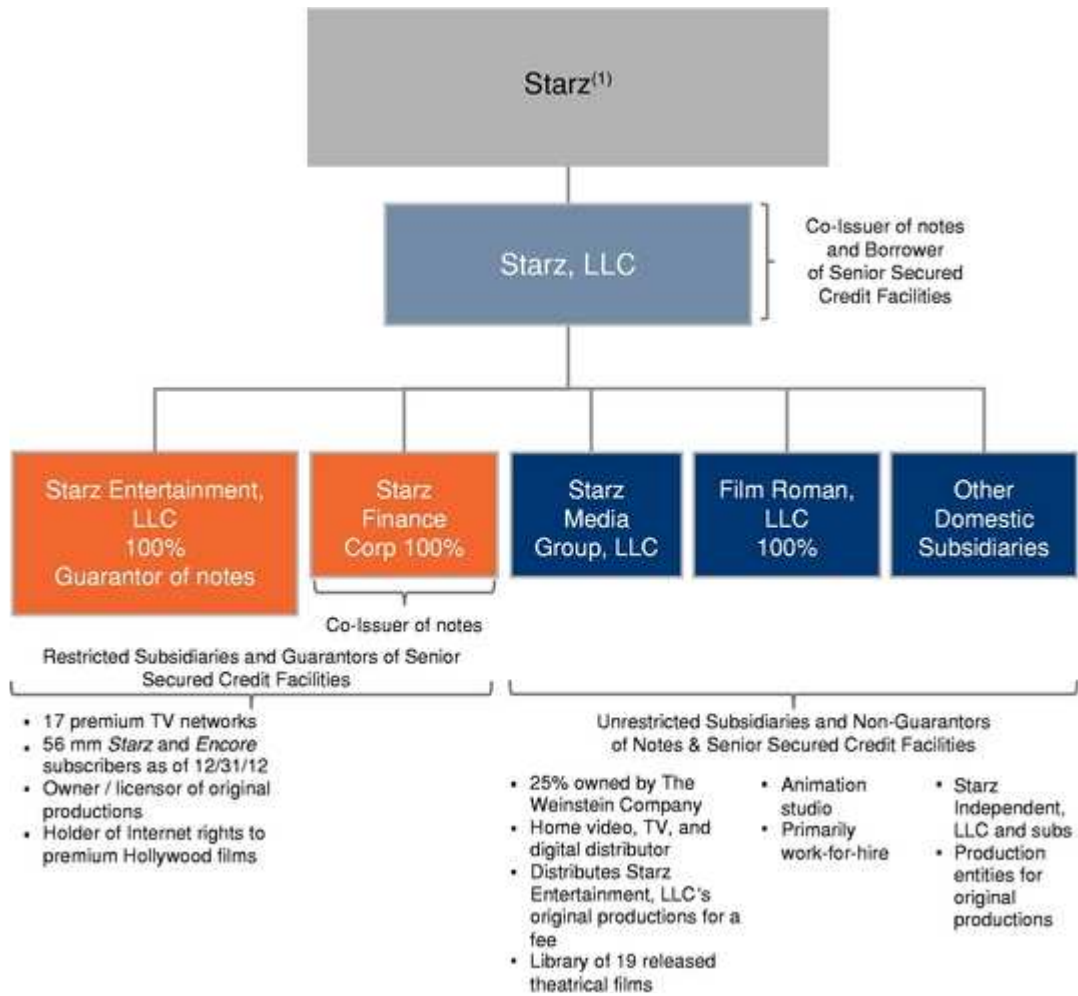
operating segment for a distribution fee. Starz Distribution includes our Home Video, Digital Media and Worldwide Distribution businesses. A summary of the businesses included within Starz Media and Other Businesses are as follows:

- **Home Video.** Through our majority-owned subsidiary Anchor Bay Entertainment, our Home Video business unit sells or rents DVDs (standard definition and Blu-ray™) under the Anchor Bay and Manga brands, in the United States, Canada, the United Kingdom, Australia and other international territories to the extent we have rights to such content in international territories. Anchor Bay Entertainment develops and produces certain of its content and also acquires and licenses various titles from third parties. Anchor Bay Entertainment also distributes other titles acquired or produced by us including the Starz Networks' original programming content, Overture Films' titles (as discussed below), and TWC's titles. These titles are sold to and distributed by regional and national retailers and other distributors, including WalMart, Target, Best Buy, Ingram Entertainment, Amazon and Netflix.
- **Digital Media.** Our Digital Media business unit performs digital distribution, licensing, syndication, content and vendor partnerships for our owned content and content for which we have licensed the digital ancillary rights (including Overture Films' titles) in the United States and throughout the world to the extent we have rights to such content in international territories. Digital Media receives fees for such services from a wide array of partners and distributors. These range from traditional MVPDs, internet/mobile distributors, game developers/publishers and consumer electronics companies. Digital Media also distributes Starz Networks' original programming content and TWC's titles.
- **Worldwide Distribution.** Our Worldwide Distribution business unit exploits our owned content and content for which we have licensed ancillary rights (including Overture Films' titles) on free or pay television in the United States and throughout the world on free or pay television and other media to the extent that we have rights to such content in international territories. Worldwide Distribution also distributes Starz Networks' original programming content.
- **Animation.** Our Animation operating segment, through our wholly-owned subsidiary Film Roman, develops and produces two-dimensional animated content on a for-hire basis for distribution theatrically and on television for various third party entertainment companies.

Prior to July 2010, Starz Media also produced and acquired live action theatrical motion pictures for release domestically and throughout the world through our subsidiary Overture Films. In July 2010, we shut down Overture Films' theatrical production and distribution operations. Overture Films' library of 19 released films was retained and continues to be exploited by Starz Distribution.

ORGANIZATIONAL STRUCTURE

The following chart represents a summary of our current legal structure, excluding certain third tier subsidiaries:



- (1) Starz is not a guarantor of the notes. Starz was formerly known as Liberty Media Corporation prior to the separation described in "Starz Relationship."

STARZ RELATIONSHIP

We are a wholly-owned subsidiary of Starz (NASDAQ: STRZA, STRZB). During August 2012, the board of directors of our parent company (f/k/a Liberty Media Corporation ("Old LMC")) authorized a plan to spin-off its wholly-owned subsidiary, Liberty Spinco, Inc. ("Liberty Spinco") (the "Spin-Off"), which at the time of the Spin-Off, would hold all of the businesses, assets and liabilities of Old LMC not associated with the businesses of Starz, LLC (with the exception of Starz, LLC's Englewood, Colorado corporate office building). On January 11, 2013, the Spin-Off was effected in a tax free manner through the distribution, by means of a pro-rata dividend of shares of Liberty Spinco to the stockholders of Old LMC. As a result, Liberty Spinco became a separate public company on January 11, 2013 and was renamed Liberty Media Corporation ("New LMC"). In connection with the Spin-Off, the parent company of Starz, LLC was renamed "Starz". Unless the context otherwise requires, Old LMC is used to refer to Starz, LLC's parent company when events or circumstances being described occurred prior to the Spin-Off and Starz is used to refer to Starz, LLC's parent company when events or circumstances being described occurred following the Spin-Off.

In connection with the Spin-Off, Starz, LLC distributed \$1.8 billion in cash to Old LMC (paid as follows: \$100.0 million on July 9, 2012, \$250.0 million on August 17, 2012, \$50.0 million on September 4, 2012, \$200.0 million on November 16, 2012 and \$1.2 billion on January 10, 2013) funded by a combination of cash on hand and \$550.0 million of borrowings under Starz, LLC's senior secured revolving credit facility. Such distributed cash was contributed to New LMC prior to the Spin-Off. Additionally, in connection with the Spin-Off, Starz, LLC distributed its Englewood, Colorado corporate office building and related building improvements to Old LMC (and Old LMC transferred such building and related improvements to a subsidiary of New LMC) and then leased back the use of such facilities from this New LMC subsidiary. Following the Spin-Off, New LMC and Starz operate independently, and neither have any stock ownership, beneficial or otherwise, in the other.

RECENT DEVELOPMENTS

On January 8, 2013, we launched an exchange offer pursuant to which we offered to exchange the existing 5.00% senior notes for a new issue of substantially identical notes in a transaction registered under the Securities Act. The exchange offer closed on February 14, 2013, at which time we exchanged \$499,585,000 principal amount of the existing 5.00% senior notes for new exchange notes. If for any reason this exchange offer does not close, then we cannot guarantee that the notes will bear the same CUSIP number as the existing 5.00% senior notes. If the notes do not bear the same CUSIP number as the existing 5.00% senior notes, trading in the notes offered hereby may be negatively affected. See "Risk Factors—Risk Factors Related to the Notes—In the event that we and the guarantors fail to have the notes registered with the SEC, the notes offered hereby and the existing 5.00% senior notes will trade separately and will not be fungible."

CORPORATE INFORMATION

Starz, LLC is a Delaware limited liability company, Starz Finance Corp. is a Delaware corporation and Starz Entertainment, LLC is a Colorado limited liability company, each with principal executive offices located at 8900 Liberty Circle, Englewood, Colorado 80112. Our main telephone number at that location is (720) 852-7700.

THE EXCHANGE OFFER

On February 8, 2013, we completed a private offering of the original notes in reliance on Section 4(2) of the Securities Act, and Rule 144A thereunder. As part of that offering, we entered into a registration rights agreement with the initial purchasers of the original notes, which we refer to as the registration rights agreement, in which we agreed, among other things, to offer to exchange the original notes for the exchange notes. The following is a summary of the principal terms of the exchange offer. A more detailed description is contained in the section of this prospectus entitled "The Exchange Offer."

Original Notes

\$175.0 million aggregate principal amount of 5.00% Senior Notes due September 15, 2019, which were issued in a private placement on February 8, 2013.

Exchange Notes

5.00% Senior Notes due September 15, 2019. The terms of the exchange notes are substantially identical to the terms of the original notes, except that the exchange notes are registered under the Securities Act, and the transfer restrictions, registration rights and related special interest provisions applicable to the original notes will not apply to the exchange notes.

Exchange Offer

Pursuant to the registration rights agreement, we are offering to exchange up to \$175.0 million principal amount of our exchange notes that have been registered under the Securities Act for an equal principal amount of our original notes.

The exchange notes will evidence the same debt as the original notes, including principal and interest, and will be issued under and be entitled to the benefits of the same indenture that governs the original notes. Holders of the original notes do not have any appraisal or dissenter's rights in connection with the exchange offer. Because the exchange notes will be registered, the exchange notes will not be subject to transfer restrictions and holders of original notes that tender and have their original notes accepted in the exchange offer will no longer have registration rights or the right to receive the related special interest under the circumstances described in the registration rights agreement.

Expiration Date

The exchange offer will expire at 5:00 p.m., New York City time, on May 23, 2013, which we refer to as the "Expiration Date," unless we decide to extend it or terminate it early. We do not currently intend to extend the exchange offer. A tender of original notes pursuant to this exchange offer may be withdrawn at any time on or prior to the Expiration Date if we receive a valid written withdrawal request before the expiration of the exchange offer.

Conditions to the Exchange Offer

The exchange offer is subject to customary conditions, which we may, but are not required to, waive. We will not be required to accept for exchange, or to issue exchange notes in exchange for, any original notes, and we may terminate or amend the exchange offer if we determine in our reasonable judgment that the exchange offer would violate applicable law or any applicable interpretation of the staff of the SEC. Please see "The Exchange Offer—Conditions to the Exchange Offer" for more information regarding the conditions to the exchange offer. We reserve the right, in our sole discretion, to waive any and all conditions to the exchange offer on or prior to the Expiration Date.

Procedures for Tendering Original Notes

To participate in the exchange offer, on or prior to the Expiration Date you must tender your original notes by using the book-entry transfer procedures described in "The Exchange Offer—Procedures for Tendering Original Notes," including transmission or delivery to the exchange agent of an agent's message or a properly completed and duly executed letter of transmittal, with any required signature guarantee. In order for a book-entry transfer to constitute a valid tender of your original notes in the exchange offer, U.S. Bank National Association, as registrar and exchange agent, must receive a confirmation of book-entry transfer of your original notes into the exchange agent's account at The Depository Trust Company prior to the Expiration Date. By signing or agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

- you are acquiring exchange notes in the ordinary course of business of you and any beneficial owner of the exchange notes;

- you are not engaged in, and you do not intend to engage in, and you have no arrangement or understanding with any person or entity to participate in a distribution of the exchange notes;
- you are transferring good and marketable title to the original notes free and clear of all liens, security interests, encumbrances, or rights or interests of others except your own;
- if you are a broker-dealer that will receive exchange notes for your own account in exchange for original notes that were acquired by you as a result of market-making or other trading activities, that you will deliver a prospectus, as required by law, in connection with any resale of your exchange notes; and
- you are not our "affiliate" as defined in Rule 405 of the Securities Act. If you are a broker-dealer, you may not participate in the exchange offer as to any original notes you purchased directly from us.

Withdrawal

You may withdraw any original notes tendered in the exchange offer by sending the exchange agent notice of withdrawal at any time prior to 5:00 p.m., New York City time, on the Expiration Date. If we decide for any reason not to accept any original notes tendered for exchange or to withdraw the exchange offer, the original notes will be returned promptly after the expiration or termination of the exchange offer. For further information regarding the withdrawal of tendered original notes, please see "The Exchange Offer—Withdrawal of Tenders."

Acceptance of Original Notes and Delivery of Exchange Notes

If you fulfill all conditions required for proper acceptance of the original notes, we will accept any and all original notes that you properly tender in the exchange offer before 5:00 p.m., New York City time, on the Expiration Date. For more information, please read "The Exchange Offer—Terms of the Exchange Offer."

United States Federal Income Tax Considerations

The exchange of exchange notes for original notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes. Please see "United States Federal Income Tax Consequences" for more information regarding the tax consequences to you of the exchange offer.

Use of Proceeds

The issuance of the exchange notes will not provide us with any new proceeds. We are making this exchange offer solely to satisfy our obligations under the registration rights agreement we entered into with the initial purchasers of the original notes.

Fees and Expenses

We will pay all expenses incident to the exchange offer.

Exchange Agent

We have appointed U.S. Bank National Association as our exchange agent for the exchange offer. You should tender your notes, direct questions and requests for assistance and requests for additional copies of this prospectus (including the letter of transmittal) to the exchange agent as follows:

Delivery by Mail:

U.S. Bank National Association
60 Livingston Avenue—EP—MN—WS2N
St. Paul, MN 55107-2292
Attention: Specialized Finance

Courier or Overnight Delivery:

U.S. Bank National Association
111 Fillmore Avenue
St. Paul, MN 55107-1402
Attention: Specialized Finance

To Confirm by Telephone or for Information:

(651) 466-7150

Facsimile Transmissions:

(651) 466-7372

You can find more information regarding the exchange agent elsewhere in this prospectus under the caption "The Exchange Offer—Exchange Agent."

Resales of Exchange Notes

Based on interpretations by the staff of the SEC, as set forth in no-action letters issued to third parties, we believe that the exchange notes you receive in the exchange offer may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act so long as certain conditions are met. See "The Exchange Offer—Resale of Exchange Notes" and "Plan of Distribution" for more information regarding resales.

Consequences of Not Exchanging Your Original Notes

If you do not exchange your original notes in this exchange offer, you will continue to hold unregistered original notes and you will no longer be entitled to registration rights or the special interest provisions related thereto, except in the limited circumstances set forth in the registration rights agreement. See "The Exchange Offer—Consequences of Failure to Exchange." In addition, you will not be able to resell, offer to resell or otherwise transfer your original notes unless you do so in a transaction exempt from the registration requirements of the Securities Act and applicable state securities laws or unless we register the offer and resale of your original notes under the Securities Act. Following the exchange offer, we will be under no obligation to register your original notes, except under the limited circumstances set forth in the registration rights agreement.

For information regarding the limited circumstances under which we may be required to file a registration statement after this exchange offer and the consequences of not tendering your original notes in this exchange offer, please see "The Exchange Offer—Consequences of Failure to Exchange".

Additional Documentation; Further Information; Assistance

Any questions or requests for assistance or additional documentation regarding the exchange offer may be directed to the exchange agent at the number set forth above. Beneficial owners of original notes should contact their broker, dealer, commercial bank, trust company or other nominee for assistance in tendering their original notes in the exchange offer.

TERMS OF THE EXCHANGE NOTES

The terms of the exchange notes and those of the outstanding original notes are substantially identical, except that the exchange notes are registered under the Securities Act, and the transfer restrictions, registration rights and related special interest provisions applicable to the original notes will not apply to the exchange notes. The exchange notes represent the same debt as the original notes for which they are being exchanged. Both the original notes and the exchange notes are governed by the same indenture.

Issuers

Starz, LLC and Starz Finance Corp. (together, the "Issuers").

Starz Finance Corp., a Delaware corporation, is a wholly-owned subsidiary of Starz, LLC that has been formed for the sole purpose of co-issuing the existing 5.00% senior notes, the notes offered hereby and the notes issued in any future offerings. Starz Finance Corp. does not and will not have any operations, assets or subsidiaries of its own and does not and will not have any revenue.

Notes Offered

\$175.0 million aggregate principal amount of 5.00% senior notes due 2019.

Maturity

The notes will mature on September 15, 2019.

Interest Payment Dates

Interest will be payable, entirely in cash, semi-annually, in arrears, on March 15 and September 15 of each year, beginning on March 15, 2013. Interest will accrue from September 13, 2012.

Guarantees

The notes will be guaranteed, jointly and severally, on a senior basis, by each of our existing and future subsidiaries that guarantee the obligations under our senior secured credit facilities. Initially, Starz Entertainment will be the only guarantor of the notes.

See "Description of Notes—Note Guarantees."

Ranking

The notes will rank equally in right of payment to all of our existing and future senior obligations and senior in right of payment to all of our existing and future subordinated obligations. The guarantees will rank equally in right of payment with the guarantors' existing and future senior obligations and senior in right of payment to their existing and future subordinated obligations. The notes and guarantees will be effectively subordinated to any existing and future secured obligations to the extent of the value of the assets securing the obligations, including indebtedness under our senior secured credit facilities. The notes and guarantees will be structurally subordinated to all the liabilities of any of our subsidiaries that do not guarantee the notes. See "Description of Notes—Ranking."

Optional Redemption

We may redeem some or all of the notes at any time on or after September 15, 2015 at the redemption prices set forth in "Description of Notes—Optional Redemption." We may also redeem up to 35% of the aggregate principal amount of the notes using the proceeds from certain equity offerings completed before September 15, 2015. In addition, prior to September 15, 2015, we may redeem the notes, in whole or from time to time in part, at a redemption price equal to 100% of the principal amount of the notes plus accrued and unpaid interest, if any, to the applicable redemption date plus the applicable "make-whole" premium set forth in "Description of Notes."

Change of Control

If we experience specific kinds of changes of control, we will be required to make an offer to purchase the notes at a purchase price of 101% of the principal amount thereof, plus accrued and unpaid interest to the purchase date. See "Description of Notes—Change of Control."

Certain Covenants

The indenture governing the notes will restrict our ability and the ability of our restricted subsidiaries to, among other things:

- incur additional debt;
- pay dividends and make certain distributions, investments and other restricted payments;
- create certain liens or use assets as security in other transactions;
- transfer or sell assets;

- change our line of business;
- enter into transactions with affiliates;
- limit the ability of restricted subsidiaries to make payments to us;
- enter into sale and leaseback transactions;
- merge, consolidate, sell or otherwise dispose of all or substantially all of our assets; and
- designate subsidiaries as unrestricted subsidiaries.

These covenants are subject to important exceptions and qualifications. See "Description of Notes—Certain Covenants."

If the notes are assigned investment grade ratings by both Moody's and Standard & Poor's and no default or event of default has occurred and is continuing, certain covenants will be eliminated. The eliminated covenants will not be reinstated if the notes subsequently fail to be rated investment grade. See "Description of Notes—Certain Covenants—Fall-Away Event."

Transfer Restrictions

The notes generally will be freely transferable.

No Listing

The notes will not be listed on any securities exchange or quoted on any quotation system. Although the initial purchasers of the original notes have informed us that they intend to make a market in the notes (and they are currently making a market in the existing 5.00% senior notes), they are not obligated to do so and may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the notes will be maintained.

Form and Denomination

The notes will be book-entry only and registered in the name of DTC or its nominee. The notes will be issuable in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Risk Factors

See "Risk Factors" beginning on page 13 and the other information contained in this prospectus for a discussion of factors you should carefully consider prior to making an investment decision regarding the notes.

For additional information regarding the notes, see the "Description of Notes" section of this prospectus.

RISK FACTORS

An investment in the notes involves a high degree of risk. You should carefully consider the risks and uncertainties described below, as well as the other information included in this prospectus, before making an investment in the notes. The risks described below are not the only ones facing our company. In the event any of the following risks actually occurs, our business, financial condition and results of operations could be materially adversely affected. The value of the notes could decline due to any of these risks, and you may lose all or part of your investment in the notes. The risks described below are those that we currently believe may materially affect us. Additional risks not presently known to us, or that we currently consider immaterial, may also materially adversely affect us.

This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this prospectus. See "Cautionary Note Regarding Forward-Looking Statements."

Risks Related to our Business

If economic instability persists in the U.S. or in other parts of the world, our results of operations could be adversely affected.

Our business is affected by prevailing economic conditions. Financial instability or a general decline in economic conditions in the U.S. could affect our business in an adverse manner. Decreases in U.S. consumer discretionary spending, which is sensitive to general economic conditions, may affect cable television and other video service subscriptions, in particular with respect to digital programming packages on which our *Encore* and *Movieplex* networks are sometimes carried and premium video programming packages and premium *a-la-carte* where our *Starz* networks are typically carried. This reduction in spending could lead to a decrease in the number of subscribers to our networks from MVPDs, which would have a materially adverse impact on our business, financial condition and results of operations.

We depend on MVPDs that carry our programming, and no assurance can be given that we will be able to maintain and renew our affiliation agreements on favorable terms or at all.

We currently distribute our programming through affiliation agreements with many MVPDs, including Comcast, DIRECTV, Dish Network, Time Warner Cable, Charter, Cox, Cablevision, AT&T and Verizon. Our affiliation agreements with distributors are scheduled to expire at various dates through 2019. We agreed to multi-year extensions with several of our distributors during the fourth quarter of 2012. The financial terms of the extensions with two distributors are generally less favorable than the financial terms in the prior affiliation agreements. These less favorable financial terms would have resulted in an approximate reduction of 3% of Starz Networks' revenue for the year ended December 31, 2012, on a pro forma basis, had the extended agreements been in effect on January 1, 2012. The agreements with each of these two distributors provide for contractually agreed upon increases in the amounts we receive on an annual basis beginning on the first anniversary of the extensions. The largest MVPDs have significant leverage in their relationship with certain programming networks. As of December 31, 2012, the two largest cable distributors provided service to approximately 34% of U.S. multichannel households, while the two largest direct broadcast satellite distributors provided service to an additional 34% of such households. Further consolidation among MVPDs could increase this leverage.

In some cases, if a distributor is acquired, the affiliation agreement of the acquiring distributor will govern following the acquisition. In those circumstances, the acquisition of a distributor that is party to affiliation agreements with us that are more favorable to us would adversely impact our business, financial condition and results of operations.

The renewal negotiation process for affiliation agreements is typically lengthy. In certain cases, renewals are not agreed upon prior to the expiration of a given agreement, while the programming continues to be carried by the relevant distributor pursuant to the other terms and conditions in the affiliation agreement. We may be unable to obtain renewals with our current distributors on acceptable terms, if at all. We may also be unable to successfully negotiate affiliation agreements with new or existing distributors to carry our programming. Although we consider our current levels of distribution pursuant to affiliation agreements with terms expiring during 2013 to be ordinary course, the failure to successfully renew or negotiate new affiliation agreements covering a material portion of multichannel television households could result in a discontinuation of carriage that would materially adversely affect our subscriber growth, revenue and earnings which would materially adversely affect our business, financial condition and results of operations.

Because a limited number of MVPDs account for a large portion of our business, the loss of any significant distributor would materially adversely affect our business, financial condition and results of operations.

Our programming networks depend upon agreements with a limited number of MVPDs. For the year ended December 31, 2012, Comcast and DIRECTV each accounted for at least 10% of Starz, LLC's revenue. The loss of any significant distributor would have a materially adverse effect on our business, financial condition and results of operations.

Occasionally we have disputes with our distributors over the terms of our carriage, such as how the distributor markets our services (such as free offers), or other contract terms. If not resolved through business negotiation, such disputes could result in litigation or termination of an existing agreement. Termination of a significant existing agreement resulting in the loss of distribution of our programming to a material portion of our multichannel television households would materially adversely affect our subscriber growth, revenue and earnings and have a materially adverse effect on our business, financial condition and results of operations. See "Business—Legal Proceedings."

Increasing rates paid by MVPDs to other programmers may result in increased rates charged to their subscribers for their services, making it more costly for subscribers to purchase our Starz and Encore services, which may result in fewer subscribers to our services and may materially adversely affect our business, financial condition and results of operations.

The amounts paid by MVPDs to certain programming networks for the rights to carry broadcast networks and sports networks have increased substantially in recent years. As a result, MVPDs have passed on some of these increases to their subscribers. The rates that subscribers pay for programming from MVPDs continue to increase each year and these increases may impact our ability, as a premium subscription video provider, to increase or even maintain our subscriber levels and may adversely impact our revenue and earnings which would have a materially adverse effect on our business, financial condition and results of operations.

We depend on our distributors to market our networks and other services, the lack of which may result in reduced customer demand.

At times, certain of our distributors do not allow us to participate in cooperative marketing campaigns to market our networks and services. Our inability to participate in the marketing of our networks and other services may put us at a competitive disadvantage. Also, our distributors are often focused more on marketing their bundled service offerings (video, Internet and telephone) than premium video services. If our distributors do not sign up new subscribers to our networks, we may lose subscribers which would have a materially adverse effect on our business, financial condition and results of operations.

We may not be able to adapt to new content distribution platforms and to changes in consumer behavior resulting from these new technologies, which may materially adversely affect our business, financial condition and results of operations.

We must successfully adapt to technological advances in our industry, including the emergence of alternative distribution platforms. Our ability to exploit new distribution platforms and viewing technologies will affect our ability to maintain or grow our business and may increase our capital expenditures. Additionally, we must adapt to changing consumer behavior driven by advances such as digital video recorders (or "DVRs"), video-on-demand, Internet-based content delivery, Blu-ray™ players and mobile devices. Such changes may impact the revenue we are able to generate from our traditional distribution methods by decreasing the viewership of our programming networks on cable and other MVPD systems. If we fail to adapt our distribution methods and content to emerging technologies, our appeal to our targeted audiences might decline and there would be a materially adverse effect on our business, financial condition and results of operations.

Our business depends on the appeal of our programming to our distributors and our viewers, which is difficult to predict.

Our business depends in part upon viewer preferences and audience acceptance of the programming on our networks. These factors are difficult to predict, and subject to influences that are beyond our control, such as the quality and appeal of competing programming, general economic conditions and the availability of other entertainment activities. We may not be able to anticipate and react effectively to shifts in tastes and interests in our markets. A change in viewer preferences could cause our programming to decline in popularity, which could jeopardize renewal of our contracts with MVPDs. In addition, our competitors may have more flexible programming arrangements, as well as greater amounts of available content, distribution and capital resources, and may be able to react more quickly than we can to shifts in tastes and interests.

To an increasing extent, the success of our business depends on exclusive original programming and our ability to accurately predict how audiences will respond to our original programming. Because original programming often involves a greater degree of financial commitment, as compared to acquired programming that we license from third parties, and because our network branding strategies depend significantly on a relatively small number of original programs, a failure to anticipate viewer preferences for such programs could be especially detrimental to our business.

In addition, theatrical feature films constitute a significant portion of the programming on our *Starz* and *Encore* programming networks. In general, the popularity of feature-film content on linear television is declining, due in part to the broad availability of such content through an increasing number of distribution platforms prior to our linear window. Should the popularity of feature-film programming suffer significant further declines, we may lose subscribership or be forced to rely more heavily on original programming, which could increase our costs.

If our programming does not gain the level of audience acceptance we expect, or if we are unable to maintain the popularity of our programming, we may have a diminished negotiating position when dealing with distributors, which could reduce our revenue and earnings. We cannot assure you that we will be able to maintain the success of any of our current programming, or generate sufficient demand and market acceptance for our original programming. This would materially adversely impact our business, financial condition and results of operations.

Our programming networks' success depends upon the availability of programming that is adequate in quantity and quality, and we may be unable to secure or maintain such programming.

Our programming networks' success depends upon the availability of quality programming, particularly original programming and films, that is suitable for our target markets. While we produce

some of our original programming, we obtain most of our programming (including some of our original programming, films and other acquired programming) through agreements with third parties that have produced or control the rights to such programming. These agreements expire at varying times and may be terminated by the other party if we are not in compliance with their terms.

We compete with other programming networks to secure desired programming. Competition for programming has increased as the number of programming networks has increased. Other programming networks that are affiliated with programming sources such as movie or television studios or film libraries may have a competitive advantage over us in this area. In addition to other cable programming networks, we also compete for programming with national broadcast television networks, local broadcast television stations video-on-demand services and Internet-based content delivery services such as Netflix, iTunes, Amazon and Hulu. Some of these competitors have exclusive contracts with motion picture studios or independent motion picture distributors or own film libraries. In December 2012, The Walt Disney Company ("Disney") informed us that it would not extend its licensing agreement with us beyond its expiration on December 31, 2015. We will continue to receive films from Disney's Walt Disney Pictures, Walt Disney Animation Studios, Disney-Pixar, Touchstone Pictures, Marvel Entertainment and Hollywood Pictures labels through December 31, 2015 with initial license periods for such films extending into 2017. We are evaluating our options with respect to replacement of the Disney content following expiration of the licensing agreement, including the production of additional original content.

We cannot assure you that we will ultimately be successful in negotiating renewals of our programming rights agreements or in negotiating adequate substitute agreements. In the event that these agreements expire or are terminated and are not replaced by programming content, including additional original programming, acceptable to our distributors and subscribers, it would have a materially adverse impact on our business, financial condition and results of operations.

We have entered into long-term output licensing agreements that require substantial payments over long periods of time.

We have entered into long-term agreements to acquire theatrical releases from Disney and Sony Pictures Entertainment, Inc. ("Sony"). Such agreements expire at December 31, 2015 and 2021, respectively. Each agreement requires us to pay for films released by each studio at rates calculated on a pricing grid that is based on the film's domestic box office performance (subject to maximum amounts payable per film and a cap on the maximum number of films that can be put to us each year), and the amounts payable over the term of the respective agreements will be substantial. We believe that the theatrical performance of the films we will receive under the agreements will perform at levels consistent with the performance of films we have received from Disney and Sony in the past. We also assume a certain number of annual releases of first run films by Disney and Sony's studios consistent with the number we received in 2012. Should the films perform at higher levels across the slate of films we receive or the quantity of films increase, then our payment obligations under these agreements would increase and would have a materially adverse effect on our business, financial condition and results of operations.

Changes in foreign, state and local tax incentives may increase the cost of original programming content to such an extent that they are no longer feasible.

Original programming requires substantial financial commitment. In some cases the financial commitment can be offset by foreign, state or local tax incentives. However, there is a risk as the result of current economic conditions that the tax incentives will not remain available for the duration of a series. If tax incentives are no longer available or reduced substantially, it may result in increased costs for us to complete the production or make the production of additional seasons more expensive. If we

are unable to produce original programming content on a cost effective basis our business, financial condition and results of operations may be materially adversely affected.

We are subject to intense competition, which may have a negative effect on our profitability or on our ability to expand our business.

The cable programming industry is highly competitive. Our *Starz* and *Encore* networks compete with other programming networks and other types of video programming services for marketing and distribution by MVPDs. We face competition from other providers of programming networks for the right to be carried by a particular MVPD and for the right to be carried by such distributor on a particular "tier" or in a particular "package" of service.

Certain programming networks affiliated with broadcast networks like ABC, CBS, Fox or NBC or other programming networks affiliated with sports and certain general entertainment networks with strong viewer ratings have a competitive advantage over our programming networks in obtaining distribution through the "bundling" of carriage agreements for such programming networks with a distributor's right to carry the affiliated broadcasting network. In addition, our ability to compete with certain programming networks for distribution may be hampered because the MVPDs through which we seek distribution may be affiliated with these programming networks. Because such distributors may have a substantial number of subscribers, the ability of such programming networks to obtain distribution on the systems of affiliated distributors may lead to increased revenue for these programming networks because of their increased penetration compared to our programming networks. Even if the affiliated distributors carry our programming networks, they may place their affiliated programming network on a more desirable tier or programming package, thereby giving their affiliated programming network a competitive advantage over our own which would have a materially adverse effect on our business, financial condition and results of operations.

Any continued or permanent inability to transmit our programming via satellite would result in lost revenue and could result in lost subscribers.

Our success is dependent upon our continued ability to transmit our programming to MVPDs from our satellite uplink facility, which transmissions are subject to FCC compliance in the U.S. We have entered into long-term satellite transponder leases that expire between 2018 and 2021 in the U.S. for carriage of our network's programming. These leases provide for the continued carriage of our programming on available replacement transponders and/or replacement satellites, as applicable, throughout the term of the leases, in the event of a failure of either the transponders and/or satellites currently carrying our programming. Although we believe we take reasonable and customary measures to ensure continued satellite transmission capability, termination or interruption of satellite transmissions may occur and would have a materially adverse effect on our business, financial condition and results of operations.

Despite our efforts to secure transponder capacity with long-term satellite transponder leases, there is a risk that when these leases expire, we may not be able to secure capacity on a transponder or may not be able to secure capacity on a transponder on the same or similar terms. This may result in an inability to transmit the content and could result in significant lost revenue and lost subscribers and would have a materially adverse effect on our business, financial condition and results of operations.

If our technology facility fails or its operations are disrupted, our performance could be hindered.

Our programming is transmitted from our uplink center in Englewood, Colorado. We use this center for a variety of purposes, including signal processing, satellite uplinking, program editing, promotions, creation of programming segments (i.e., interstitials) to fill short gaps between featured programs, quality control, and live and recorded playback. Like other facilities, this facility is subject to

interruption from fire, lightning, adverse weather conditions and other natural causes. Equipment failure, employee misconduct or outside interference could also disrupt the facility's services. We have made arrangements at a third party facility to uplink our linear channels to our satellites in the event we are unable to do so from this facility. However, any significant interruption at our facility, and any failure by our third party facility to perform as intended, could have a materially adverse effect on our business, financial condition and results of operations.

Piracy of films and television programs is an increasingly prevalent problem and could adversely affect our business over time.

Piracy is prevalent in many parts of the world and has been made easier in recent years by the availability of digital copies of content and technological advances allowing conversion of films into digital formats, which facilitates the creation, transmission and sharing of high quality unauthorized copies of films. Piracy has long-term implications for our business, as it may eventually force film studios to invest less in films, resulting in the release of fewer films and/or an increase in the use of other channels for releasing films. If film piracy were to increase, it would have a materially adverse effect on our business, financial condition and results of operations.

We may fail to adequately protect our intellectual property rights or may be accused of infringing intellectual property rights of third parties.

We regard our intellectual property rights, including service marks, trademarks, domain names, copyrights (including our programming and our websites), trade secrets and similar intellectual property, as critical to our success. Our business also relies heavily upon software codes, informational databases and other components that aid in the provision of our networks to our MVPDs.

From time to time, we are subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of the trademarks, patents, copyrights and other intellectual property rights of third parties. In addition, litigation may be necessary to enforce our intellectual property rights, protect trade secrets or to determine the validity and scope of proprietary rights claimed by others. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business, financial condition and results of operations. Our failure to protect our intellectual property rights, particularly our brand, in a meaningful manner or challenges to related contractual rights could result in erosion of our brand and limit our ability to control marketing of our networks, which could have a materially adverse effect on our business, financial condition and results of operations.

The loss of any of our key personnel and artistic talent could adversely affect our business.

We believe that our future success will depend to a significant extent upon the performance of our senior executives. We do not maintain "key man" insurance. In addition, we depend on the availability of a number of writers, directors, producers and others, who are employees of third-party production companies that create our original programming. The loss of any significant personnel or talent could have a materially adverse effect on our business, financial condition and results of operations.

Labor disputes may disrupt our operations and adversely affect the profitability of our business.

Certain of our production employees at our Film Roman subsidiary are covered by collective bargaining agreements. In addition, our content providers' talent, including writers, directors, actors and production personnel and those working on our original productions, may be covered by labor agreements. In general, a labor dispute involving our employees, the employees of our subsidiaries, or talent involved in content production at our content providers or working on our original productions

may disrupt our operations or result in work stoppages. Labor disputes may impair our ability to complete our original productions or restrict our access to available content, resulting in increased costs and decreased revenue which would have an adverse effect on our business, financial condition and results of operations. The resolution of labor disputes can be costly. Additionally, we cannot assure that we will renew our collective bargaining agreements as they expire or that we can renew them on favorable terms without any work stoppages. Such labor disputes may have a materially adverse effect on our business, financial condition and results of operations.

Our business is limited by regulatory constraints which may adversely impact our operations.

Although our business generally is not directly regulated by the FCC, under the Communications Act of 1934 and the 1992 Cable Act, there are certain FCC regulations that govern our business either directly or indirectly. See "Narrative Description of Business—Regulatory Matters." Furthermore, to the extent that regulations and laws, either presently in force or proposed, hinder or stimulate the growth of the cable television and satellite industries, our business will be affected.

The regulation of cable television services and satellite carriers is subject to the political process and has been in constant flux over the past two decades. Further material changes in the law and regulatory requirements must be anticipated. We cannot assure you that we will be able to anticipate material changes in laws or regulatory requirements or that future legislation, new regulation or deregulation will not have a materially adverse effect on our business, financial condition and results of operations.

Our Starz Distribution operating segment is subject to intense competition, which may have a materially adverse effect on our profitability or on our ability to expand our business.

The home entertainment industry is highly competitive. Our Home Video, Digital Media and Worldwide Distribution businesses compete to sell DVDs and other media (e.g., digital and television programs) with all of the major Hollywood studios, including Disney, Paramount, Sony, Twentieth Century Fox, Universal and Warner Bros. as well as smaller studios such as Lionsgate. All of these studios distribute their theatrical, television and titles acquired from third parties on DVD and other media and have marketing budgets that are well in excess of the amounts we are able to spend to market our content. We also compete with independent home entertainment distributors that are not affiliated with a Hollywood studio such as Entertainment One, Gaia Media, RLJ Entertainment and Magnolia Pictures.

In addition to competing with these parties for ultimate consumer sales of DVDs and other media, we also compete with them for "placement" at retailers and other distributors. Placement refers to the location in a store or on a website where our content is placed for sale as well as the actual amount of physical shelf space allotted to a release. The better the location and the more space we are allotted the greater the chance our content will be seen by the consumer and ultimately purchased. The quality and quantity of titles as well as the quality of our marketing programs determines how much shelf space we are able to garner at any given time as retailers and other distributors look to maximize DVD and other media sales.

We compete with Hollywood studios and other distributors that may have certain competitive advantages over us to acquire the rights to sell or rent DVDs and other media. Our ability to license and produce quality content in sufficient quantities has a direct impact on our ability to acquire shelf space at retail locations and on websites. Some of our competitors, including the Hollywood studios, are large publicly held companies that have greater financial resources than we do. In addition, most of our content is obtained through agreements with other parties that have produced or own the rights to such content, while Hollywood studios produce most of the content they distribute.

Our DVD sales and other media sales are also impacted by the myriad of choices consumers have to view entertainment content, including over-the-air broadcast television, cable television networks, Internet-based video and other online services, mobile services, radio, print media, motion picture theaters and other sources of information and entertainment. The increasing availability of content from these varying media outlets may reduce our ability to sell DVDs and other media in the future, particularly during difficult economic conditions such as we have seen in the past couple of years.

Risks Related to the Spin-Off

We may be subject to significant obligations related to the Spin-Off.

In connection with the Spin-Off, our parent company Old LMC received an IRS private letter ruling (the "Ruling") and an opinion of tax counsel, in each case to the effect that the Spin-Off would qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code (the "Code"). Although the Ruling is generally binding on the IRS, the Ruling does not address certain requirements necessary to obtain tax-free treatment to Starz and its shareholders as a result of the IRS's ruling policy with respect to transactions under Section 355 of the Code (and instead is based upon representations made by Old LMC that these requirements have been satisfied), and the continuing validity of the Ruling is subject to the accuracy of representations and factual statements made by Old LMC to the IRS. Further, an opinion of tax counsel is not binding on the IRS or the courts, and the conclusions expressed in such opinion could be challenged by the IRS, and a court could sustain such challenge. If it is subsequently determined, for whatever reason, that the Spin-Off does not qualify for tax-free treatment, Starz and the holders of its common stock could incur significant tax liabilities.

Prior to the Spin-Off, Old LMC entered into a tax sharing agreement with Liberty Spinco, now New LMC. Under this agreement, New LMC is generally required to indemnify Starz for any or all of the tax liabilities resulting from the Spin-Off if the Spin-Off fails to be a tax-free transaction. Starz, however, as the taxpaying entity, is subject to the risk of non-payment by New LMC of its indemnification obligations. Additionally, the tax sharing agreement contains a number of covenants by Starz not to take any action, or fail to take any action, following the Spin-Off, which action or failure to act is inconsistent with the Spin-Off qualifying as a tax-free transaction. Any breach of these covenants or the application of Section 355(e) of the Code to the Spin-Off as a result of the Spin-Off being part of a plan (or series of related transactions) pursuant to which one or more persons acquire a 50-percent or greater interest (measured by vote or value) in the stock of Starz could cause the entirety of the tax liabilities associated with the Spin-Off to be the obligation of Starz for which no indemnification would be available from New LMC. As a result, Starz might determine to forego certain transactions that might have otherwise been advantageous in order to preserve the tax-free treatment of the Spin-Off, including share repurchases, stock issuances, certain asset dispositions or other strategic transactions for some period of time following the Spin-Off. In particular, Starz might determine to continue to operate certain of its business operations for the foreseeable future even if a sale or discontinuance of such business might have otherwise been advantageous. In addition, Starz's obligations under the tax sharing agreement might discourage, delay or prevent a change of control transaction for some period of time following the Spin-Off.

Although we are not a party to the tax sharing agreement, Starz will have no assets other than those of our company and our subsidiaries with which to honor any of its obligations to New LMC or the IRS, as described above.

Conflicts of interest may arise between our company and our former parent company, Liberty Interactive Corporation ("LIC"), or New LMC.

We own and operate programming services that may compete with programming services offered by LIC. Old LMC and its subsidiaries (including us) were subsidiaries of LIC until the September 2011 split-off of Old LMC. QVC, a wholly-owned subsidiary of LIC, and 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 QVC and the pursuit of these opportunities by QVC may adversely affect our interests. Because Gregory B. Maffei is the Chairman of the Board of our parent company and the President and Chief Executive Officer, and a director, of LIC, a business opportunity that is presented to him may result in a conflict of interest or the appearance of a conflict of interest. Each of our parent company's directors and officers has a fiduciary duty to offer to our parent company any business opportunity that he or she may be presented in which our parent company has an interest or expectancy. The directors and officers of other issuers, including those who are also our parent company's directors and officers, owe the same fiduciary duty to such other issuers and their respective stockholders. In addition, Mr. Maffei is also the President and Chief Executive, and a director, of New LMC. Another member of our parent company's board, Charles Y. Tanabe, is a former executive officer of LIC and New LMC. These two directors continue to own LIC and New LMC stock and options to purchase LIC and New LMC stock, as well as Starz stock and options to purchase Starz stock. Management cross ownership interests could create, or appear to create, potential conflicts of interest when these individuals consider decisions that could have different implications for our parent company, on the one hand, and LIC or New LMC, on the other hand. 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, our company or our subsidiaries may enter into transactions with LIC or New LMC or any of their respective subsidiaries or affiliates. Although the terms of any such transactions or agreements will be established based upon arms'-length negotiations between the companies involved, there can be no assurance that the terms of any such transactions will be as favorable to our company or our subsidiaries as would be the case if there were no overlap in management.

Risks Relating to the Exchange Offer

If you do not properly tender your original notes, you will continue to hold unregistered notes and your ability to transfer those original notes may be adversely affected.

If you do not exchange your original notes for exchange notes in the exchange offer, you will continue to be subject to the restrictions on transfer of your original notes described in the offering memorandum distributed in connection with the private placement of the original notes. In general, you may only offer or sell the original notes if they are registered under the Securities Act and applicable state securities laws or if they are offered and sold under an exemption from those requirements. We do not plan to register the offer and resale of the original notes under the Securities Act, unless required to do so under the limited circumstances set forth in the registration rights agreement. A sale of the original notes pursuant to an exemption from the registration requirements of the Securities Act and applicable state securities law may require the delivery of an opinion of counsel to us and the registrar or co-registrar for the original notes. In addition, the issuance of the exchange notes may adversely affect the liquidity of the trading market for untendered, or tendered but unaccepted, original notes. For further information regarding the consequences of not tendering your original notes in the exchange offer, see "The Exchange Offer—Consequences of Failure to Exchange."

We will only issue exchange notes in exchange for original notes that you timely and properly tender into the exchange offer. Therefore, you should allow sufficient time to ensure timely delivery of your original notes and other required documents to the exchange agent and you should carefully follow the instructions on how to tender your original notes. Neither we nor the exchange agent are required to tell you of any defects or irregularities with respect to your tender of original notes. We may waive any defects or irregularities with respect to your tender of original notes, but we are not required to do so and may not do so. We are not offering guaranteed delivery procedures in connection with the exchange offer. See "The Exchange Offer—Procedures for Tendering Original Notes."

Some holders who exchange their original notes may be deemed to be underwriters and hence subject to subsequent transfer restrictions.

If you exchange your original notes in the exchange offer for the purpose of participating in a distribution of the exchange notes, you may be deemed to have received restricted securities and, if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction involving the exchange notes. See "The Exchange Offer—Resale of Exchange Notes" and "Plan of Distribution."

Risks Related to the Notes

We have a substantial amount of indebtedness, which could adversely affect our financial position and your investment in the notes, and prevent us from fulfilling our debt obligations, including our debt obligations under the notes.

We have a substantial amount of indebtedness. As of December 31, 2012, we had total debt of \$539.8 million, consisting of \$500.0 million of existing 5.00% senior notes, \$5.0 million of borrowings under our senior secured revolving credit facility and \$34.8 million of capital lease obligations. We also have an additional \$995.0 million available for borrowing under our senior secured revolving credit facility as of that date. On January 10, 2013, we distributed \$1.2 billion to Old LMC in connection with the Spin-Off, utilizing cash on hand and \$550.0 million of borrowings under our senior secured revolving credit facility, and such distributed cash was contributed to New LMC.

Effective January 11, 2013, in connection with the Spin-Off, we distributed our Englewood, Colorado corporate office building and related building improvements to Old LMC (and Old LMC subsequently transferred such building and related improvements to Liberty Property Holdings, Inc. ("LPH"), now a subsidiary of New LMC) and leased back the use of such facilities from LPH. In connection with such leaseback, we incurred a capital lease obligation of \$44.8 million.

On February 8, 2013, Starz, LLC and Starz Finance Corp. completed the issuance of the original notes, which were issued as additional notes under the indenture governing the existing 5.00% senior notes. The net proceeds from the issuance of the original notes were used to repay indebtedness under Starz, LLC's senior secured revolving credit facility.

We may incur significant additional indebtedness in the future. See "Unaudited Pro Forma Condensed Consolidated Financial Data."

Our level of indebtedness could limit our flexibility in responding to current market conditions, and could have a material adverse effect on our financial position, preventing us from meeting our obligations under our debt instruments, including the notes, or otherwise restricting our business activities.

The existence of and limitations on the availability of our debt could have important consequences. The existence of debt could, among other things:

- require a substantial portion of our net cash provided by operating activities to be dedicated to the payment of principal and interest on our indebtedness;

- limit our ability to use net cash provided by operating activities or obtain additional financing for future working capital, capital expenditures or other general corporate purposes, which reduces the funds available to us for operations and any future business opportunities;
- increase our vulnerability to general economic and industry conditions;
- expose us to the risk of increased interest rates because certain of our borrowings, including borrowings under our senior secured credit facilities, are at variable interest rates; and
- cause our content providers and distributors to attempt to use our significant debt levels in order to put pricing pressure on us during negotiations of affiliation and output licensing agreements.

Limitations imposed as a part of our debt, such as the availability of credit and the existence of restrictive covenants may, among other things:

- make it difficult for us to satisfy our financial obligations, including making scheduled principal and interest payments on the notes and our other indebtedness;
- restrict us from making strategic acquisitions or cause us to make non-strategic divestitures;
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or other general business purposes on satisfactory terms or at all;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- limit our ability to respond to business opportunities.

We may not be able to generate sufficient net cash provided by operating activities to service our debt obligations, including our obligations under the notes and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make payments on our indebtedness, including the notes, will depend on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may be unable to maintain a level of net cash provided by operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including our senior secured credit facilities and the notes.

If our net cash provided by operating activities and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments in original programming and capital expenditures, or to dispose of material assets or operations, seek additional capital or restructure or refinance our indebtedness, including the notes. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. Additionally, we may not be able to consummate asset dispositions or obtain the proceeds that we expect to realize from them, and any proceeds received may not be adequate to meet any debt service obligations then due. The terms of the indenture governing the notes, the agreements governing our senior secured credit facilities and future debt instruments may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness.

We will need to refinance certain existing indebtedness prior to the maturity of the notes.

Our senior secured credit facilities mature on November 16, 2016, which is earlier than the maturity of the notes offered hereby and our existing 5.00% senior notes. See "Description of Other Indebtedness—Senior Secured Credit Facilities." Although we expect to refinance or otherwise repay this indebtedness, we may not be able to refinance this indebtedness on commercially reasonable terms or at all. The financial terms or covenants of any new credit facility, notes or other indebtedness may not be as favorable as those under our senior secured credit facilities. Our ability to complete a refinancing of our senior secured credit facilities prior to their maturity will depend on our financial and operating performance, as well as a number of conditions beyond our control. For example, if disruptions in the financial markets were to exist at the time that we intended to refinance this indebtedness, we might be restricted in our ability to access the financial markets. In response to the recent financial crisis affecting the banking system and financial markets, the U.S. Congress and government have enacted legislation and proposed several additional economic stimulus programs for the purpose of stabilizing the financial markets and increasing the availability of credit. However, the capital markets and credit markets have continued to experience extreme levels of volatility. There can be no assurance what the impact of these programs ultimately will have on the financial markets or the U.S. economy. If actions taken pursuant to legislation are not successful in stabilizing the economy, particularly the financial markets, and increasing the availability of credit, it could impact our ability to refinance our indebtedness. If we are unable to refinance our indebtedness, our alternatives would consist of negotiating an extension of our senior secured credit facilities with the lenders and seeking or raising new equity capital. If we were unsuccessful, the lenders under our senior secured credit facilities could demand repayment of the indebtedness owed to them on the relevant maturity date. As a result, our ability to pay the principal of and interest on the notes would be materially adversely affected.

The notes will be unsecured and will be effectively subordinated to our and the guarantor's secured debt.

Our obligations under the notes and the guarantor's obligation under the guarantee of the notes will not be secured by any of our or our guarantor's assets. Borrowings under our senior secured credit facilities are secured by a security interest in all of our membership interests and the capital stock of or equity interests in each of our existing and future subsidiaries that guarantee the obligations under our senior secured credit facilities. In addition, the indenture governing the notes permits us and our subsidiaries to incur additional secured debt. As a result, the notes and the guarantees will be effectively subordinated to all of our and the guarantor's secured debt and other obligations to the extent of the value of the membership interests or equity interests securing such obligations. As of December 31, 2012, on a pro forma basis, we would have had \$175.0 million of original notes, \$500.0 million of existing 5.00% senior notes, \$375.0 million of borrowings under our senior secured revolving credit facility and \$79.6 million of capital lease obligations and an additional \$625.0 million of availability under our senior secured revolving credit facility. See "Unaudited Pro Forma Condensed Consolidated Financial Data." If we and the guarantor were to become insolvent or otherwise fail to make payments on the notes, holders of our and the guarantor's secured obligations would be paid first and would receive payments from the assets securing such obligations before the holders of the notes would receive any payments. You may therefore not be fully repaid in the event we become insolvent or otherwise fail to make payments on the notes.

The notes and the existing 5.00% senior notes constitute obligations of us and our subsidiaries that are guarantors and that guarantee our senior secured credit facilities and will not be obligations of Starz, its other affiliates or of our non-guarantor subsidiaries. In addition, the notes will be structurally subordinated in right of payment to all obligations of any of our current and future subsidiaries that do not guarantee the notes. If the guarantees are deemed unenforceable, the remaining assets of such guarantors may not be sufficient to make any payments on the notes.

The notes will be guaranteed by each of our subsidiaries that are guarantors of our senior secured credit facilities, initially Starz Entertainment, but will not receive a guarantee or other credit support from Starz or any of its other affiliates. The notes and guarantees will therefore be structurally subordinated to all of the liabilities of our current and future subsidiaries that do not guarantee the notes. For the year ended December 31, 2012, Starz Media and Other Businesses accounted for \$312.2 million, or 19.1%, of our consolidated revenue and \$(0.4) million, or (0.8)% of our Adjusted OIBDA and, at December 31, 2012, Starz Media and Other Businesses accounted for \$127.9 million, or 5.9%, of our consolidated assets of \$2,176.1 million. See "Description of Notes—Note Guarantees." See "Description of Notes—Ranking."

As of December 31, 2012, Starz Media and Other Businesses had \$173.8 million of obligations, all of which would be structurally senior to the notes. In addition, our non-guarantor subsidiaries will not be restricted subsidiaries on the issue date. As a result, such unrestricted subsidiaries will not be subject to any of the limitations or covenants contained in the indenture and as such you should not rely on the assets or cash flow of unrestricted subsidiaries as being available to pay principal and interest on the notes.

Although the guarantees provide the holders of the notes with a direct claim as a creditor against the assets of the subsidiary guarantors, the guarantees may not be enforceable as described in more detail below. If the guarantees by the subsidiary guarantors are not enforceable, the notes would be effectively subordinated to all liabilities of the subsidiary guarantors, including trade payables. As a result of being effectively subordinated to the liabilities of a subsidiary, if there were a dissolution, bankruptcy, liquidation or reorganization of such subsidiary, the holders of the notes would not receive any amounts with respect to the notes until after the payment in full of the claims of creditors of such subsidiary.

Covenants in our debt agreements will restrict our business in many ways.

Our senior secured credit facilities and the indenture governing the notes will contain various covenants that limit our ability and/or our restricted subsidiaries' ability to, among other things:

- incur additional indebtedness;
- create liens on property or assets;
- make certain loans or investments;
- sell or dispose of assets;
- pay certain dividends and other restricted payments;
- dissolve, consolidate or merge;
- enter into certain transactions with affiliates;
- enter into sale/leaseback transactions; and
- restrict subsidiary distributions.

These covenants are subject to important exceptions and qualifications as described under "Description of Notes" and in our senior secured credit facilities. In addition, our senior secured credit

facilities contain restrictive covenants and require us to maintain specified financial ratios. Our ability to meet those financial ratios can be affected by events beyond our control, and we may be unable to meet those tests. A breach of any of these covenants could result in a default under our senior secured credit facilities, which in turn could result in a default under the indenture governing the notes. Upon the occurrence of an event of default under our senior secured credit facilities, the lenders could elect to declare all amounts outstanding under our senior secured credit facilities to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders could proceed against the collateral granted to them to secure that indebtedness. We have pledged our membership interest and the equity interests of our material restricted subsidiaries as collateral under our senior secured credit facilities. If the lenders and counterparties under our senior secured credit facilities accelerate the repayment of obligations, we may not have sufficient assets to repay our senior secured credit facilities, and our other indebtedness, including the notes. See "Description of Other Indebtedness." Our borrowings under our senior secured credit facilities are, and are expected to continue to be, at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash on hand would decrease.

Many of the covenants in the indenture will cease to apply if such notes are rated investment grade by both Moody's and Standard & Poor's.

Many of the covenants in the indenture governing the notes will no longer apply to the notes if the notes are rated investment grade by both Moody's and Standard & Poor's at a time that no default has occurred and is continuing. These covenants include, among other things, limitations on our ability to pay distributions, incur debt and to enter into certain other transactions. There can be no assurance that the notes will ever be rated investment grade or that if they are rated investment grade, that the notes will maintain these ratings. Termination of these covenants would allow us to engage in certain transactions that would not be permitted while these covenants were in force. Even if the notes subsequently fail to be rated investment grade, the terminated covenants will not be reinstated. See "Description of Notes—Certain Covenants—Fall-Away Event."

An adverse rating of the notes may cause their value to decline.

Ratings agencies may lower ratings on the notes in the future. If rating agencies assign a lower-than-expected rating or reduce, or indicate that they may reduce, their ratings or outlook in the future, the value of the notes could significantly decline.

If we default on our obligations to pay our indebtedness, we may not be able to make payments on the notes.

Any default under the agreements governing our indebtedness, including a default under our senior secured credit facilities, that is not waived by the required lenders thereunder, and the remedies sought by the holders of such indebtedness, could prevent us from paying principal, premium, if any, and interest on the notes and substantially decrease the market value of the notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness (including covenants in our senior secured credit facilities and the indenture governing the notes offered hereby), we could be in default under the terms of the agreements governing such indebtedness, including our senior secured credit facilities and the indenture governing the notes offered hereby. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued

and unpaid interest, the lenders under our senior secured credit facilities could elect to institute foreclosure proceedings against the collateral, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to obtain waivers from the required lenders under our senior secured credit facilities to avoid being in default. If we breach our covenants under our senior secured credit facilities and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our senior secured credit facilities, which would result in a default under the indenture, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation.

We may not be able to purchase the notes upon a change of control as required by the indenture.

Upon the occurrence of specific types of change of control events, we will be required to offer to repurchase all of the notes at a price equal to 101% of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest and additional interest, if any, up to, but not including the date of repurchase. We may not have sufficient funds available to repurchase all of the notes tendered pursuant to any such offer and any other debt that would become payable upon a change of control. Any failure to purchase the notes would be a default under the indenture, which would trigger a default under our senior secured credit facilities. In that event, we would need to cure or refinance our senior secured credit facilities before making an offer to purchase.

A change of control (as defined in our senior secured credit facilities) would constitute a default under our senior secured credit facilities. Upon any such default, the lenders may declare any outstanding obligations under our senior secured credit facilities immediately due and payable. If such debt repayment were accelerated, we may not have sufficient funds to repurchase the notes and repay the debt. There can be no assurance that we would be able to refinance our indebtedness or, if a refinancing were to occur, that the refinancing would be on terms favorable to us.

Courts interpreting change of control provisions under New York law (which will govern the indenture) have not provided clear and consistent meanings of such change of control provisions which leads to subjective judicial interpretation. In addition, a recent court case in Delaware has questioned whether a change of control provision contained in an indenture could be unenforceable on public policy grounds. No assurances can be given that another court would enforce the change of control provisions in our indenture as written for the benefit of the holders.

In addition, if a change of control occurs, we may not be able to borrow under our senior secured revolving credit facility which could have a material adverse effect on our financial situation and our ability to conduct our business.

A court could cancel the notes or the guarantees of the notes under fraudulent conveyance laws or certain other circumstances.

Our issuance of the notes and the issuance of the guarantees by certain of our subsidiaries may be subject to review under federal or state fraudulent transfer laws. If we or such guarantor becomes a debtor in a case under the U.S. bankruptcy code or encounters other financial difficulty, under federal or state laws governing fraudulent transfer, a court in the relevant jurisdiction might avoid or cancel the guarantees of the notes. The court might do so if it found that, when the guarantor entered into its guarantee, (a) it received less than reasonably equivalent value or fair consideration for such guarantee and (b) either (i) was or was rendered insolvent, (ii) was left with inadequate capital to conduct its business, (iii) believed or should have believed that it would incur debts beyond its ability to pay, or (iv) was a defendant in an action for money damages, or had a judgment for money damages docketed against us or such guarantor if, in either case, after final judgment, the judgment was unsatisfied. The court might also avoid such guarantee, without regard to the above factors, if it found that the guarantor entered into its guarantee with intent to hinder, delay, or defraud our creditors.

Generally, an entity would be considered insolvent if, at the time it incurred indebtedness:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

A court would likely find that a guarantor did not receive reasonably equivalent value or fair consideration for its guarantee unless it benefited directly or indirectly from the issuance of the notes. If a court avoided such guarantee, holders of the notes would no longer have a claim against such subsidiary. In addition, the court might direct holders of the notes to repay any amounts already received from such subsidiary. If the court were to avoid any guarantee, we cannot assure you that funds would be available to pay the notes from another subsidiary or from any other source. Further, the voidance of the notes could result in an event of default with respect to our and our subsidiaries' other debt that could result in acceleration of such debt.

The indenture states that the maximum liability of each guarantor under its guarantee shall in no event exceed the amount which can be guaranteed by such guarantor under applicable federal and state laws relating to the insolvency of debtors (after giving effect to rights of contribution established in connection with the guarantees). This limitation may not protect the guarantees from a fraudulent transfer or conveyance attack or, if it does, the guarantees may not be in amounts sufficient, if necessary, to pay obligations under the notes when due.

We cannot assure you that an active trading market for the notes will be maintained.

We cannot provide you with any assurances regarding the future maintenance of a market for the notes, the ability of holders of the notes to sell their notes, or the price at which such holders may be able to sell their notes. In any market maintained for the notes, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition, and the market for similar securities and the other factors discussed here under "Risk Factors." The initial purchasers of the notes have advised us that they currently intend to make a market in the notes (and they are currently making a market in the existing 5.00% senior notes). However, the initial purchasers are not obligated to do so, and any market making with respect to the notes may be discontinued at any time without notice. If an active market is not maintained, the market price and liquidity of the notes may be adversely affected. We cannot assure you as to the liquidity of the market for the notes or the prices at which you may be able to sell the notes. Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the notes. We cannot assure you that the market, if any, for the notes will be free from similar disruptions or that any such disruptions may not adversely affect the prices at which you may sell your notes. In addition, subsequent to their initial issuance, the notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our performance and other factors.

In the event that we and the guarantors fail to have the notes registered with the SEC, the notes offered hereby and the existing 5.00% senior notes will trade separately and will not be fungible.

We have agreed to exchange the original notes for a new issue of substantially identical notes, or exchange notes, in this exchange offer. We intend that the exchange notes for this exchange offer will be issued under the same indenture as were the existing 5.00% senior notes and that upon issuance the

exchange notes for this exchange offer will bear the same CUSIP number as the existing 5.00% senior notes and be fungible for trading purposes with the existing 5.00% senior notes. However, we cannot guarantee that we will be able to comply with the registration rights agreement governing the exchange offer in this respect, or that if we do, but for any other reason we cannot issue exchange notes for this exchange offer under the indenture governing the existing 5.00% senior notes, the exchange notes for this exchange offer will bear the same CUSIP number as the existing 5.00% senior notes. If the exchange notes for this exchange offer do not bear the same CUSIP number as the existing 5.00% senior notes, trading in the notes offered hereby may be negatively affected.

The book-entry registration system of the notes may limit the exercise of rights by the beneficial owners of the notes.

Because transfers of interests in the global notes representing the notes may be effected only through book entries at DTC and its direct and indirect participants (including Clearstream and Euroclear), the liquidity of any secondary market in the notes may be reduced to the extent that some investors are unwilling to hold notes in book-entry form in the name of a DTC direct or indirect participant. The ability to pledge interests in the global notes may be limited due to the lack of a physical certificate. In addition, beneficial owners of interests in global notes may, in certain cases, experience delay in the receipt of payments of principal and interest, since the payments will generally be forwarded by the paying agent to DTC, which will then forward payment to its direct and indirect participants, which (if they are not themselves the beneficial owners) will then forward payments to the beneficial owners of the global notes. In the event of the insolvency of DTC or any of its direct and indirect participants in whose name interests in the global notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on global notes may be negatively affected.

A holder of beneficial interests in the global notes will not have a direct right under the notes to act upon any solicitations that we may request. Instead, holders will be permitted to act only to the extent they receive appropriate proxies to do so from DTC or, if applicable, DTC's direct or indirect participants. Similarly, if we default on our obligations under the notes, holders of beneficial interests in the global notes will be restricted to acting through DTC, or, if applicable, DTC's direct or indirect participants. We cannot assure holders that the procedures of DTC or DTC's nominees or direct or indirect participants will be adequate to allow them to exercise their rights under the notes in a timely manner.

USE OF PROCEEDS

The exchange offer is intended to satisfy our obligations under the registration rights agreement relating to the original notes. We will not receive any proceeds from the issuance of the exchange notes in the exchange offer. In consideration for issuing the exchange notes as contemplated in this prospectus, we will receive, in exchange, outstanding original notes in like principal amount. We will cancel all original notes tendered in exchange for exchange notes in the exchange offer. Interest on each exchange note will accrue interest on the same terms as the original notes and such interest will accrue (a) from the later of (i) the last interest payment date on which interest was paid on the note surrendered in exchange therefor or (ii) if the note is surrendered for exchange on a date in a period that includes the record date for an interest payment date to occur on or after the date of such exchange and as to which interest will be paid, the date of such interest payment date or (b) if no interest has been paid on such note, from the original issue date of the notes. As a result, the issuance of the exchange notes will not result in any increase or decrease in our indebtedness or in the early payment of interest.

The net proceeds from the sale of the original notes on February 8, 2013, after deducting commissions and out-of-pocket expenses payable by us in respect of the offering, were approximately \$180.3 million. We used \$180.0 million of the net proceeds of the offering of original notes for purposes of paying down borrowings under our senior secured revolving credit facility. See "Description of Other Indebtedness—Senior Secured Credit Facilities."

THE EXCHANGE OFFER

This section of the prospectus describes the exchange offer. While we believe that the description covers the material terms of the exchange offer, this summary may not contain all of the information that is important to you. You should carefully read this entire document for a complete understanding of the exchange offer.

Purpose of the Exchange Offer

The purpose of the exchange offer is to satisfy our obligations under the registration rights agreement that we entered into with the initial purchasers of the original notes. We originally issued and sold \$175,000,000 principal amount of original notes in a private placement on February 8, 2013. We did not register the offer and sale of the original notes in reliance upon the exemption provided in Section 4(2) of the Securities Act and Rule 144A thereunder.

We are offering to exchange up to the entire \$175,000,000 principal amount of original notes for a like principal amount of exchange notes.

Under the registration rights agreement, we are required, among other things, to:

- file and cause a registration statement registering the proposed offer and exchange of any and all original notes for registered exchange notes with substantially identical terms to be declared effective under the Securities Act on or prior to February 8, 2014 (the 365th day after the issue date of the original notes); and
- keep the exchange offer open for not less than 20 business days after the date notice thereof is mailed to holders of the original notes.

In addition, under certain circumstances, we may be required to file a shelf registration statement to cover resales of original notes. Specifically, in the event that, with respect to the notes:

- we are not required to file the exchange offer registration statement or permitted to consummate the exchange offer because of any change in law or in currently prevailing interpretations of the staff of the SEC;
- an exchange offer is not consummated within the time period set forth above;
- in certain circumstances, certain holders of unregistered exchange notes so request; or
- in the case of any holder that participates in an exchange offer, such holder does not receive exchange notes on the date of the exchange that may be sold without restriction under state and federal securities laws (other than due solely to the status of such holder as an affiliate of ours within the meaning of the Securities Act),

then, in each case, we will, at our sole expense,

- within 30 days file a shelf registration statement covering resales of the notes;
- use all commercially reasonable efforts to cause such shelf registration statement to be declared effective within 90 days of the filing thereof;
- keep effective such shelf registration statement until the earliest of (i) two years after the original issue date of the notes, or (ii) such time as all of the notes have been sold thereunder; and
- in the event that a shelf registration statement is filed, provide to each holder whose notes are registered under such shelf registration statement copies of the prospectus that is a part of such shelf registration statement, notify each such holder when such shelf registration statement has become effective and take certain other actions as are required to permit unrestricted resales of

the notes. A holder that sells notes pursuant to a shelf registration statement will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the registration rights agreement that are applicable to such a holder (including certain indemnification rights and obligations).

If (1) we do not comply with the time periods set forth above in this section; or (2) the registration statement of which this prospectus forms a part, or any shelf registration statement covering resales of the notes required to be filed by the registration rights agreement, ceases to be effective at any time during which it is required to be so effective (subject to certain exceptions), then additional interest shall accrue on the principal amount of the notes at a rate of 0.25% per annum (which rate will be increased by an additional 0.25% per annum for each subsequent 90-day period that such registration default continues, provided that the rate at which such additional interest accrues may in no event exceed 1.0% per annum); provided, however, that upon the exchange of exchange notes for all notes tendered (in the case of clause (1) above) or upon the effectiveness of the required registration statement (in the case of clause (2) above), additional interest on such notes as a result of such clause, as the case may be, shall cease to accrue and the interest rate on the applicable notes will be reduced to the original interest rate borne by such notes. All accrued additional interest will be paid in arrears on each semi-annual interest date.

Participation in the exchange offer is voluntary and you should carefully consider whether to participate. We urge you to consult your financial and tax advisors in making your decision on whether to participate in the exchange offer.

Resale of Exchange Notes

We have not requested, and do not intend to request, an interpretation by the staff of the SEC with respect to whether the exchange notes may be offered for sale, resold or otherwise transferred by any holder without compliance with the registration and prospectus delivery provisions of the Securities Act. Based on interpretations by the staff of the SEC set forth in no-action letters issued to third parties, including *Exxon Capital Holdings Corp.* (available May 13, 1988), *Morgan Stanley & Co. Incorporated* (available June 5, 1991) and *Shearman & Sterling* (available July 2, 1993), we believe the exchange notes may be offered for resale, resold and otherwise transferred by any holder without compliance with the registration and prospectus delivery provisions of the Securities Act provided such holder meets the following conditions:

- such holder is not a broker-dealer who purchased original notes directly from us for resale pursuant to Rule 144A or any other available exemption under the Securities Act;
- such holder is not our "affiliate" within the meaning of Rule 405 under the Securities Act; and
- such holder acquires exchange notes in the ordinary course of business of such holder and any beneficial owner of the exchange notes and has no arrangement or understanding with any person to participate in the distribution of the exchange notes.

If you do not satisfy all of the above conditions, you cannot participate in the exchange offer. Rather, in the absence of an exemption you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a resale of the original notes. Any holder that complies with such registration and prospectus delivery requirements may incur liabilities under the Securities Act for which the holder will not be entitled to indemnification from us.

A broker-dealer that has bought original notes for its own account as part of its market-making or other trading activities must deliver a prospectus in order to resell the exchange notes it receives therefor pursuant to the exchange offer. This prospectus, as it may be amended or supplemented from

time to time, may be used by a broker-dealer for such purpose, and we have agreed in the registration rights agreement to make this prospectus available to such broker-dealers for a period ending on the earlier of 180 days from the effective date of the registration statement of which this prospectus forms a part and the date on which a broker-dealer is no longer required to deliver a prospectus in connection with market-making or other trading activities. See "Plan of Distribution." Each broker-dealer that receives exchange notes for its own account in the exchange offer must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of exchange notes. The accompanying letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

Consequences of Failure to Exchange

Original notes that are not exchanged for exchange notes in the exchange offer will remain "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, and will therefore continue to be subject to restrictions on transfer. Holders of such original notes will not be able to require us to register them under the Securities Act, except in the limited circumstances set forth in the registration rights agreement. Accordingly, following completion of the exchange offer any original notes that remain outstanding may not be offered, sold, pledged or otherwise transferred, except:

- (1) to us, upon redemption thereof or otherwise,
- (2) to a person whom the seller reasonably believes is a qualified institutional buyer within the meaning of Rule 144A, purchasing for its own account or for the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A under the Securities Act,
- (3) in an offshore transaction in accordance with Regulation S under the Securities Act,
- (4) pursuant to an exemption from registration in accordance with Rule 144, if available, under the Securities Act,
- (5) in reliance on another exemption from the registration requirements of the Securities Act, or
- (6) pursuant to an effective registration statement under the Securities Act.

In all of the situations discussed above, the resale must be in compliance with the Securities Act, any applicable securities laws of any state of the United States and any applicable securities laws of any foreign country. Any resale of original notes will also be subject to certain requirements of the registrar being met, including receipt by the registrar of a certification and, in the case of (3), (4) and (5) above, an opinion of counsel reasonably acceptable to us and the registrar.

To the extent original notes are tendered and accepted in the exchange offer, the principal amount of outstanding original notes will decrease with a resulting decrease in the liquidity in the market therefor. Accordingly, the liquidity of the market of the original notes could be adversely affected following completion of the exchange offer. See "Risk Factors—Risks Related to the Exchange Offer—If you do not properly tender your original notes, you will continue to hold unregistered notes and your ability to transfer those original notes may be adversely affected."

Terms of the Exchange Offer

Upon the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal, a form of which is filed as an exhibit to the registration statement of which this prospectus forms a part, we will accept any and all original notes validly tendered (and not withdrawn) on or prior to the Expiration Date. We will issue \$1,000 principal amount of exchange notes in exchange for each \$1,000 principal amount of original notes accepted in the exchange offer. Interest on

each exchange note will accrue (a) from the later of (i) the last interest payment date on which interest was paid on the note surrendered in exchange therefor or (ii) if the note is surrendered for exchange on a date in a period that includes the record date for an interest payment date to occur on or after the date of such exchange and as to which interest will be paid, the date of such interest payment date or (b) if no interest has been paid on such note, from the original issue date of the notes. All accrued interest on the original notes will become obligations under the exchange notes. Holders may tender some or all of their original notes pursuant to the exchange offer. However, original notes may be tendered only in denominations of \$2,000 and integral multiples of \$1,000 principal amount in excess thereof.

The form and terms of the exchange notes are the same as the form and terms of the original notes, except that:

- the offer and sale of the exchange notes for the original notes will have been registered under the Securities Act, and the exchange notes will not bear legends restricting their transfer pursuant to the Securities Act, and
- except as otherwise described above, holders of the exchange notes will not be entitled to any rights under the registration rights agreement.

The exchange notes will evidence the same debt as the original notes that they replace, and will be issued under, and be entitled to the benefits of, the indenture which governs the original notes, including the payment of principal and interest.

We are sending this prospectus and the letter of transmittal to holders of the original notes through the facilities of The Depository Trust Company, or DTC, whose nominee, Cede & Co, is the registered holder of the original notes. The original notes are represented by permanent global notes in fully registered form, without coupons, which have been deposited with the trustee for the notes, as custodian for DTC. Ownership of beneficial interests in each global note is limited to persons who have accounts with DTC, or DTC participants, or persons who hold interests through DTC participants. The term "holder," as used in this prospectus, means those DTC participants in whose name interests in the global notes are credited on the books of DTC, and those persons who hold interests through such DTC participants. The term "original notes," as used in this prospectus, means such interests in the global notes. Like the original notes, the exchange notes will be deposited with the trustee for the notes as custodian for DTC, and registered in the name of Cede & Co., as nominee of DTC.

Holders of the original notes do not have any appraisal or dissenter's rights under Delaware law or the indenture governing the notes in connection with the exchange offer. We intend to conduct the exchange offer in accordance with the requirements of the Exchange Act and the SEC's rules and regulations thereunder.

We will be deemed to have accepted validly tendered original notes when, as and if we have given written notice thereof to the exchange agent, which is U.S. Bank National Association. The exchange agent will act as agent for the tendering holders of the original notes for the purposes of receiving the exchange notes. The exchange notes delivered in the exchange offer will be issued promptly after the Expiration Date.

If any tendered original notes are not accepted for exchange because they do not comply with the procedures set forth in this prospectus and the accompanying letter of transmittal, our withdrawal of the exchange offer, the occurrence of certain other events set forth herein or otherwise, such unaccepted original notes will be returned, without expense, to the tendering holder promptly after the Expiration Date or our withdrawal of the exchange offer. Any acceptance, waiver of default or a rejection of a tender of original notes shall be at our discretion and shall be conclusive, final and binding.

Holders who tender original notes in the exchange offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of the original notes in the exchange offer. We will pay all charges and expenses, other than certain taxes, in connection with the exchange offer. See "—Fees and Expenses."

We are not making the exchange offer to, nor will we accept surrenders for exchange from, holders of original notes in any jurisdiction in which this exchange offer or its acceptance would not comply with applicable state securities laws or applicable laws of a foreign jurisdiction.

Expiration Date; Extensions; Amendments

The term "Expiration Date" with respect to the exchange offer means 5:00 p.m., New York City time, on May 23, 2013 unless we, in our sole discretion, extend the exchange offer, in which case the term "Expiration Date" shall mean the latest date and time to which the exchange offer is extended.

If we extend the exchange offer, we will notify the exchange agent of any extension by written notice and will make a public announcement thereof, each prior to 9:00 a.m., New York City time, no later than on the next business day after the previously scheduled Expiration Date.

We reserve the right, in our sole discretion,

- to extend the exchange offer,
- if any of the conditions set forth below under "—Conditions to the Exchange Offer" have not been satisfied, to terminate the exchange offer or waive any conditions that have not been satisfied, or
- to amend the terms of the exchange offer in any manner.

We may effect any such extension, waiver, termination or amendment by giving written notice thereof to the exchange agent.

Except as specified in the second paragraph under this heading, we will make a public announcement of any such extension, termination, amendment or waiver as promptly as practicable. If we amend or waive any condition of the exchange offer in a manner determined by us to constitute a material change to the exchange offer, we will promptly disclose such amendment or waiver in a prospectus supplement that will be distributed to the holders of the original notes. The exchange offer will then be extended for a period of five to ten business days, as required by law, depending upon the significance of the amendment or waiver and the manner of disclosure to the registered holders.

We will make a timely release of a public announcement of any extension, termination, amendment or waiver to the exchange offer to an appropriate news agency.

Procedures for Tendering Original Notes

Tenders of Original Notes; Book-Entry Delivery Procedure. All of the original notes are held in book-entry form, and tenders may only be made through DTC's Book-Entry Transfer Facility.

In connection with the commencement of the exchange offer, the exchange agent will establish an account with respect to the original notes at DTC for purposes of the exchange offer, and any financial institution that is a participant in DTC that wishes to participate in the exchange offer may make book-entry delivery of the original notes by causing DTC to transfer such original notes into the exchange agent's account in accordance with DTC's procedures for such transfer. The confirmation of a

book-entry transfer into the exchange agent's account at DTC is referred to as a "Book-Entry Confirmation." In addition, DTC participants on or before the Expiration Date must either:

- properly complete and duly execute the letter of transmittal (or a facsimile thereof), and any other documents required by the letter of transmittal, and mail or otherwise deliver the letter of transmittal or such facsimile, with any required signature guarantees, to the exchange agent at one or more of its addresses below, or
- transmit their acceptance through DTC's Automated Tender Offer Program, or ATOP, for which the exchange offer is eligible, and DTC will then edit and verify the acceptance and send an Agent's Message to the exchange agent for its acceptance.

The term "Agent's Message" means a message transmitted by DTC to, and received by, the exchange agent and forming a part of the Book-Entry Confirmation, which states that DTC has received an express acknowledgment from the participant in DTC tendering the original notes that such participant has received the letter of transmittal and agrees to be bound by the terms of the letter of transmittal, and that we may enforce such agreement against such participant.

Although delivery of original notes is to be effected through book-entry at DTC, the letter of transmittal (or facsimile thereof), with any required signature guarantees, or an Agent's Message in connection with a book-entry transfer, and any other required documents, must, in any case, be transmitted to and received by the exchange agent at one or more of its addresses set forth below on or prior to the Expiration Date. Delivery of the letter of transmittal or other required documents to DTC does not constitute delivery to the exchange agent.

The tender by a holder of original notes pursuant to the procedures set forth above will constitute the tendering holder's acceptance of all of the terms and conditions of the exchange offer. Our acceptance for exchange of original notes tendered pursuant to the procedures described above will constitute a binding agreement between such tendering holder and us in accordance with the terms and subject to the conditions of the exchange offer. Only holders are authorized to tender their original notes.

The method of delivery of original notes and letters of transmittal, any required signature guarantees and all other required documents, including delivery through DTC and any acceptance or Agent's Message transmitted through ATOP, is at the election and risk of the persons tendering original notes and delivering letters of transmittal. If you use ATOP, you must allow sufficient time for completion of the ATOP procedures during normal business hours of DTC on or prior to the Expiration Date. Tender and delivery will be deemed made only when actually received by the exchange agent. If delivery is by mail, it is suggested that the holder use properly insured, registered mail, postage prepaid, with return receipt requested, and that the mailing be made sufficiently in advance of the Expiration Date to permit delivery to the exchange agent prior to such date.

Except as provided below, unless the original notes being tendered are delivered to the exchange agent on or prior to the Expiration Date (accompanied by a completed and duly executed letter of transmittal or a properly transmitted Agent's Message), we may, at our option, reject the tender of such original notes. The exchange of exchange notes for original notes will be made only against the tendered original notes, which must be deposited with the exchange agent prior to or on the Expiration Date, and receipt by the exchange agent of all other required documents prior to or on the Expiration Date.

Tender of Original Notes Held Through a Nominee. If you beneficially own original notes through a bank, depository, broker, trust company or other nominee and wish to tender your original notes, you must instruct such holder to cause your original notes to be tendered on your behalf. A letter of instruction from your bank, depository, broker, trust company or other nominee may be included in the

materials provided along with this prospectus, which the beneficial owner may use to instruct its nominee to effect the tender of the original notes of the beneficial owner.

Signature Guarantees. Signatures on all letters of transmittal must be guaranteed by a recognized member of the Medallion Signature Guarantee Program or by any other "eligible guarantor institution," as that term is defined in Rule 17Ad-15 under the Exchange Act (each of the foregoing, an "Eligible Institution"), unless the original notes tendered thereby are tendered (1) by a participant in DTC whose name appears on a DTC security position listing as the owner of such original notes who has not completed either the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the letter of transmittal, or (2) for the account of an Eligible Institution. See Instructions 1 and 4 of the letter of transmittal. If the original notes are in the name of a person other than the signer of the letter of transmittal or if original notes not accepted for exchange or not tendered are to be returned to a person other than the holder of such original notes, then the signatures on the letter of transmittal accompanying the tendered original notes must be guaranteed by an Eligible Institution as described above. See Instructions 1 and 4 of the letter of transmittal.

No Guaranteed Delivery Procedures. No guaranteed delivery procedures are being made available in connection with the exchange offer. Therefore, to participate in the exchange offer your original notes must be transferred into the exchange agent's account at DTC, and the exchange agent must receive a properly completed and duly executed letter of transmittal (and any other required documents) or an Agent's Message transmitted through ATOP, in each case on or prior to the Expiration Date.

Your Representations to Us. By signing or agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

- you are acquiring exchange notes in the ordinary course of business of you and any beneficial owner of the exchange notes;
- you are not engaged in, and you do not intend to engage in, and you have no arrangement or understanding with any person or entity to participate in a distribution of the exchange notes;
- you are transferring good and marketable title to the original notes free and clear of all liens, security interests, encumbrances, or rights or interests of others except your own;
- if you are a broker-dealer that will receive exchange notes for your own account in exchange for original notes that were acquired by you as a result of market-making or other trading activities, that you will deliver a prospectus, as required by law, in connection with any resale of your exchange notes; and
- you are not our "affiliate" as defined in Rule 405 of the Securities Act. If you are a broker-dealer, you may not participate in the exchange offer as to any original notes you purchased directly from us.

Determination of Validity. All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of tendered original notes will be determined by us, which determination will be conclusive, final and binding. Alternative, conditional or contingent tenders of original notes will not be considered valid and may be rejected by us. We reserve the absolute right to reject any and all original notes not properly tendered or any original notes our acceptance of which, in the opinion of our counsel, would be unlawful.

We also reserve the right to waive any defects, irregularities or conditions of tender as to particular original notes. The interpretation of the terms and conditions of our exchange offer (including the instructions in the letter of transmittal) by us will be conclusive, final and binding on all parties. Unless

waived, any defects or irregularities in connection with tenders of original notes must be cured within such time as we shall determine.

Although we intend to notify holders of defects or irregularities with respect to tenders of original notes through the exchange agent, neither we, the exchange agent nor any other person is under any duty to give such notice, nor shall they incur any liability for failure to give such notification. Tendere of original notes will not be deemed to have been made until such defects or irregularities have been cured or waived.

Any original notes tendered into the exchange agent's account at DTC that are not validly tendered and as to which the defects or irregularities have not been cured or waived within the timeframes established by us in our sole discretion, if any, or if original notes are submitted in a principal amount greater than the principal amount of original notes being tendered by such tendering holder, such unaccepted or non-exchanged original notes will be credited back to the account maintained by the applicable DTC participant with such book-entry transfer facility.

Withdrawal of Tenders

Tenders of original notes in the exchange offer may be withdrawn at any time on or prior to the Expiration Date.

To be effective, any notice of withdrawal must specify the name and number of the account at DTC to be credited with such withdrawn original notes and must otherwise comply with DTC's procedures.

If the original notes to be withdrawn have been identified to the exchange agent, a signed notice of withdrawal meeting the requirements discussed above is effective immediately upon the exchange agent's receipt of written or facsimile notice of withdrawal even if physical release is not yet effected. A withdrawal of original notes can only be accomplished in accordance with these procedures. Any failure to follow these procedures will not result in any original notes being withdrawn. The company and the exchange agent may reject any withdrawal request not in accordance with these procedures.

All questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by us, which determination shall be final and binding on all parties. No withdrawal of original notes will be deemed to have been properly made until all defects or irregularities have been cured or expressly waived. Neither we, the exchange agent nor any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or revocation, nor shall we or they incur any liability for failure to give any such notification. Any original notes so withdrawn will be deemed not to have been validly tendered for purposes of the exchange offer and no exchange notes will be issued with respect thereto unless the original notes so withdrawn are retendered on or prior to the Expiration Date. Properly withdrawn original notes may be retendered by following the procedures described above under "—Procedures for tendering original notes" at any time on or prior to the Expiration Date.

Any original notes which have been tendered but which are not accepted for exchange due to the rejection of the tender due to uncured defects or the prior termination of the exchange offer, or which have been validly withdrawn, will be returned to the holder thereof unless otherwise provided in the letter of transmittal, promptly following the Expiration Date or, if so requested in the notice of withdrawal, promptly after receipt by us of notice of withdrawal without cost to such holder.

Conditions to the Exchange Offer

The exchange offer will not be subject to any conditions, other than:

- that the exchange offer, or the making of any exchange by a holder of original notes, does not violate applicable law or any applicable interpretation of the staff of the SEC;
- that applicable interpretations of the staff of the SEC regarding exchange offers of the type contemplated by this prospectus shall not have been changed, such that the exchange notes would not be generally free of the transfer restrictions of the Securities Act following consummation of the exchange offer;
- the due tendering of original notes and the delivery to the exchange agent of the letter of transmittal or an Agent's Message (and all other required documents) in accordance with the exchange offer; and
- that each holder of the original notes exchanged in the exchange offer shall have made the representations set forth above in "— Your Representations to Us" and such other representations as may be reasonably necessary under applicable SEC rules, regulations or staff interpretations to render the use of Form S-4 or other appropriate form under the Securities Act available.

If we determine in our reasonable discretion that any of the conditions to the exchange offer are not satisfied, we may:

- refuse to accept any original notes and return all tendered original notes to the tendering holders,
- terminate the exchange offer,
- extend the exchange offer and retain all original notes tendered prior to the Expiration Date, subject, however, to the rights of holders to withdraw such original notes, or
- waive such unsatisfied conditions with respect to the exchange offer and accept all validly tendered original notes which have not been withdrawn.

If our waiver of an unsatisfied condition constitutes a material change to the exchange offer, we will promptly disclose such waiver by means of a prospectus supplement that will be distributed to the holders of the original notes, and will extend the exchange offer for a period of five to ten business days, depending upon the significance of the waiver and the manner of disclosure to the registered holders, if the exchange offer would otherwise expire during such five to ten business day period.

Exchange Agent

U.S. Bank National Association, the trustee under the indenture governing the notes, has been appointed as exchange agent for the exchange offer. The exchange agent will not be (i) liable for any act or omission unless such act constitutes its own gross negligence or bad faith and in no event will the exchange agent be liable to a security holder, Starz, LLC, or any third party for special, indirect or consequential damages, or lost profits, arising in connection with the exchange offer or its duties and responsibilities related to the exchange offer; (ii) obligated to take any legal action with respect to the exchange offer which might in its judgment involve any expense or liability, unless it will be furnished with indemnity satisfactory to it; and (iii) liable or responsible for any statement contained in this prospectus.

We may indemnify the exchange agent with respect to certain matters relating to the exchange offer.

You should direct questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for other documents to the exchange agent as follows:

Delivery by Mail:
U.S. Bank National Association
60 Livingston Avenue—EP—MN—WS2N
St. Paul, MN 55107-2292
Attention: Specialized Finance

Courier or Overnight Delivery:
U.S. Bank National Association
111 Fillmore Avenue
St. Paul, MN 55107-1402
Attention: Specialized Finance

To Confirm by Telephone or for Information:
(651) 466-7150

Facsimile Transmissions:
(651) 466-7372

Fees and Expenses

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail by the exchange agent; however, additional solicitation may be made by telecopy, telephone or in person by our or our affiliates' officers and regular employees.

No dealer-manager has been retained in connection with the exchange offer and no payments will be made to brokers, dealers or others soliciting acceptance of the exchange offer. However, reasonable and customary fees will be paid to the exchange agent for its services and it will be reimbursed for its reasonable out-of-pocket expenses.

Our out-of-pocket expenses for the exchange offer will include fees and expenses of the exchange agent and the trustee under the indenture governing the notes, accounting and legal fees and printing costs, among others.

Transfer Taxes

We will pay all transfer taxes, if any, applicable to the exchange of the original notes pursuant to the exchange offer. If, however, a transfer tax is imposed for any reason other than the exchange of the original notes pursuant to the exchange offer, then the amount of any such transfer taxes (whether imposed on the tendering holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

Accounting Treatment for the Exchange Offer

The exchange notes will be recorded at the carrying value of the original notes and no gain or loss for accounting purposes will be recognized. The expenses of the exchange offer will be amortized over the term of the exchange notes.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

The statement of operations, balance sheet and other financial data included in the following selected historical consolidated financial data as of December 31, 2012 and 2011 and for each year in the three-year period ended December 31, 2012 have been derived from the audited annual consolidated financial statements of Starz, LLC included elsewhere in this prospectus. The balance sheet data as of December 31, 2010 and 2009 and the statement of operations and other financial data for the years ended December 31, 2009 and 2008 have been derived from the audited annual consolidated financial statements of Starz, LLC which are not included in this prospectus. The balance sheet data included in the following selected historical consolidated financial data as of December 31, 2008 has been derived from the unaudited annual consolidated financial statements of Starz, LLC which are not included in this prospectus. The selected historical consolidated financial data presented below should be read in conjunction with the consolidated financial statements included elsewhere in this prospectus and with "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Statement of Operations Data (in thousands)

	Fiscal Year Ended December 31,				
	2012	2011	2010	2009	2008
Revenue:					
Programming networks and other services	\$ 1,419,074	\$ 1,372,141	\$ 1,380,349	\$ 1,354,978	\$ 1,253,081
Home video net sales	211,622	241,892	224,988	167,619	160,140
Total Revenue	1,630,696	1,614,033	1,605,337	1,522,597	1,413,221
Costs and Expenses:					
Programming (including amortization)	661,157	651,249	647,817	641,477	660,322
Production and acquisition (including amortization)	192,340	158,789	177,954	107,122	95,888
Home video cost of sales	63,880	62,440	69,815	63,296	83,420
Operating	53,410	53,703	73,260	79,963	75,122
Advertising and marketing	105,674	132,183	175,417	229,335	259,174
General and administrative	109,403	106,081	125,421	121,792	129,290
Stock compensation, long-term incentive plan and phantom stock appreciation rights	20,022	7,078	39,468	35,142	23,127
Depreciation and amortization	19,406	17,907	20,468	23,470	27,448
Impairment of goodwill and other assets	—	—	—	—	1,432,101
Total Costs and Expenses	1,225,292	1,189,430	1,329,620	1,301,597	2,785,892
Operating income (loss)	405,404	424,603	275,717	221,000	(1,372,671)
Other Income (Expense):					
Interest expense, including amounts due to affiliates, net of amounts capitalized	(25,688)	(5,012)	(20,932)	(27,188)	(38,836)
Other income (expense), net	3,023	(3,505)	(542)	(4,719)	(6,899)
Income (loss) from continuing operations before income taxes	382,739	416,086	254,243	189,093	(1,418,406)
Income tax benefit (expense)	(130,465)	(172,189)	(98,764)	(71,006)	62,077
Income (loss) from continuing operations	\$ 252,274	\$ 243,897	\$ 155,479	\$ 118,087	\$ (1,356,329)

Balance Sheet Data (in thousands)

	As of December 31,				
	2012	2011	2010	2009	2008
					(unaudited)
Cash and cash equivalents	\$ 749,774	\$ 1,099,887	\$ 315,652	\$ 258,895	\$ 117,997
Program rights(1)	\$ 678,689	\$ 761,850	\$ 734,077	\$ 786,757	\$ 841,794
Total assets	\$ 2,176,050	\$ 2,603,175	\$ 1,893,002	\$ 2,022,595	\$ 1,977,829
Total debt(2)	\$ 539,805	\$ 545,044	\$ 99,214	\$ 582,458	\$ 561,649

Member's interest \$ 1,311,951 \$ 1,651,484 \$ 1,508,681 \$ 1,469,898 \$ 1,414,943

Other Financial Data (in thousands)

	Fiscal Year Ended December 31,				
	2012	2011	2010	2009	2008 (unaudited)
Net cash provided by operating activities	\$ 292,077	\$ 347,973	\$ 191,139	\$ 212,076	\$ 95,823
Net cash used in investing activities	\$ (16,214)	\$ (7,723)	\$ (7,099)	\$ (10,018)	\$ (7,565)
Net cash provided by (used in) financing activities	\$ (626,101)	\$ 444,002	\$ (128,414)	\$ (75,070)	\$ (81,318)
Ratio of total debt to Adjusted OIBDA(3)	1.2x	1.2x	0.3x	2.1x	5.1x
Adjusted OIBDA(4)	\$ 444,832	\$ 449,588	\$ 335,653	\$ 279,612	\$ 110,005

Selected Operating Data (in millions)

	As of December 31,				
	2012	2011	2010	2009	2008
Starz subscribers	21.2	19.6	18.2	16.9	17.7
Encore subscribers	34.8	33.2	32.8	30.6	31.7

- (1) Total of current and long-term program rights.
- (2) Total of current and long-term portions of debt and capital lease obligations.
- (3) Ratio is calculated based on total debt divided by Adjusted OIBDA.
- (4) The following table provides a reconciliation of total Adjusted OIBDA to income (loss) from continuing operations before income taxes (in thousands):

	Fiscal Year Ended December 31,				
	2012 (unaudited)	2011 (unaudited)	2010 (unaudited)	2009 (unaudited)	2008 (unaudited)
Adjusted OIBDA	\$ 444,832	\$ 449,588	\$ 335,653	\$ 279,612	\$ 110,005
Stock compensation, long-term incentive plan and phantom stock appreciation rights	(20,022)	(7,078)	(39,468)	(35,142)	(23,127)
Depreciation and amortization	(19,406)	(17,907)	(20,468)	(23,470)	(27,448)
Impairment of goodwill and other assets	—	—	—	—	(1,432,101)
Interest expense, including amounts due to affiliate, net of amounts capitalized	(25,688)	(5,012)	(20,932)	(27,188)	(38,836)
Other income (expense), net	3,023	(3,505)	(542)	(4,719)	(6,899)
Income (loss) from continuing operations before income taxes	<u>\$ 382,739</u>	<u>\$ 416,086</u>	<u>\$ 254,243</u>	<u>\$ 189,093</u>	<u>\$ (1,418,406)</u>

For an explanation of Adjusted OIBDA, a non-GAAP financial measure, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Adjusted Operating Income before Depreciation and Amortization (Adjusted OIBDA)."



RATIO OF EARNINGS TO FIXED CHARGES

	Fiscal year ended				
	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Ratio of earnings to fixed charges	13.6x	45.0x	11.0x	7.0x	n/m(1)

- (1) For the year ended December 31, 2008, earnings were insufficient to cover fixed charges by \$1,419.7 million, primarily due to the impairment of goodwill and other assets.

**UNAUDITED PRO FORMA
CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

The following unaudited pro forma condensed consolidated balance sheet as of December 31, 2012 and consolidated statements of operations for the year ended December 31, 2012 are based on the audited historical consolidated financial statements of Starz, LLC. The unaudited pro forma condensed consolidated financial information presented below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and corresponding notes thereto included elsewhere in this prospectus. The unaudited pro forma condensed consolidated financial statements reflect certain known impacts of the transactions as described under "Use of Proceeds" and "Summary—Starz Relationship." The unaudited pro forma condensed consolidated financial statements have been prepared giving effect to the transactions described under "Use of Proceeds" and "Summary—Starz Relationship" as if they had occurred as of January 1, 2012.

The unaudited pro forma condensed consolidated financial information set forth below has been derived from the consolidated financial statements of Starz, LLC for the year ended December 31, 2012 included elsewhere within this prospectus, and reflect certain assumptions that we believe are reasonable.

These unaudited pro forma condensed consolidated financial statements reflect all other adjustments that, in the opinion of management, are necessary to present fairly the pro forma condensed consolidated balance sheet and results of operations of Starz, LLC for the periods indicated. The unaudited pro forma condensed consolidated financial information is for illustrative and informational purposes only and is not intended to represent or be indicative of what our financial condition or results of operations would have been had the transactions as described under "Use of Proceeds" and "Summary—Starz Relationship" occurred on the date indicated. The unaudited pro forma condensed consolidated financial information also should not be considered representative of our future consolidated financial condition or consolidated results of operations.

STARZ, LLC AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2012

(in thousands)

	<u>Historical</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents(1),(2),(3)	\$ 749,774	\$ (649,726)	\$ 100,048
Program rights	340,005	—	340,005
Other current assets	287,132	—	287,132
Total current assets	<u>1,376,911</u>	<u>(649,726)</u>	<u>727,185</u>
Program rights	338,684	—	338,684
Other assets, net(1),(4)	460,455	882	461,337
TOTAL ASSETS	<u>\$ 2,176,050</u>	<u>\$ (648,844)</u>	<u>\$ 1,527,206</u>
LIABILITIES AND MEMBER'S INTEREST (DEFICIT) AND NONCONTROLLING INTERESTS			
CURRENT LIABILITIES(1)			
Debt(1),(2),(3),(4)	\$ 330,451	\$ 3,524	\$ 333,975
Other liabilities	535,671	593,300	1,128,971
	7,784	—	7,784
TOTAL LIABILITIES	<u>873,906</u>	<u>596,824</u>	<u>1,470,730</u>
MEMBER'S INTEREST (DEFICIT)(3),(4)	<u>1,311,951</u>	<u>(1,245,668)</u>	<u>66,283</u>
NONCONTROLLING INTERESTS IN SUBSIDIARIES			
Total member's interest (deficit) and noncontrolling interests	(9,807)	—	(9,807)
TOTAL LIABILITIES AND MEMBER'S INTEREST (DEFICIT) AND NONCONTROLLING INTERESTS	<u>\$ 2,176,050</u>	<u>\$ (648,844)</u>	<u>\$ 1,527,206</u>

(See accompanying notes to the unaudited pro forma condensed consolidated financial statements)

STARZ, LLC AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2012

(in thousands)

	Historical	Pro Forma Adjustments	Pro Forma
REVENUE:			
Programming networks and other services	\$ 1,419,075	—	\$ 1,419,075
Home video net sales	211,622	—	211,622
Total Revenue	1,630,696	—	1,630,696
COSTS AND EXPENSES:			
Programming (including amortization)	661,157	—	661,157
Production and acquisition (including amortization)	192,340	—	192,340
Home video cost of sales	63,880	—	63,880
Operating	53,410	—	53,410
Advertising and marketing	105,674	—	105,674
General and administrative	109,403	—	109,403
Long term incentive plan and stock compensation	20,022	—	20,022
Depreciation and amortization	19,406	—	19,406
Total Costs and Expenses	1,225,292	—	1,225,292
Operating income	405,404	—	405,404
OTHER INCOME (EXPENSE):			
Interest expense, net of amounts capitalized(5)	(25,688)	(18,513)	(44,201)
Other income	3,023	—	3,023
Income from continuing operations before income taxes	382,739	(18,513)	364,226
Income tax expense(6)	(130,465)	6,311	(124,154)
Income from continuing operations	\$ 252,274	\$ (12,202)	\$ 240,072

The unaudited pro forma adjustments for the year ended December 31, 2012 are described below.

- Pro forma adjustments for issuance of \$175.0 million of 5% senior notes due September 15, 2019 on February 8, 2013 at a price of 102.0% plus accrued interest from September 13, 2012 resulting in (i) a \$180.3 million increase in cash, (ii) a \$1.8 million increase in other assets, net related to costs associated with the issuance of the 5% senior notes, (iii) a \$3.5 million increase in accrued liabilities related to accrued interest on the 5% senior notes and (iv) a \$178.5 million increase in debt (\$175.0 million of debt and \$3.5 million premium).
- Pro forma adjustment for the repayment of \$180.0 million under the senior secured revolving credit facility from the use of proceeds of the debt issuance.
- Pro forma adjustment for additional borrowings of \$550.0 million under the senior secured revolving credit facility and cash dividend of \$1,200.0 million to Old LMC resulting in (i) an increase in debt of \$550.0 million, (ii) a decrease in cash of \$650.0 million and (iii) a decrease in member's interest of \$1,200.0 million.

- (4) Pro forma adjustment for the distribution to Old LMC of the Company's corporate office building and related building improvements and the subsequent lease back of such building and related building improvements from Old LMC resulting in a \$45.7 million decrease in members interest, a \$44.8 million increase in debt, and a \$0.9 million decrease in other assets, net.
- (5) Pro forma adjustment for (i) a \$7.3 million increase in interest expense for net additional borrowings of \$370.0 million under the senior secured revolving credit facility at a rate of 1.9617% (ii) an \$8.2 million net increase in interest expense for interest on the \$175.0 million of additional senior notes offset by the associated premium amortization, (iii) a \$0.3 million increase in interest expense for amortization of debt issuance costs related to the additional senior notes and (iv) a \$2.8 million increase in interest expense for the capital lease recognized in connection with the lease back of the corporate office building.
- (6) Pro forma adjustment for the tax impact of the pro forma adjustments described in note (5). The pro forma tax impact was calculated by using the historical effective tax rate for the year ended December 31, 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis, or MD&A, of the results of operations and financial condition is provided as a supplement to the audited annual consolidated financial statements and notes thereto included elsewhere herein to help provide an understanding of our financial condition, changes in financial condition and results of operations. The information included in this MD&A should be read in conjunction with the consolidated financial statements included in this prospectus as well as the financial data set forth under "Selected Historical Consolidated Financial and Other Data." For an overview of Starz, LLC and discussion of our business, including our strategy and challenges, see "Business."

ADJUSTED OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (ADJUSTED OIBDA)

We evaluate performance and make decisions about allocating resources to our operating segments based on financial measures such as Adjusted OIBDA. We define Adjusted OIBDA as: revenue less programming costs, production and acquisition costs, home video cost of sales, operating expenses, advertising and marketing costs and general and administrative expenses. Our chief operating decision maker uses this measure of performance in conjunction with other measures to evaluate our operating segments and make decisions about allocating resources among our operating segments. We believe that Adjusted OIBDA is an important indicator of the operational strength and performance of our operating segments, including each operating segment's ability to assist in servicing our debt and fund investments in films and television programs. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between operating segments and identify strategies to improve performance. This measure of performance excludes stock compensation, long-term incentive plan and phantom stock appreciation rights, depreciation and amortization and impairment of goodwill and other assets 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, income from continuing operations before income taxes, net income, net cash provided by operating activities and other measures of financial performance prepared in accordance with GAAP. The primary material limitations associated with the use of Adjusted OIBDA as compared to GAAP results are (i) it may not be comparable to similarly titled measures used by other companies in our industry, and (ii) it excludes financial information that some may consider important in evaluating our performance. We compensate for these limitations by providing a reconciliation of Adjusted OIBDA to GAAP results to enable investors to perform their own analysis of our operating results.

The tables below set forth, for the periods presented, certain historical financial information for our reportable segments (in thousands). We generally account for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices.

	Year Ended December 31,		
	2012	2011	2010
Revenue			
Starz Networks	\$ 1,276,815	\$ 1,269,924	\$ 1,224,136
Starz Distribution	320,671	310,927	367,477
Starz Animation	42,436	45,273	50,007
Inter-segment eliminations	(9,226)	(12,091)	(36,283)
	<u>\$ 1,630,696</u>	<u>\$ 1,614,033</u>	<u>\$ 1,605,337</u>
Adjusted OIBDA			
Starz Networks	\$ 447,368	\$ 427,689	\$ 416,390
Starz Distribution	(4,926)	4,567	(66,182)
Starz Animation	(932)	(850)	(2,419)
Inter-segment eliminations	3,322	18,182	(12,136)
	<u>\$ 444,832</u>	<u>\$ 449,588</u>	<u>\$ 335,653</u>

The following table provides a reconciliation of Adjusted OIBDA to income from continuing operations before income taxes (in thousands):

	Year Ended December 31,		
	2012	2011	2010
Adjusted OIBDA	\$ 444,832	\$ 449,588	\$ 335,653
Stock compensation, long-term incentive plan and phantom stock appreciation rights	(20,022)	(7,078)	(39,468)
Depreciation and amortization	(19,406)	(17,907)	(20,468)
Interest expense, including amounts due to affiliates, net of amounts capitalized	(25,688)	(5,012)	(20,932)
Other income (expense), net	3,023	(3,505)	(542)
Income from continuing operations before income taxes	<u>\$ 382,739</u>	<u>\$ 416,086</u>	<u>\$ 254,243</u>

RESULTS OF OPERATIONS—YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

Operating results are as follows (in thousands, except as otherwise indicated):

	Year Ended December 31,			% Increase (Decrease)	
	2012	2011	2010	'12 vs '11	'11 vs '10
Revenue:					
Programming networks and other services	\$ 1,419,074	\$ 1,372,141	\$ 1,380,349	3.4%	(0.6)%
Home video net sales	211,622	241,892	224,988	(12.5)%	7.5%
Total revenue	<u>1,630,696</u>	<u>1,614,033</u>	<u>1,605,337</u>	1.0%	0.5%
Costs and expenses:					
Programming costs (including amortization)	661,157	651,249	647,817	1.5%	0.5%
Production and acquisition costs (including amortization)	192,340	158,789	177,954	21.1%	(10.8)%
Home video cost of sales	63,880	62,440	69,815	2.3%	(10.6)%
Operating expenses	53,410	53,703	73,260	(0.5)%	(26.7)%
Advertising and marketing	105,674	132,183	175,417	(20.1)%	(24.6)%
General and administrative	109,403	106,081	125,421	3.1%	(15.4)%
Stock compensation, long-term incentive plan and phantom stock appreciation rights	20,022	7,078	39,468	182.9%	(82.1)%
Depreciation and amortization	19,406	17,907	20,468	8.4%	(12.5)%
Total costs and expenses	<u>1,225,292</u>	<u>1,189,430</u>	<u>1,329,620</u>	3.0%	(10.5)%
Operating income	405,404	424,603	275,717	(4.5)%	54.0%
Other income (expense)					
Interest expense, including amounts due to affiliate, net of amounts capitalized	(25,688)	(5,012)	(20,932)	412.5%	(76.1)%
Other income (expense), net	3,023	(3,505)	(542)	186.2%	(546.7)%
Income from continuing operations before income taxes	382,739	416,086	254,243	(8.0)%	63.7%
Income tax expense	(130,465)	(172,189)	(98,764)	(24.2)%	74.3%
Income from continuing operations	252,274	243,897	155,479	3.4%	56.9%
Income (loss) from discontinued operations, net of income taxes	—	(7,486)	3,315	100.0%	(325.8)%
Net income	<u>\$ 252,274</u>	<u>\$ 236,411</u>	<u>\$ 158,794</u>	6.7%	48.9%

Operating Data (in millions):	As of December 31,		
	2012	2011	2010
Starz subscriptions:			
Fixed-rate subscriptions	13.0	9.4	8.6
Consignment subscriptions	8.2	10.2	9.6
Total <i>Starz</i> subscriptions	<u>21.2</u>	<u>19.6</u>	<u>18.2</u>
Encore subscriptions:			
Fixed-rate subscriptions	23.2	19.6	19.5
Consignment subscriptions	11.6	13.6	13.3
Total <i>Encore</i> subscriptions	<u>34.8</u>	<u>33.2</u>	<u>32.8</u>

COMPARISON OF YEAR ENDED DECEMBER 31, 2012 TO YEAR ENDED DECEMBER 31, 2011

Revenue

Our revenue increased \$16.7 million or 1.0% for the year ended December 31, 2012 as compared to the corresponding prior year. Revenue for the year ended December 31, 2012 increased primarily as a result of increases in revenue for Starz Distribution and Starz Networks which were partially offset by a decrease in revenue for Starz Animation. Starz Networks' revenue represented 78.3% and 78.7% of our total revenue for the years ended December 31, 2012 and 2011, respectively.

Revenue from Starz Networks increased \$6.9 million or 0.5% for the year ended December 31, 2012 as compared to the corresponding prior year. The Starz Networks' growth in revenue for the year ended December 31, 2012 resulted from a \$33.6 million increase due to higher effective rates for Starz Networks' services and a \$26.7 million decrease in volume. The decrease in volume was due primarily to the non-renewal of the Netflix agreement and a decrease in consignment subscriptions.

The *Starz* and *Encore* networks are the primary drivers of Starz Networks' revenue. *Starz* average subscriptions increased 8.2% in 2012 and *Encore* average subscriptions increased 4.8% in 2012. The impact on revenue due to subscription increases is affected by the relative percentage change under consignment agreements and fixed-rate agreements. In this regard, as of December 31, 2012, subscriptions under fixed-rate agreements were 36.2 million while subscriptions under consignment agreements were 19.8 million. As of December 31, 2011, subscriptions under fixed-rate agreements were 29.0 million while subscriptions under consignment agreements were 23.8 million. The increase in fixed-rate subscriptions includes 3.9 million of subscriptions for certain affiliates which moved from consignment to fixed-rate agreements.

Revenue from Starz Distribution increased \$9.7 million or 3.1% for the year ended December 31, 2012 as compared to the corresponding prior year. Such increase is primarily due to increased revenue from the Digital Media and Worldwide Distribution businesses which were offset by a decrease in revenue from the Home Video business. The Digital Media business experienced an increase in revenue from films released under the distribution agreement with TWC while Worldwide Distribution experienced an increase in revenue from distribution of our original programming. The Home Video business experienced a decrease in revenue from the TWC films released during the year ended December 31, 2012 as compared to the corresponding prior year. This decrease was partially offset by an increase in revenue from the distribution of our original series *Spartacus* and AMC Network's original series *The Walking Dead*. Home video revenue was positively impacted in 2011 by the release of TWC's *The King's Speech*, which won four Academy Awards®, including Best Picture, Best Actor, Best Director and Best Original Screenplay.

Programming

Programming costs are our largest expense. Programming costs increased \$9.9 million or 1.5% for the year ended December 31, 2012 as compared to the corresponding prior year. Programming costs vary due to costs associated with original productions, the number of films licensed under our output and library programming agreements and the cost per film paid under our output and library agreements. Programming costs for the year ended December 31, 2012 as compared to the prior year have increased due to increased exhibitions of our original programming content and higher production costs related to our 2012 original series as compared to the 2011 series. Partially offsetting this increase in original programming during 2012 is higher utilization of lower cost second window films licensed under our output agreements. We expect programming costs related to original programming will continue to increase in the future as we continue to invest in original content.

Production and Acquisition

Production and acquisition costs primarily include the amortization of our investments in films and television programs and participation costs. The license fee associated with original productions is included in programming costs and all remaining production and acquisition costs for original productions are amortized to production and acquisition costs based on the proportion that current revenue bears to an estimate of our ultimate revenue for each original production. The amount of production and acquisition costs that we will incur for original productions is impacted by both the number of original productions and the various distribution rights that we acquire or retain for these productions. Participation costs represent amounts paid or due to participants under agreements we have whereby Starz Distribution distributes content in which a participant has an ownership interest (e.g., TWC, AMC Networks, producers or writers of our original programming, etc.).

Production and acquisition costs increased \$33.6 million or 21.1% for the year ended December 31, 2012 as compared to the corresponding prior year. The increase in production and acquisition costs is primarily due to higher Starz Distribution revenue associated with our original series (which resulted in higher production cost amortization) and higher participation costs as a result of a higher gross margin in 2012 on films distributed which was primarily the result of higher advertising and marketing costs in 2011 as described below. In addition, revisions we made in our ultimate revenue estimates resulted in impairments of \$17.2 million in 2012 as compared to impairments of \$12.9 million in 2011.

Advertising and Marketing

Advertising and marketing costs decreased \$26.5 million or 20.1% for the year ended December 31, 2012 as compared to the corresponding prior year due primarily to a decrease in advertising and marketing for Starz Distribution and Starz Networks. Advertising and marketing for Starz Distribution was higher in 2011 primarily as a result of the home video release of *The King's Speech*. Advertising and marketing for Starz Networks decreased for the year ended December 31, 2012 as compared to the corresponding prior year due to a lower number of original series premieres in 2012 than 2011. We expect that advertising and marketing costs related to original programming will increase in future periods as we continue to increase our investment in original content.

General and Administrative

General and administrative expenses increased \$3.3 million or 3.1% for the year ended December 31, 2012 as compared to the corresponding prior year due primarily to an increase in severance payments in 2012. General and administrative expenses were 6.7% and 6.6% of revenue for the year ended December 31, 2012 and 2011, respectively.

Stock Compensation, Long Term Incentive Plan and Phantom Stock Appreciation Rights

Stock compensation, long term incentive plan and phantom stock appreciation rights expense increased \$12.9 million or 182.9% in 2012. On December 4, 2012, Old LMC effected an acceleration of each unvested in-the-money option to acquire shares of Old LMC's Series A Liberty Capital Common Stock ("LMCA") by certain of its, and its subsidiaries' officers, which included one of our executive officers. Following this acceleration, our executive officer exercised, on a net settled basis, all of this individual's outstanding in-the-money vested and unvested options to acquire LMCA shares which resulted in a charge of \$5.8 million. An increase in the number of options granted, and at a higher grant-date fair value than options previously granted, accounted for the remainder of the increase for the year ended December 31, 2012 as compared to the year ended December 31, 2011.

Interest Expense

Interest expense increased \$20.7 million for the year ended December 31, 2012 as compared to the corresponding prior year due to \$505.0 million of borrowings that we made under our senior secured credit facilities in November of 2011. On September 13, 2012, Starz, LLC and Starz Finance Corp. co-issued \$500.0 million of existing 5% senior notes. We used the net proceeds and cash on hand to repay and terminate the \$500.0 million term loan under the senior secured credit facilities.

Income Taxes

We had income from continuing operations before income taxes of \$382.7 million and \$416.1 million and income tax expense of \$130.5 million and \$172.2 million for the years ended December 31, 2012 and 2011, respectively. Our effective tax rate was 34.1% and 41.4% for the years ended December 31, 2012 and 2011, respectively.

Our effective tax rate differs from the U.S. federal income tax rate of 35% as a result of changes in our valuation allowance for deferred taxes, state and local taxes and Starz Media's election, effective April 1, 2012, to convert itself from a limited liability company ("LLC") treated as a corporation to a LLC treated as a partnership for U.S. federal and state income tax purposes. As a result of the conversion, we recognized a capital loss on the deemed liquidation of Starz Media. Based on the relevant accounting literature, we had not previously recorded a benefit for the tax basis in the stock of Starz Media. The capital loss of \$101.3 million (as tax effected) is being carried forward and is recorded as a long term deferred tax asset. We do not believe that it is more likely than not that we would be able to generate any capital gains to utilize any of this capital loss carryforward as a stand-alone taxpayer and as such, we have recorded a full valuation allowance against this capital loss.

In addition, under current U.S. federal and state tax law, LLCs treated as partnerships are not subject to income tax at the entity level. As such, the election to convert Starz Media to be treated as a partnership for income tax purposes resulted in the reversal of deferred tax assets related to Starz Media's deductible temporary differences of \$16.1 million and the reversal of a valuation allowance offsetting these deferred tax assets of \$16.1 million. Also, a deferred tax asset of \$7.1 million was recorded for the difference between the book basis and the tax basis of our investment in Starz Media as of April 1, 2012.

Our effective tax rate for 2011 differs from the U.S. federal income tax rate of 35% as a result of changes in our valuation allowance for deferred taxes and state and local taxes.

COMPARISON OF YEAR ENDED DECEMBER 31, 2011 TO YEAR ENDED DECEMBER 31, 2010

Revenue

Our revenue increased \$8.7 million or 0.5% in 2011 as compared to 2010 due primarily to a \$45.8 million increase from Starz Networks and a decrease in our intersegment eliminations of \$24.2 million. Such increases were partially offset by decreases in revenue from Starz Distribution of \$56.6 million and Starz Animation of \$4.7 million. Starz Networks' revenue represented 78.7% and 76.3% of our total revenue in 2011 and 2010, respectively.

Revenue from Starz Networks increased \$45.8 million or 3.7% in 2011 as compared to 2010 as a result of increases in the average number of subscriptions for the Starz Networks' services as well as rate increases. The 2011 increase in revenue from Starz Networks is comprised of \$25.0 million due to growth in the average number of subscriptions for Starz Networks' services and \$20.8 million due to higher effective rates for Starz Networks' services.

The *Starz* and *Encore* networks are the primary drivers of Starz Networks' revenue. *Starz* average subscriptions increased 8.8% in 2011 while *Encore* average subscriptions increased 4.0% in 2011. The

impact on revenue due to the subscription increases is affected by the relative percentage change under consignment (per subscriber) agreements and fixed-rate affiliation agreements. In this regard, as of December 31, 2011, subscriptions under fixed-rate agreements were 29.0 million while subscriptions under consignment agreements were 23.8 million. As of December 31, 2010, subscriptions under fixed-rate affiliation agreements were 28.1 million while subscriptions under consignment agreements were 22.9 million.

The decrease in revenue from Starz Distribution was primarily due to the decision to shut down our theatrical business in 2010 which was partially offset by an increase in revenue from titles distributed for TWC and our original programming (primarily our *Spartacus* franchise).

The intersegment eliminations revenue was lower in 2011 primarily as a result of the number and box office results of films released by Overture Films which were exhibited on Starz Networks' networks.

Programming

Programming costs are our largest expense. Programming costs increased \$3.4 million or 0.5% in 2011. Programming costs vary due to costs associated with original productions, the number of films licensed under our output and library programming agreements and the cost per film paid under our output and library agreements. Programming costs for the year ended December 31, 2011 as compared to the prior year have increased due to increased exhibitions of our original programming content and higher production costs related to our 2011 original series as compared to the 2010 series. A decrease in the number of films and corresponding number of exhibitions of such films available under our output agreements partially offset the increase in original programming during 2011.

Production and Acquisition

Production and acquisition costs primarily include the amortization of our investments in films and television programs and participation costs. The license fee associated with original productions is included in programming costs and all remaining production and acquisition costs for original productions are amortized to production and acquisition costs based on the proportion that current revenue bears to an estimate of our ultimate revenue for each original production. The amount of production and acquisition costs that we will incur for original productions is impacted by both the number of original productions and the various distribution rights that we acquire or retain for these productions. Participation costs represent amounts paid or due to participants under agreements we have whereby Starz Distribution distributes content in which a participant has an ownership interest (e.g., TWC, AMC Networks, producers or writers of our original programming, etc.).

Production and acquisition costs decreased \$19.2 million or 10.8% in 2011 primarily as a result of a \$33.7 million decrease in impairment charges. Revisions we made in our ultimate revenue estimates resulted in impairments of \$12.9 million in 2011 as compared to impairments of \$46.6 million in 2010. The decrease in impairment charges was partially offset by an increase in participation costs for films that we distribute under our agreement with TWC.

Advertising and Marketing

Advertising and marketing costs decreased \$43.2 million or 24.6% in 2011 due primarily to the shut down of our theatrical business. We expect that advertising and marketing costs related to our original programming will increase in the future as we continue to invest in original content.

General and Administrative

General and administrative expenses decreased \$19.3 million or 15.4% in 2011 primarily as a result of the shut down of our theatrical business in 2010. General and administrative expenses were 6.6% and 7.8% of revenue in 2011 and 2010, respectively.

Stock Compensation, Long Term Incentive Plan and Phantom Stock Appreciation Rights

Stock compensation, long term incentive plan and phantom stock appreciation rights expense decreased \$32.4 million or 82.1% in 2011 due primarily to amounts paid in 2010 in excess of amounts accrued to settle all outstanding phantom stock appreciation rights held by our founder and former chief executive officer.

Interest Expense

Interest expense decreased \$15.9 million or 76.1% in 2011 as compared to 2010. Such decrease was primarily attributable to a decrease in interest on debt due to affiliate as a result of the contribution of the corresponding affiliate receivables from our former parent company, Old LMC, to us on September 30, 2010 in connection with a corporate restructuring. As a result of the contribution, the affiliate debt and related interest expense are eliminated in consolidation effective September 30, 2010.

Income Taxes

We had income from continuing operations before income taxes of \$416.1 million and \$254.2 million and income tax expense of \$172.2 million and \$98.8 million in 2011 and 2010, respectively. Our effective tax rate was 41.4% and 38.8% in 2011 and 2010, respectively. Our effective tax rate differs from the U.S. federal income tax rate of 35% primarily as a result of state and local and foreign taxes. The 2011 tax rate was also impacted by a change in our valuation allowance.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2012, our cash and cash equivalents totaled \$749.8 million. 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 commercial paper.

We generated positive net cash provided by operating activities of \$292.1 million, \$348.0 million and \$191.1 million for the years ended December 31, 2012, 2011 and 2010, respectively. Our primary uses of cash are payments under our programming output and library agreements and production costs for our original programming, home video and other content (i.e., investment in films and television programs), which are included as a reduction of net cash provided by operating activities. Cash paid under our programming output and library agreements totaled \$456.6 million, \$554.3 million and \$532.6 million for years ended December 31, 2012, 2011 and 2010, respectively. Cash paid for original programming, home video and other content totaled \$284.1 million, \$213.7 million and \$117.0 million for the years ended December 31, 2012, 2011 and 2010, respectively. We plan to make additional investments in original programming in the future. Additionally, Starz may use cash for the potential buyback of common stock under its share buyback program.

Payments made under our long-term incentive plan and the timing of tax payments made to Old LMC negatively impacted net cash provided by operating activities in 2012. During 2012, we made cash payments of \$161.4 million for income taxes and \$33.4 million under our long-term incentive plan as compared to cash payments of \$44.8 million for income taxes and \$7.7 million under our long-term incentive plan in 2011. During 2010, we also made a non-recurring payment of \$149.6 million to settle

all remaining phantom stock appreciation rights held by our founder and former chief executive officer which negatively impacted our net cash provided by operating activities.

We are continually projecting our anticipated cash requirements for our operating, investing and financing needs as well as net cash provided by operating activities available to meet these needs. Our potential sources of liquidity are available cash balances, net cash provided by operating activities and borrowings under our senior secured revolving credit facility and we expect that we will be able to utilize these sources to fund our cash commitments for investing and financing activities, which include the remaining \$1.2 billion of the \$1.8 billion distribution paid to Old LMC in connection with the Spin-Off as described below, debt repayments and capital expenditures during 2013. Based upon our current operating plans, we believe that our net cash provided by operating activities will be sufficient to fund our cash commitments for investing and financing activities such as our long term debt obligations and capital expenditures from 2014 through 2017. As of December 31, 2012, on a pro forma basis (including the subsequent \$1.2 billion distribution to Old LMC), we would have had \$625.0 million available for borrowing under our senior secured revolving credit facility, which is available to fund our operating activities and cash commitments for investing and financing activities. See "Unaudited Pro Forma Condensed Consolidated Financial Data."

On November 16, 2011, we closed our \$1.5 billion senior secured credit facilities with a group of banks. Such facilities are comprised of a \$1,000.0 million senior secured revolving credit facility and a \$500.0 million senior secured term loan A. On November 18, 2011, we borrowed \$500.0 million under the senior secured term loan A and \$5.0 million under the senior secured revolving credit facility. On September 13, 2012, we closed the offering of \$500.0 million of existing 5.00% senior notes, the net proceeds of which were used together with cash on hand to repay and terminate the senior secured term loan A. On February 8, 2013, Starz, LLC and Starz Finance Corp. completed the issuance of the original notes, which were issued as additional notes under the indenture governing the existing 5.00% senior notes. The net proceeds from the issuance of the original notes were used to repay indebtedness under Starz, LLC's senior secured revolving credit facility. The senior secured revolving credit facility contains certain covenants, including a covenant that limits our maximum leverage ratio, as defined in the credit agreement, to not more than 4.75 to 1.00 through December 31, 2013 and 4.25 to 1.00 thereafter. In addition, investments in unrestricted subsidiaries, as defined in the credit agreement, shall not exceed \$150.0 million during the term of the credit agreement (starting on the closing date of November 16, 2011). Starz Entertainment and Starz Finance Corp. are the only guarantors and restricted subsidiaries under the senior secured revolving credit facility. The senior secured revolving credit facility matures on November 16, 2016. In connection with the Spin-Off, Starz, LLC distributed \$1.8 billion in cash to Old LMC (paid as follows: \$100.0 million on July 9, 2012, \$250.0 million on August 17, 2012, \$50.0 million on September 4, 2012, \$200.0 million on November 16, 2012 and \$1.2 billion on January 10, 2013), funded by a combination of cash on hand and \$550.0 million of borrowings under our senior secured revolving credit facility (under which \$995.0 million was available to be drawn as of December 31, 2012). See "Business—General Development of the Business" for additional information.

As of December 31, 2012, Starz Entertainment had an outstanding loan receivable from Starz Media, which is an unrestricted subsidiary, totaling \$26.1 million.

OFF-BALANCE SHEET ARRANGEMENTS AND AGGREGATE CONTRACTUAL OBLIGATIONS

We are required to make future payments under various contracts, including long-term output licensing agreements, affiliation agreements, debt agreements, lease agreements, long-term incentive plans and various other agreements. Information concerning the amount and timing of required payments related to our contractual obligations at December 31, 2012 is summarized below (these contractual obligations are grouped in the same manner as they are classified in the consolidated

statements of cash flows in order to provide a better understanding of the nature of the obligations and to provide a basis for comparison to historical information):

	Payments due by period (in thousands)				
	Total	Less than 1 year	2 - 3 years	4 - 5 years	After 5 years
Operating activities:					
Programming rights	\$ 950,181	\$ 382,110	\$ 174,558	\$ 127,768	\$ 265,745
Affiliation agreements	46,668	34,842	9,025	2,801	—
Investment in films and television programs	81,225	81,225	—	—	—
Long-term incentive and deferred compensation plans	6,871	4,757	2,114	—	—
Operating lease obligations	22,932	6,123	10,620	4,489	1,700
Purchase orders and other obligations	227,667	198,867	24,000	4,800	—
Interest related to total debt	184,061	27,192	53,574	52,265	51,030
Financing activities:					
Repayments of total debt	539,805	4,134	9,078	15,277	511,316
Investing activities:					
Purchases of property and equipment	2,400	2,400	—	—	—
Total	\$ 2,061,810	\$ 741,650	\$ 282,969	\$ 207,400	\$ 829,791

Obligations for Operating Activities

We have entered into an exclusive long-term licensing agreement for theatrically released films from Disney through 2015. The agreement provides us with exclusive pay TV rights to exhibit qualifying theatrically released live-action and animated feature films under the Disney, Touchstone, Pixar and Marvel labels. Theatrically released films produced by DreamWorks are not licensed to us under the agreement. In addition, we are obligated to pay programming fees for all qualifying films that are released theatrically in the U.S. by Sony's Columbia Pictures, Screen Gems, Sony Pictures Classics and TriStar labels through 2021, subject to certain limitations. The programming fees to be paid by us to Disney and Sony are based on the quantity and domestic theatrical exhibition receipts of qualifying films. We have also entered into agreements with a number of other motion picture producers and are obligated to pay fees for the rights to exhibit certain films that are released by these producers.

The unpaid balance for film rights related to films that were available at December 31, 2012 is reflected in accrued liabilities and in other liabilities in our consolidated balance sheet. As of December 31, 2012, such liabilities aggregated \$58.6 million and are payable as follows: \$57.1 million in 2013 and \$1.5 million in 2014.

Under the agreements with Disney and Sony, we are obligated to pay fees for the rights to exhibit films that have been released theatrically, but are not available for exhibition by us until some future date. The estimated amounts payable under our programming license agreements, including the Disney and Sony agreements, which have not been accrued as of December 31, 2012, are as follows: \$325.0 million in 2013; \$101.4 million in 2014; \$71.7 million in 2015; \$63.8 million in 2016; \$64.0 million in 2017 and \$265.7 million thereafter.

Starz, LLC is also obligated to pay fees for films that have not yet been released in theaters. Starz, LLC is unable to estimate the amounts to be paid under these agreements for films that have not yet been released in theaters; however, such amounts are expected to be significant.

Obligations for Financing Activities

Effective January 11, 2013, in connection with the Spin-Off, we distributed our Englewood, Colorado corporate office building and related building improvements to Old LMC (and Old LMC subsequently transferred such building and related improvements to LPH, a subsidiary of Old LMC) and leased back the use of such facilities from LPH. Under the terms of the agreement, we will lease the facilities for a term of 10 years, with an additional four successive five-year renewal terms at our option. We are obligated to pay LPH approximately \$3.4 million in the initial year of the lease, with annual increases related to the change in the Consumer Price Index.

Guarantee Commitments

Our subsidiary, Starz Media Canada Co. ("Canada Co."), entered into an agreement with the Ontario government whereby Canada Co. is eligible to receive funds under the Canadian Next Generation of Jobs Fund Grant through the termination date of March 31, 2014. Starz Entertainment entered into a guarantee for any amounts owed to the Ontario government under the grant if Canada Co. does not meet its obligation. The maximum amount of the grant available and the guarantee is \$23.1 million. The Ontario government can demand payment from Starz Entertainment if Canada Co. does not perform any of its obligations. The maximum potential amount payable under the guarantee is \$10.7 million at December 31, 2012 and Starz Entertainment has accrued \$8.5 million related to this guarantee as of December 31, 2012. We sold a controlling interest in Canada Co. on March 3, 2011. The terms of the guarantee have not changed.

In January 2011, Anchor Bay Entertainment entered into a five-year license agreement with TWC for the distribution, by our Home Video and Digital Media businesses, of certain of TWC's theatrical releases. Anchor Bay Entertainment recovers its advances through the distribution of DVDs and earns a fee. Starz Entertainment guarantees Anchor Bay Entertainment's advance payments to TWC under this agreement up to \$50.0 million.

Starz Entertainment is the guarantor on two noncancelable operating leases in which a subsidiary of Starz Media and Film Roman, respectively, are the tenant. The maximum potential amount payable under these guarantees is \$13.0 million at December 31, 2012. Starz Entertainment does not currently expect to have to perform under these obligations. The leases expire in 2014 and 2016, respectively.

CRITICAL ACCOUNTING ESTIMATES

The following represents a discussion of our critical accounting estimates. For information regarding our significant accounting policies, see note 2 to our consolidated financial statements for the year ended December 31, 2012.

Program Rights

Programming costs are our most significant individual operating cost. Program rights for films and television programs exhibited by Starz Networks are generally amortized on a film-by-film basis over the anticipated number of exhibitions. We estimate the number of exhibitions based on the number of exhibitions allowed in the agreement and the expected usage of the content. We generally have rights to two or three separate windows under our pay-television output agreements. For films with multiple windows, the license fee is allocated between the windows based upon the proportionate estimated value of each window. We have allocated a substantial portion of the programming costs to the first window as first-run content is believed to have greater appeal to subscribers when it is newer and therefore deemed to have greater value to us in acquiring and retaining subscribers. Certain other program rights are amortized to expense using the straight-line method over the respective lives of the agreements.

Additionally, we allocate programming costs associated with our original productions between the pay television window and the ancillary revenue markets (e.g., home video, digital platforms, international television, etc.) based on the estimated relative fair values of these markets. Costs allocated to the pay television window are amortized to expense over the anticipated number of exhibitions for each original production while costs associated with the ancillary revenue markets are amortized to expense based on the proportion that current revenue from the original productions bears to an estimate of the remaining unrecognized revenue (ultimate revenue). Estimates of fair value for the pay television and ancillary markets involve uncertainty as well as estimates of ultimate revenue.

Changes in management's estimate of the anticipated exhibitions of films and original programming on our networks and the estimate of ultimate revenue could result in the earlier recognition of our programming costs than anticipated. Conversely, scheduled exhibitions may not capture the appropriate usage of the program rights in current periods which would lead to the write-off of additional program rights in future periods and have a significant impact on our future results of operations and our financial position.

Impairment of Goodwill

We test goodwill annually for impairment at December 31 or more frequently if indicators of potential impairment exist. Our goodwill balance resides entirely at our Starz Networks' operating segment which is also a reporting unit. At December 31, 2012, we first utilized a qualitative assessment for determining whether the first step of the goodwill impairment analysis was necessary. In evaluating goodwill on a qualitative basis, we considered whether there were any negative macroeconomic conditions, negative changes in our industry specific conditions, market changes, increased competition, increased costs in doing business, management challenges, events affecting a reporting unit such as a change in the composition or carrying amount of its net assets, the legal environment and how these factors might impact our performance in future periods. This qualitative assessment involves a significant amount of judgment on the part of management.

If step one is necessary, the fair value of Starz Networks' goodwill is compared to its carrying value. Fair value is estimated by considering sale prices for similar assets or by discounting estimated future cash flows from such assets using an appropriate discount rate. If the carrying amount of Starz Networks exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of goodwill impairment loss, if any. The second step of the goodwill impairment

test would compare the implied fair value of Starz Networks' goodwill with the carrying amount of that goodwill. If the carrying amount of Starz Networks' goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill that would be recognized in a business combination.

At December 31, 2012, our qualitative assessment indicated that step one of the goodwill impairment analysis was necessary due to the Spin-Off and the known future change in our net assets due to the remaining \$1.2 billion of the \$1.8 billion cash distribution we made to Old LMC on January 10, 2013. We utilized a valuation analysis which included a guideline public companies analysis and a discounted cash flow analysis, prepared by a third party, to perform step one, which indicated Starz Networks did not have an impairment at December 31, 2012. At December 31, 2011, our qualitative assessment indicated that step one of the goodwill impairment analysis was not necessary. For 2010, we performed step one of the goodwill impairment analysis utilizing a discounted cash flow analysis prepared by management which indicated Starz Networks did not have an impairment at December 31, 2010. The cash flow projections used in our analysis represent management's best estimate of the future cash flows for Starz Networks as of December 31, 2010.

The fair value of Starz Networks substantially exceeds its carrying value. Goodwill impairment tests require a high degree of judgment with respect to estimates of future cash flows and discount rates as well as other assumptions. Accordingly, any value ultimately derived for Starz Networks may differ from our estimate of fair value.

Carrying Value of Investments in Films and Television Programs

Investment in films and television programs includes the cost of completed films, television programs and original productions which we have produced or for which we have acquired distribution rights, as well as the cost of films, television programs or original productions in production, pre-production and development. Investment in films and television programs is stated at unamortized cost unless reduced to estimated fair value, as discussed below, on an individual film basis. Investment in films and television programs is amortized to production and acquisition costs using the individual-film-forecast method, whereby the costs are charged to expense and royalty, participation and residual costs are accrued based on the proportion that current revenue from the films, television programs and original productions bears to an estimate of the remaining unrecognized ultimate revenue. Estimates of ultimate revenue involve uncertainty and it is therefore possible that reductions in the carrying value of investment in films and television programs may be required as a consequence of changes in management's future revenue estimates. We periodically review revenue estimates and revise our assumptions as necessary, which impacts the timing of amortization expense. Significant revisions to our revenue estimates could also be an indicator that a film is impaired.

Investment in films and television programs is reviewed for impairment on a title-by-title basis when an event or change in circumstances indicates that a film, television program or original production may be impaired. The estimated fair value for each title is determined using the discounted estimated future cash flow of each title. If the estimated fair value of a film, television program or original production is less than its unamortized cost, the excess of unamortized cost over the estimated fair value is charged to expense. Considerable management judgment is necessary to estimate the fair value of investment in films and television programs. Changes in these estimates could significantly impact the impairment analysis in the future.

Valuation of Deferred Tax Assets

We are required to estimate the amount of tax payable for the current year and the deferred income tax assets and liabilities for the future tax consequences of events that have been reflected in

our financial statements or tax returns. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of our deferred tax assets will not be realized. Our ability to realize deferred tax assets depends upon the generation of sufficient future taxable income and tax planning strategies. We may be required to record additional valuation allowances against our deferred tax assets in the future if our assumptions and estimates change which would result in additional income tax expense. Management evaluates the realizability of our deferred tax assets quarterly.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk in the normal course of business due to our ongoing financial and operating activities. Market risk refers to the risk of loss arising from adverse changes in stock prices and interest rates. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings.

We are exposed to changes in interest rates as a result of borrowings used to maintain our liquidity and fund our 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 and by entering into interest rate swap and collar arrangements when we deem appropriate.

As of December 31, 2012, our debt is comprised of the following amounts (in thousands):

Variable rate debt		Fixed rate debt	
Principal amount	Weighted avg. interest rate	Principal amount	Weighted avg. interest rate
\$ 5,000	1.96%	\$ 534,805	5.09%

As noted above, our outstanding debt at December 31, 2012 was primarily fixed rate debt. We have borrowing capacity at December 31, 2012 of \$995.0 million under our senior secured revolving credit facility at variable rates. On January 10, 2013, we utilized \$550.0 million of borrowings under our senior secured revolving credit facility and cash on hand to pay the remaining \$1.2 billion of the \$1.8 billion cash distribution to Old LMC (such distributed cash was subsequently contributed to New LMC) which resulted in a more balanced mix of fixed and variable rate debt.

At December 31, 2012, the fair value of the existing 5.00% senior notes was \$517.8 million. We believe the fair value of our remaining debt approximates its carrying value as of December 31, 2012 due to its variable rate nature and our stable credit spread.

We are exposed to foreign exchange rate risk on certain of our original productions that are produced in foreign countries. We mitigate this foreign exchange rate risk by entering into forward contracts and other types of derivative instruments as deemed appropriate. As of December 31, 2012, the fair market value of our outstanding derivative instruments related to foreign currencies was insignificant. We are also exposed to foreign exchange rate risk on our foreign operations; however, this risk is not deemed significant to our overall business.

BUSINESS

General Development of Business

During August 2012, the board of directors of Old LMC authorized the Spin-Off. On January 11, 2013, the Spin-Off was effected in a tax-free manner through the distribution, by means of a pro-rata dividend, of shares of Liberty Spinco to the stockholders of Old LMC. As a result, Liberty Spinco became a separate public company on January 11, 2013 and was renamed "Liberty Media Corporation" (referred to as New LMC). In connection with the Spin-Off, the parent company of Starz, LLC was renamed "Starz".

In connection with the Spin-Off, Starz, LLC distributed \$1.8 billion in cash to Old LMC (paid as follows: \$100.0 million on July 9, 2012, \$250.0 million on August 17, 2012, \$50.0 million on September 4, 2012, \$200.0 million on November 16, 2012 and \$1.2 billion on January 10, 2013) funded by a combination of cash on hand and borrowings under Starz, LLC's senior secured revolving credit facility. Such distributed cash was contributed to New LMC prior to the Spin-Off. Additionally, in connection with the Spin-Off, Starz, LLC distributed its Englewood, Colorado corporate office building and related building improvements to Old LMC (and Old LMC transferred such building and related improvements to a subsidiary of New LMC) and then leased back the use of such facilities from this New LMC subsidiary. Following the Spin-Off, New LMC and Starz operate independently, and neither have any stock ownership, beneficial or otherwise, in the other.

On September 13, 2012, Starz, LLC and Starz Finance Corp. co-issued \$500.0 million of the existing 5.00% senior notes. Starz Finance Corp. is a wholly-owned subsidiary of Starz, LLC and was formed for the sole purpose of co-issuing the existing 5.00% senior notes. Starz Finance Corp. does not and will not have any operations, assets or subsidiaries of its own. The existing 5.00% senior notes pay interest semi-annually on September 15 and March 15 of each year. The existing 5.00% senior notes are guaranteed by Starz Entertainment. Starz, LLC used the net proceeds as well as cash on hand to repay and terminate the \$500.0 million term loan under its senior secured credit facilities. Starz, LLC registered the existing 5.00% senior notes under the Securities Act of 1933, as amended, and completed an exchange offer for the existing 5.00% senior notes on February 13, 2013.

On February 8, 2013, Starz, LLC and Starz Finance Corp. completed the issuance of an additional \$175.0 million of original notes, which were issued as additional notes under the indenture governing the existing 5.00% senior notes. The net proceeds from the issuance of the original notes were used to repay indebtedness under Starz, LLC's senior secured revolving credit facility.

Financial Information About Operating Segments

Our reportable segments are strategic business units that offer different services. They are managed separately because each segment requires different technologies, content delivery methods and marketing strategies. We identify our reportable segments as those operating segments that represent 10% or more of our consolidated annual revenue, annual Adjusted OIBDA or total assets. Starz Networks and Starz Distribution have been identified as reportable segments; however, as we have only three operating segments, Starz Animation is also reported separately. Financial information related to our operating segments can be found in Note 13 to our consolidated financial statements found beginning on page F-2 of this prospectus.

Narrative Description of Business

We are a wholly-owned subsidiary of Starz. Our business operations are conducted by our wholly-owned subsidiaries Starz Entertainment, Film Roman and certain other immaterial subsidiaries, and our majority-owned subsidiary Starz Media, which is owned 25% by TWC.

We provide premium subscription video programming to U.S. MVPDs, including cable operators, satellite television providers and telecommunications companies. We also develop, produce and acquire entertainment content and distribute this content to consumers in the U.S. and throughout the world. Our operations are managed by and organized around our Starz Networks, Starz Distribution and Starz Animation operating segments. Our integrated operating segments enable us to maintain control, and maximize the profitability of our original programming content and its marketing and distribution in the home video, digital (Internet) and television ancillary markets both domestically and internationally, and we are not reliant on other parties to distribute content on our behalf. Our expanding original programming line-up also provides downstream revenue opportunities for our Starz Distribution operating segment to the extent we retain rights to exploit such programming in these ancillary markets both in the U.S. and around the world. A discussion regarding our operating segments follows.

STARZ NETWORKS

Programming Networks

Starz Networks is a leading provider of premium subscription video programming to U.S. MVPDs, including cable operators (such as Comcast and Time Warner Cable), satellite television providers (such as DIRECTV and Dish Network), and telecommunications companies (such as AT&T and Verizon). Starz Networks' flagship premium networks are *Starz* and *Encore*. As of December 31, 2012, these networks were available for subscription in approximately 100 million U.S. multichannel households, defined as households subscribing to services offered by MVPDs, as well as over the Internet, and together *Starz* and *Encore* served approximately 56.0 million subscribers. Our third network, *MoviePlex*, offers a variety of art house, independent films and classic movie library content. *Starz* and *Encore*, along with *MoviePlex*, air over 1,000 movies monthly across 17 linear networks complemented by on-demand and Internet services.

The table below depicts Starz Networks' 17 existing linear networks and highlights some of their key attributes:

		<ul style="list-style-type: none"> • Flagship network with 6 premium channel offerings • All 6 channels offered in HD • Contemporary hit movies, original series and documentaries • First-run output and library movies • Growing line-up of original programming • 21.2 million subscribers as of December 31, 2012
		<ul style="list-style-type: none"> • 8 premium channel offerings • Based on genre themes • First-run movies and classic contemporary movies • 34.8 million subscribers as of December 31, 2012
		<ul style="list-style-type: none"> • 3 premium channel offerings • Indieplex and Retroplex offered in HD • Variety of art house, independent films and classic movie library content

Premium networks, like *Starz* and *Encore*, air recently released and library film content, along with original series and specials without advertisements. Premium networks are offered by MVPDs to their subscribers either on a fixed monthly price as part of a programming tier or package or on an *a-la-carte*

basis. Subscribers to premium networks have the exclusive opportunity to watch "first run" or new movies when they are first aired on linear television following their initial release in movie theaters.

Demographics

Our *Starz* networks target a balanced composition of men and women in the 25-54 age group who are parents, have higher levels of education and income of \$50,000+ annually. Our *Encore* networks are sold in both lower level digital programming packages and together with our *Starz* networks in premium programming packages depending on the distributor. *Encore* targets male adults in the 35-50 age group (more targeted for the theme channels) with income of \$50,000+ annually. *MoviePlex* is sold primarily in lower level digital programming packages and together with our *Encore* networks depending on the distributor. Together with its theme channels, *IndiePlex* and *RetroPlex*, *MoviePlex* targets a broad age range of men and women 35 and older with income of \$50,000+ annually.

Affiliation Agreements

Our networks are distributed pursuant to affiliation agreements with MVPDs. These agreements require us to deliver programming that meets certain standards and volume of first-run films. We earn revenue under these agreements based on either:

- the number of subscribers who receive our programming multiplied by rates specified in the agreements, or
- a fixed monthly payment.

We work with our distributors to increase the number of subscribers to our networks. To accomplish this, we may help fund the distributors' efforts to market our programming networks or we may permit distributors to offer limited promotional periods without payment of subscriber fees. We believe these efforts will increase our subscribers, improve the awareness of our programming networks and ultimately increase our revenue and margins over the term of our affiliation agreements.

Distributors report the number of subscribers to our networks and pay us for our services, generally on a monthly basis. The agreements are generally structured to be multi-year agreements with staggered expiration dates and generally provide for contractual rate increases or rate increases tied to annual increases in the Consumer Price Index.

Our existing affiliation agreements expire at various dates through 2019. Failure to renew important affiliation agreements, or the termination of those agreements, could have a material adverse effect on our business, and, even if affiliation agreements are renewed, there can be no assurance that renewal rates will equal or exceed the rates that are currently being charged. We have not historically failed to renew an agreement, although agreements have sometimes expired before the renewal was fully negotiated and finalized or continued on a month-to-month basis (in such cases, paid carriage of our programming networks continued unaffected during the periods in which the agreements were being negotiated).

As of December 31, 2012, we had 21.2 million *Starz* linear channel subscribers and 34.8 million *Encore* linear channel subscribers. Our subscriber numbers do not include subscribers who receive our programming over the Internet or who receive our programming free as part of a promotional offer.

For the year ended December 31, 2012, revenue received under affiliation agreements with Comcast and DIRECTV each accounted for at least 10% of Starz, LLC's revenue.

Programming

The programming on our networks includes programming that we license from studios and other rights holders and original programming that we control, either through outright ownership or through licensing arrangements. Programming costs represent our single largest expense.

Output and Other Content License Agreements

The majority of the content on our programming networks consists of films that have been released theatrically. We have exclusive long-term output licensing agreements with Disney and Sony for all qualifying films released theatrically by these companies' movie studios. Our licensing agreements cover all qualifying films that are released theatrically in the U.S. by studios owned by Disney through 2015 and all qualifying films that are released theatrically in the U.S. by studios owned by Sony through 2021. On February 11, 2013, we announced a new, multi-year output licensing agreement for theatrically released motion pictures from Sony that extends our relationship with Sony through 2021. The previous agreement had covered motion pictures released theatrically through 2016. The rights we license from Disney and Sony on an exclusive basis during our license periods include linear television, on-demand and Internet, among others.

Under these agreements, our networks have valuable exclusive rights to air new movies on our linear television channels, on-demand or over the Internet during two or three separate windows over a period of approximately eight to ten years from their initial theatrical release. Generally, except on a video on-demand or pay-per-view basis, no other network, Internet streaming or other video service may air or stream these recent releases during our first two windows and no other premium subscription service may air or stream these releases between our first two windows. Examples of recent Hollywood blockbusters that are exclusively aired or will be aired by our networks in 2013 include *The Amazing Spiderman*, *Brave*, *Men In Black 3*, *Pirates of the Caribbean: On Stranger Tides*, *21 Jump Street* and *Wreck-it Ralph*.

We have licensed theatrical titles from Disney since 1994. We currently license films released by Disney under the Disney, Touchstone, Pixar and Marvel labels. We do not license films produced by DreamWorks that are released by Disney. Our licensing agreement with Sony, which began in 2001, includes all titles released under the Columbia, Screen Gems, Sony Pictures Classics and TriStar labels.

We also license library content comprised of older, previously released theatrical films from many of Hollywood's major studios, including Lionsgate, MGM, Paramount, Sony, Twentieth Century Fox, Universal and Warner Bros. In addition to theatrical films, we license made for television movies, series and other content from studios, production companies or other rights holders. We license library content primarily on an exclusive basis, with virtually the same and, in some cases, more expansive exhibition rights than our output agreements. The rights agreements for our library content are of varying duration and generally permit our programming networks to exhibit these films, series and other programming during certain window periods.

A summary of our significant output and library programming agreements follows:

<u>Summary of Significant Output Programming Agreements</u>		<u>Summary of Significant Library Programming Agreements</u>	
<u>Studio</u>	<u>Term(1)</u>	<u>Studio</u>	<u>Term</u>
Sony	12/2021	Lionsgate	09/2025
Disney (aka Buena Vista)	12/2015	Sony Pictures	11/2020
Anchor Bay Entertainment, LLC	06/2015	Paramount	10/2020
		MGM	06/2018
		Warner Bros.	01/2017
		Universal	02/2016
		Twentieth Century Fox	08/2013

(1) Dates based on initial theatrical release.

Original Programming

We contract with independent production companies, including Pacific Renaissance, Lionsgate Television and BBC Worldwide Limited, among others, to produce the majority of the original programming that appears on our networks. These contractual arrangements provide us with either:

- Outright ownership of the programming, in which case we wholly-own the series and receive all distribution and other rights to the content. These distribution and other rights can be monetized through Starz Distribution or third-party distribution organizations,
- An exclusive U.S. pay television license and other distribution or ancillary rights covering specific territories for specified periods of time, or
- An exclusive U.S. pay television license which provides for the programming to appear only on our *Starz* and *Encore* networks for specified periods of time.

At times, we retain certain rights to exploit our original programming in the home video, digital (Internet) and television ancillary markets both in the U.S. and around the world. These ancillary markets create downstream revenue opportunities for our Starz Distribution operating segment.

A summary of our original programming series that have aired or will air on the *Starz* network is as follows:

<u>Original Series/Key Cast</u>	<u>Air Date</u>	<u>Ownership Rights</u>	<u>Description</u>
Black Sails (Key Cast: Toby Stephens, Hanna New, Luke Arnold)	1Q'14	All Rights	Executive Producer Michael Bay's story chronicles the adventures of fabled buccaneer Captain Flint and his men. Threatened with extinction on all sides, they fight for the survival of New Providence Island, the most notorious criminal haven of its day—a debauched paradise teeming with pirates, prostitutes, thieves and fortune seekers, a place defined by both its enlightened ideals and its stunning brutality.

<u>Original Series/Key Cast</u>	<u>Air Date</u>	<u>Ownership Rights</u>	<u>Description</u>
White Queen (Key Cast: Rebecca Ferguson, Janet McTeer, Max Irons)	3Q'13	All Rights excluding U.K. pay television and SVOD rights and all Benelux rights	Adaptation of Philippa Gregory's best-selling historical novel about the iconic period of English history known as the "War of the Roses" in which two branches of the same royal family fight over the English throne. It is a stunningly rich tale of love and loss, seduction and deception, betrayal and murder, vibrantly weaving the stories of three different yet equally driven women in their quest for power.
Magic City Season 2 (Key Cast: Jeffrey Dean Morgan, Olga Kurylenko, Danny Huston)	3Q'13	All Rights	In Season 2, Ike Evans risks everything in a life and death battle to rid his Miramar Playa Hotel of the mob and Ben "The Butcher" Diamond. But will the price of his victory be too high? For what will it profit a man if he gains the whole world and loses his soul?
Da Vinci's Demons (Key Cast: Tom Riley, Laura Haddock, Lara Pulver)	2Q'13	All Rights U.S.; English Speaking Canada	In a world where thought and faith are controlled, Leonardo Da Vinci fights to set knowledge free. The tortured genius defies authority and throws himself into the future, forever changing the fate of mankind.
Spartacus: War of the Damned (Key Cast: Liam McIntyre, Manu Bennett, Dustin Clare)	1Q'13	All Rights	Having lost a significant part of his army (and friends) in the Season 2 finale, Spartacus must make the decision to carry on and march toward Rome or forego his vengeance and return home to Thrace.
Boss Season 2 (Key Cast: Kelsey Grammer, Connie Nielsen, Kathleen Robertson)	3Q'12	U.S. Pay TV Only	Mayor Tom Kane's grip on Chicago is more intense than ever. After nearly losing his career, his family and his mind, Kane turns to solidifying his power. Through all this, Kane struggles to keep his debilitating brain disease in check in his quest for the last thing that matters to him—his legacy.

<u>Original Series/Key Cast</u>	<u>Air Date</u>	<u>Ownership Rights</u>	<u>Description</u>
Magic City (Key Cast: Jeffrey Dean Morgan, Olga Kurylenko, Danny Huston)	2Q'12	All Rights	Miami Beach, New Year's Eve, 1959. Castro's rebels seize Havana while the Kennedys, the mob and the CIA all hold court at the luxurious Miramar Playa Hotel. This is Ike Evans' place, and he used mob boss, Ben "The Butcher" Diamond, to finance it. With diving clowns by day and escorts at night, nothing's what it seems in Magic City.
Spartacus: Vengeance (Key Cast: Liam McIntyre, Lucy Lawless, Manu Bennett, Peter Mensah)	1Q'12	All Rights	On the heels of the bloody escape from the House of Batiatus that concluded "Spartacus: Blood and Sand," the gladiator rebellion continues and begins to strike fear into the heart of the Roman Republic.
Boss Season 1 (Key Cast: Kelsey Grammer, Connie Nielsen, Kathleen Robertson)	4Q'11	U.S. Pay TV Only	Mayor of Chicago, Tom Kane knows what his city needs and isn't afraid to use any means necessary to get things done, but when a degenerative brain disorder starts ripping away his personality he can no longer trust his memory, allies, or even himself.
Torchwood (Key Cast: John Barrowman, Mekhi Phifer, Eve Myles)	3Q'11	U.S. Pay TV Only	Season 4 of the popular British series; one day, all across the world, nobody dies; the result: a population boom, overnight; but this can't be a natural event—someone's got to be behind it.
Camelot (Key Cast: Jamie Campbell Bower, Joseph Fiennes, Eva Green)	2Q'11	All Rights U.S.	In the wake of King Uther's sudden death, chaos threatens to engulf Britain. When the sorcerer Merlin has visions of a dark future, he installs the young and impetuous Arthur, Uther's unknown son and heir.
Spartacus: Gods of the Arena (Key Cast: John Hannah, Lucy Lawless, Dustin Clare)	1Q'11	All Rights	The House of Batiatus is on the rise, basking in the glow of its infamous champion Gannicus; prequel to Spartacus: Blood & Sand.

<u>Original Series/Key Cast</u>	<u>Air Date</u>	<u>Ownership Rights</u>	<u>Description</u>
The Pillars of the Earth (Key Cast: Rufus Sewell, Ian McShane, Donald Sutherland)	3Q'10	U.S. Pay TV Only	Mini-series of the popular Ken Follett novel of the same name.
Party Down Season 2 (Key Cast: Adam Scott, Megan Mullally, Ken Marino)	2Q'10	All Rights	Comedy about Hollywood wannabees working for a catering company.
Gravity (Key Cast: Krysten Ritter, Ivan Sergei, Eric Shaeffer)	2Q'10	All Rights	Dark comedy about a group of eccentric individuals in an outpatient program for suicide survivors.
Spartacus: Blood & Sand (Key Cast: Andy Whitfield, Lucy Lawless, John Hannah)	1Q'10	All Rights	Graphic and visceral series about the Roman Republic's most infamous rebel.

The fourth and final season of the Spartacus franchise, *Spartacus: War of the Damned*, premiered on January 25, 2013 and has steadily grown throughout the season to 3.3 million viewers for the most recent episode premiering on April 5, 2013 (representing viewership for telecasts from April 5 through April 7, 2013). The Spartacus franchise, which includes *Spartacus: Blood and Sand*, *Spartacus: Gods of the Arena*, *Spartacus: Vengeance*, and *Spartacus: War of the Damned*, has performed exceptionally well for our Starz network. Completed seasons of this franchise have averaged 6 million viewers per episode and ranked as the number one rated Friday show on cable among adults (18+) for 26 of 29 episode premieres. The Spartacus franchise has also performed well for our Starz Distribution operating segment. In home video, the Spartacus franchise has sold approximately 2.9 million units since the first season was released in September 2010. In television, this series is currently licensed in approximately 200 territories worldwide, representing approximately 60 distinct licenses. Of these licenses, 80% have committed to, or have the option to license, all seasons of this franchise.

Viewership for the first season of *Magic City* averaged over 3 million viewers per episode and, according to Nielsen, ranked in the top 10 rated cable programs among adults (18+) on Friday for each of the 8 episode premieres. Viewership for the two seasons of *Boss* averaged 2.6 million viewers per episode and, according to Nielsen, 11 of the 18 episodes ranked in the top 20 rated cable programs among adults (18+) on Friday for each of those episode premieres. In November 2012, we made the decision to not renew *Boss* for a third season.

Transmission

We uplink our programming to five non-preemptible, protected transponders on three satellites positioned in geo-synchronous orbit. These satellites feed our signals to various swathes of the Americas. We lease these transponders under long-term lease agreements. These transponder leases have termination dates ranging from 2018 to 2021. We transmit to these satellites from our uplink center in Englewood, Colorado. We have made arrangements at a third party facility to uplink our linear channels to these satellites in the event we are unable to do so from our uplink center.

Competition

Our programming networks operate in highly competitive markets. We compete with other programming networks, including premium television network providers HBO/Cinemax, Showtime and EPIX, for viewing and subscribership by each distributor's customer base. Our networks compete not only with other programming networks and other content available from our distributors, but also with over-the-air broadcast television, Internet-based video and other online services, mobile services, radio, print media, motion picture theaters, DVDs, and other sources of information and entertainment.

We also compete with other content providers to secure desired entertainment programming. The success of our business depends on our ability to license and produce content for our programming networks that is adequate in quantity and quality and will generate satisfactory subscriber levels. A portion of our original programming and a majority of our theatrical movie content are obtained through agreements with other parties that have produced or own the rights to such programming. Other programming networks that are affiliated with programming sources such as movie or television studios or own film libraries may have a competitive advantage over us in this area. With respect to the acquisition of programs and movies that are not produced by or specifically for our networks, our competitors include national broadcast television networks, local broadcast television stations, other premium television networks, other cable programming networks and online video distributors. Some of these competitors have exclusive contracts with motion picture studios or independent motion picture distributors or own film libraries.

Regulatory Matters

In the U.S., the FCC regulates broadcasters, the providers of satellite communications services and facilities for the transmission of programming services, the cable television systems and 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 U.S. 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. Regulatory carriage requirements also could adversely affect the number of channels available to carry our programming networks.

Regulation of Carriage of Broadcast Stations

The Cable Television Consumer Protection and Competition Act of 1992 ("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 our programming networks by limiting the carriage of our services in cable systems with limited channel capacity.

Closed Captioning

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. In 2012, the FCC adopted regulations pursuant to the Twenty-First Century Communications and Video Accessibility Act of 2010 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. A four year implementation period for the IP-delivered programming captioning requirements began in March 2012.

Commercial Advertisement Loudness Mitigation Act

Congress enacted the Commercial Advertisement Loudness Mitigation ("CALM") Act in 2010. The CALM Act directs the FCC to incorporate into its rules and make mandatory a technical standard that is designed to prevent digital television commercial advertisements from being transmitted at louder volumes than the program material they accompany. The FCC's CALM Act implementing regulations are effective on December 13, 2012. Although the FCC's CALM Act regulations place the primary compliance responsibility on MVPDs, the FCC's "safe harbor" compliance approach, which requires programmers to issue "widely available" CALM Act compliance certifications to MVPDs, effectively shifts that responsibility to programmers.

Copyright Regulation

We are required to 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 U.S. by the World Radiocommunication 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. The FCC also regulates the earth stations uplinking to and/or downlinking from such satellites.

Program Access

Because overlapping attributable interests continue to exist between us and entities owning cable systems, we remain subject to the FCC's program access and antidiscrimination rules. The 1992 Cable Act and implementing regulations 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 on terms and conditions that do not unfairly discriminate among distributors. As part of the FCC's 2008 order approving Old LMC's acquisition of a controlling interest in DIRECTV, the FCC imposed program access conditions on Old LMC and its affiliated entities, including us. Under this order, as amended by the FCC's October 5, 2012 order allowing the general restrictions on exclusive contracts to expire, we are required to make our programming services available to all MVPDs on nondiscriminatory terms and conditions. We are also currently subject to the program access rules due to interests held by Liberty Global, Inc. in a cable television system in Puerto Rico, which interests are attributable to us under FCC rules. In 1998, 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.

Internet Services

To the extent that our programming services are distributed through Internet-based platforms, we must comply with various federal and state laws and regulations applicable to online communications and commerce. Congress and individual states may consider additional legislation addressing online privacy and other issues.

Proposed Changes in Regulation

The regulation of programming services, cable television systems, DBS providers, broadcast television licensees and Internet-distributed services 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 materially adversely affected by future legislation, new regulation or deregulation.

STARZ DISTRIBUTION

Our Starz Distribution operating segment includes the operations of our Home Video, Digital Media and Worldwide Distribution businesses.

Sales and Distribution

Through our majority-owned subsidiary Anchor Bay Entertainment, LLC ("Anchor Bay Entertainment"), our Home Video business unit sells or rents DVDs (standard definition and Blu-ray™) under the *Anchor Bay* and *Manga* brands, in the U.S., Canada, United Kingdom and Australia and other international territories to the extent we have rights to such content in international territories. Anchor Bay Entertainment develops and produces certain of its content and also acquires and licenses various titles from third parties. Certain of the titles produced or acquired by Anchor Bay Entertainment air on Starz Networks' *Starz* and *Encore* networks. Anchor Bay Entertainment also distributes other titles acquired or produced by us including the Starz Networks' original programming content, Overture Films, LLC's ("Overture Films") titles (as discussed below), and TWC's titles. These titles are sold to and distributed by regional and national retailers and other distributors, including Wal-Mart, Target, Best Buy, Ingram Entertainment, Amazon and Netflix. Generally, retailers have the right to return unsold products. Anchor Bay Entertainment records its revenue net of an allowance for future returns of unsold product.

Our Digital Media business unit is a distributor of digital and on-demand content for our owned content and content for which we have licensed the non-pay television ancillary rights (including Overture Films' titles) in the U.S. and throughout the world to the extent we have rights to such content in international territories. Digital Media receives fees for such services from a wide array of partners and distributors. These range from traditional MVPDs, Internet/mobile distributors, game developers/publishers and consumer electronics companies. Digital Media also distributes Starz Networks' original programming content and TWC's titles.

Our Worldwide Distribution business unit is a global distributor of movies, television series, documentaries, children's programming and other video content. Worldwide Distribution exploits our owned content and content for which we have licensed ancillary rights (including Overture Films' titles) on free or pay television in the U.S. and throughout the world on free or pay television and other media to the extent that we have rights to such content in international territories. Worldwide Distribution also distributes Starz Networks' original programming content.

In July 2010, we elected to shut down our theatrical production and distribution operations conducted by our subsidiary Overture Films. Overture Films' library of 19 released films was retained by us and will continue to be exploited.

Overture Films produced and acquired live action theatrical motion pictures for release domestically and throughout the world. Overture Films distributed its movies theatrically in the U.S. Our Starz Distribution operating segment provides home video, digital and television distribution in the U.S., while Overture Films has entered into distribution agreements with Paramount Pictures and Alliance Atlantis to distribute its product internationally, to the extent it controls such rights. All of Overture Films' titles appear on the *Starz* and *Encore* networks during their pay television windows.

Content

Starz Distribution develops and produces certain of its content and also acquires and licenses various titles from third parties. Starz Distribution also distributes other titles acquired or produced by us, including Starz Networks' original programming content, Overture Films' titles and TWC's titles. Amortization of content acquisition costs and royalty and participation payments to its content licensors represents Starz Distribution's largest expense.

Marketing

The majority of Starz Distribution's marketing is performed by our Home Video business unit. Anchor Bay Entertainment markets and advertises each title prior to and during release generally through the use of a combination of television and other media related advertising and discounts, rebates and cooperative advertising with retailers depending on the specific genre, demographic appeal and the overall sales expectations for the title.

Fox Agreement

In July 2010, Anchor Bay Entertainment outsourced substantially all of its home video fulfillment services, including DVD manufacturing and distribution, to Twentieth Century Fox Home Entertainment LLC ("Fox"). Previously, Anchor Bay Entertainment had outsourced substantially all of its home video distribution services, including DVD manufacturing and distribution, to Sony Pictures Home Entertainment, Inc. Anchor Bay Entertainment does not outsource its sales or marketing functions and maintains its own marketing team and sales force. Anchor Bay Entertainment believes the agreement with Fox provides supply chain efficiencies due to the combined volume of titles provided by Anchor Bay Entertainment and Fox (Fox also has fulfillment agreements with Lionsgate and MGM), while not compromising Anchor Bay Entertainment's control over its products and retail relationships.

Weinstein Agreement

Effective in January 2011, Anchor Bay Entertainment entered into a five-year license agreement with TWC for the distribution, by our Home Video and Digital Media business units, of certain of TWC's theatrical releases. Anchor Bay Entertainment pays advances to TWC based on a percentage of the U.S. box office and the genre of each film and earns a fee for the distribution of such theatrical releases. Starz Entertainment guarantees Anchor Bay Entertainment's advance payments to TWC under this agreement up to \$50.0 million.

Competition

Starz Distribution's markets are highly competitive, especially for DVD sales. Anchor Bay Entertainment competes to sell DVDs against all of the major Hollywood studios, including Disney, Paramount, Sony, Fox, Universal and Warner Bros. as well as smaller studios such as Lionsgate. All of these studios distribute their theatrical, television and other titles acquired from third parties on DVD. Anchor Bay Entertainment also competes with independent home video distributors, like itself, which are not affiliated with a Hollywood studio such as Entertainment One, Gaiam Media,

RLJ Entertainment and Magnolia Pictures. Like the Hollywood studios, Anchor Bay Entertainment has a direct vendor relationship with the major North American retailers (such as Wal-Mart, Target, Best Buy, etc.).

Not only does Anchor Bay Entertainment compete with Hollywood studios for ultimate consumer sales of DVDs, but it also competes with them for "placement" at retailers and other distributors. Placement refers to the location in a store or on a website where Anchor Bay Entertainment's content is placed for sale as well as the actual amount of physical shelf space allotted to a release.

Anchor Bay Entertainment competes with Hollywood studios and other DVD distributors to acquire the rights to sell or rent DVDs. Anchor Bay Entertainment's ability to license and produce quality content in sufficient quantities has a direct impact on its ability to acquire shelf space at retail locations and on websites. In addition, Anchor Bay Entertainment's DVD sales are impacted by the myriad of choices consumers have to view entertainment content, including over-the-air broadcast television, cable television networks, Internet-based video and other online services, mobile services, radio, print media, motion picture theaters and other sources of information and entertainment.

STARZ ANIMATION

Our Starz Animation operating segment, through our wholly-owned subsidiary Film Roman, develops and produces two-dimensional animated content on a for-hire basis for distribution theatrically and on television for various third party entertainment companies.

STRATEGY AND CHALLENGES

Our mission is to be a leading global entertainment brand providing powerful and immersive experiences. To that end, our goal is to provide our distributors and their subscribers with high-quality, differentiated premium video services available on multiple viewing platforms.

Strategy

Our strategy is based on the following four strategic objectives:

Deepen relationships with core network distributors. We have long-term relationships with the largest MVPDs in the U.S. We have maintained uninterrupted carriage and have been successful in renewing our affiliation agreements with our distributors in the past. Our increasingly broad content offerings and services help drive the profitability of these distributors. Many of these distributors have included our *Starz* and *Encore* networks in some of their best performing programming packages.

We plan to create valuable new products and services, like our authenticated online offerings *Starz Play*, *Encore Play* and *MoviePlex Play*, that will assist our distributors in strengthening their product offerings. We expect these efforts to solidify our relationships with our distributors by assisting us in renewing and extending our affiliation agreements and increasing our subscribers.

Expand our slate of compelling, immersive, and differentiated original programming. We believe that a differentiated network brand and long-term shareholder value rests on having greater scale and output of exclusive original programming. We continue to look at how we can best increase the rate of deployment of original programming. Various mechanisms exist to prudently and economically increase original programming, including enhancing our in-house production capabilities, co-productions, and licensing arrangements. For example, our recent multi-year agreement with BBC Worldwide Limited enables us to share financial exposure for high quality new productions. *Da Vinci's Demons*, the first original series greenlit under this agreement, will premiere in April 2013.

In 2012, we aired three original series (*Spartacus: Vengeance*, *Magic City Season 1* and *Boss*) and plan to air four original series in 2013 (*Spartacus: War of the Damned*, *Da Vinci's Demons*, *Magic City*

Season 2 and *White Queen*) representing a relatively small portion of our total programming lineup. Over time, we plan to increase our original programming so that our viewers will have an opportunity to see a new *Starz* original program or a new season of an existing *Starz* original throughout the year.

We intend to create unique and fully immersive content ecosystems around our original programming and theatrical movie content such as authenticated online offerings, second screen and social media integration.

Optimize existing and emerging distribution opportunities. We seek to monetize the digital rights we control for our exclusive original programming content and those under our programming licensing agreements with the major studios. We look to do this to the fullest extent possible while maintaining wholesale pricing consistent with the premium nature of our services. We seek opportunities to license services to our traditional distribution partners, targeting authenticated subscribers, as well as online video providers to the extent such online video providers include our services in a premium programming tier.

Establish Starz as a leading premium content brand. We intend to increase our *Starz* brand awareness, perception and loyalty among our distributors to attract new and retain existing subscribers. To this end, we will continue to focus our marketing efforts on improving the recognition of our brand as a premier provider of premium entertainment, including compelling original series, as well as first run and classic Hollywood movies. To enhance our brand recognition, we intend to continue to focus our marketing investment on original series, and utilize cross-channel advertising with our MVPDs, advertising in select print outlets, online advertising (including social media) and outdoor billboards in major cities.

Challenges

We face certain key challenges in our attempt to achieve our strategic goals, including:

Our ability to renew and extend affiliation agreements with key distributors on favorable terms. During the fourth quarter, we agreed to multi-year extensions with several of our distributors. The financial terms of the extensions with two distributors are generally less favorable than the financial terms in the prior affiliation agreements. These less favorable financial terms would have resulted in an approximate reduction of 3% of *Starz* Networks' revenue for the year ended December 31, 2012, on a pro forma basis, had the extended agreements been in effect on January 1, 2012. The agreements with these two distributors provide for contractually agreed upon increases in the amounts we receive on an annual basis beginning on the first anniversary of the extensions.

Our ability to continue to acquire or produce affordable programming content, including original programming content that appeals to our distributors and our viewers. In December 2012, Disney informed us that it would not extend its licensing agreement with us beyond its expiration on December 31, 2015. We will continue to receive films from Disney's Walt Disney Pictures, Walt Disney Animation Studios, Disney-Pixar, Touchstone Pictures, Marvel Entertainment and Hollywood Pictures labels through December 31, 2015 with initial license periods for such films extending into 2017. We are evaluating our options with respect to replacement of the Disney content following expiration of the licensing agreement, including the production of additional original content.

We also face certain other challenges in our attempt to meet our strategic goals, including:

- Potential loss of subscribers due to economic conditions and competition from other networks and video programming services.
- Potential consolidation of our distributors.

- Increased rates paid by our distributors to carry broadcast networks and sports networks may make it more difficult for consumers to afford premium video services.
- Our distributor's willingness to market our networks and other services.
- Our ability to react to changes in viewer habits related to technologies such as DVRs, video-on-demand, Internet-based content delivery, Blu-ray™ players and mobile devices.

LEGAL PROCEEDINGS

On March 9, 2011, Starz Entertainment notified DISH Network L.L.C. ("DISH") that DISH breached its affiliation agreement with Starz Entertainment by providing a free preview for one year of eight of the *Starz* and *Encore* channels to a substantial number of DISH customers without Starz Entertainment's written approval. On May 3, 2011, Starz Entertainment filed a lawsuit against DISH in Douglas County, Colorado District Court, 18th Judicial District, alleging that DISH breached its affiliation agreement with Starz Entertainment in connection with such free preview and seeking damages for breach of contract. On May 2, 2011, Disney Enterprises, Inc. filed a lawsuit against DISH in connection with the same free preview in U.S. District Court for the Southern District of New York, seeking damages for copyright infringement. In addition, on July 19, 2011, FX Networks filed a separate lawsuit against DISH and Starz Entertainment in connection with the same free preview in Los Angeles County, California Superior Court, seeking damages for tortious interference with its contracts for studio movie content. DISH filed a counterclaim against Starz Entertainment in the first lawsuit, seeking indemnification from Starz Entertainment against Disney Enterprises, Inc. in the second lawsuit and against FX Networks in the third lawsuit. The first lawsuit by Starz Entertainment against DISH is expected to go to trial in April 2013. The third lawsuit by FX Networks is presently stayed and is tentatively set for trial in October 2013. The resolution of these matters and its potential impact on Starz, LLC is uncertain at this time.

In the normal course of business, we are subject to lawsuits and other claims, including claims of alleged infringement of the trademarks, patents, copyrights and other intellectual property rights of third parties. While it is not possible to predict the outcome of these matters, it is the opinion of management, based upon consultation with legal counsel, that the ultimate disposition of known proceedings will not have a material adverse impact on our consolidated financial position, results of operations or liquidity.

EMPLOYEES

As of March 31, 2013, we had 908 full-time and part-time employees, of which 125 employees are represented by unions. We have not experienced any work stoppages with respect to our union employees and we consider our employee relations to be good.

PROPERTIES

In connection with the Spin-Off, we distributed our corporate office building and related building improvements located in Englewood, Colorado to Old LMC (and Old LMC transferred such building and related improvements to a subsidiary of New LMC) and entered into a capital lease to lease back the facilities from this New LMC subsidiary. In addition, we lease office space for executive offices and distribution and sales operations in Atlanta, Georgia, Beverly Hills, California, Burbank, California, Media, Pennsylvania, New York, New York, Troy, Michigan, Toronto, Ontario, London, England and Melbourne and Sydney, Australia.

CORPORATE INFORMATION

Starz, LLC is a Delaware limited liability company, formed on August 10, 2006, with principal executive offices located at 8900 Liberty Circle, Englewood, Colorado 80112. Our main telephone number at that location is (720) 852-7700.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

Information about our geographic areas can be found in note 12 to our consolidated financial statements found beginning on page F-2 of this prospectus.

MANAGEMENT AND CORPORATE GOVERNANCE

Management Committee

We are a Delaware single member limited liability company. We are managed by our member, Starz. Accordingly, Starz, rather than a board of directors, manages our business.

Executive Officers

The following table sets forth the name, age and position of individuals who currently serve as our executive officers. Ages are as of April 15, 2013.

Name	Age	Position(s)
Christopher P. Albrecht	60	Chief Executive Officer, Starz, LLC and Starz Entertainment
Glenn E. Curtis	53	President, Starz, LLC and Starz Entertainment
Scott D. Macdonald	51	Chief Financial Officer, Executive Vice President and Treasurer, Starz, LLC and Starz Entertainment
J. Steven Beabout	59	Executive Vice President, General Counsel and Secretary, Starz, LLC and Starz Entertainment
Edward L. Huguez	55	President of Sales and Affiliate Marketing, Starz Entertainment
Carmi D. Zlotnik	53	Managing Director, Starz Entertainment and Starz Media, LLC

The following is a biographical summary of the experience of our executive officers:

Christopher P. Albrecht has served as Chief Executive Officer of Starz, LLC since January 2010 and served as President of Starz, LLC from January 2010 to February 2012. He has served as CEO of Starz Entertainment since January 2010 and served as Chairman of Starz Entertainment from January 2010 to February 2012. Mr. Albrecht is responsible for all business matters and for generating growth and new business opportunities for Starz Entertainment and Starz Media, LLC. He came to Starz, LLC from Foresee Entertainment, which he founded in 2008. Mr. Albrecht spent more than 20 years at HBO and was Chairman and Chief Executive Officer from 2002 to 2007. Before becoming Chairman, he spent seven years as President of HBO Original Programming, directing all day-to-day operations of West and East Coast original programming for HBO, Cinemax and HBO Independent Productions. In addition, he oversaw HBO Sports and HBO Film Programming. During his tenure, HBO was noted for critically acclaimed series including Sex and the City, The Sopranos, Six Feet Under, Real Sports With Bryant Gumbel, Deadwood, Band of Brothers and Entourage.

Glenn E. Curtis has served as President of Starz, LLC since February 2012, Executive Vice President of Starz, LLC from August 2006 to February 2012, and Chief Financial Officer of Starz, LLC from August 2006 to June 2012. He has served as President of Starz Entertainment since February 2012 and served as Chief Financial Officer of Starz Entertainment from August 2006 to June 2012. He served as Executive Vice President of Starz Entertainment from August 2006 to February 2012. Mr. Curtis has operational management of the Starz Networks operating segment and the Home Video and Animation businesses. Mr. Curtis is also responsible for strategic planning, compliance, engineering, human resources and information technology for Starz, LLC. Prior to joining Starz, LLC, Mr. Curtis served as Vice President of Liberty Media Corporation, Chief Financial Officer for Starz Encore Group and as a Partner at the accounting firm of KPMG.

Scott D. Macdonald has served as Executive Vice President, Chief Financial Officer and Treasurer of Starz, LLC and Starz Entertainment since June 2012. He served as Executive Vice President of Finance and Accounting and Treasurer of Starz, LLC and Starz Entertainment from June 2008 to June 2012. Mr. Macdonald is responsible for financial planning, compliance, accounting, budgeting, treasury and internal and external reporting for Starz, LLC. Mr. Macdonald enjoyed more than 20 years of experience in the cable and satellite television industry in various finance and accounting roles before

joining Starz, LLC. Prior to joining Starz, LLC, he served as Senior Vice President and Chief Accounting Officer for Adelphia Communications Corporation. Mr. Macdonald began his career at the accounting firm of KPMG.

J. Steven Beabout has served as Executive Vice President, General Counsel and Secretary of Starz, LLC since August 2006. He has served as Executive Vice President, General Counsel and Secretary of Starz Entertainment since June 2002. Mr. Beabout is responsible for all legal and business affairs functions, including those relating to programming acquisitions, affiliation agreements with distributors, original productions and promotional activities. Before joining Starz, LLC, Mr. Beabout was Lead Counsel with Riverwood International Corporation which, at that time, was a publicly traded company listed on the New York Stock Exchange. While at Riverwood, Mr. Beabout specialized in domestic and international acquisitions, divestitures and joint ventures.

Edward L. Huguez has served as President of Sales and Affiliate Marketing of Starz Entertainment since November 2012. Mr. Huguez served as Executive Vice President, Affiliate Sales and Marketing of Starz Entertainment from August 2006 to November 2012. Mr. Huguez is responsible for all aspects of sales, affiliate relations and marketing with traditional and non-traditional distributors. Mr. Huguez came to Starz Entertainment with over 20 years of experience in senior management positions within the cable and satellite industry. Prior to that, he served three years as President, Chief Executive Officer and Chairman of Midstream Technologies, Inc., a company specializing in interactive and VOD technology.

Carmi D. Zlotnik has served as Managing Director of Starz Entertainment since February 2012 and served as Executive Vice President and Managing Director—Starz Media from May 2010 to February 2012. Mr. Zlotnik is responsible for programming and development activities for Starz Entertainment as well as overseeing production of Starz original series, including the hit, *Spartacus: Blood and Sand*, the dramatic series *Magic City*, and future series and mini-series. Prior to joining Starz, Mr. Zlotnik was Head of Global Operations for IMG Global Media and oversaw all aspects of international business operations for the Global Media division, including responsibilities for creative development and finance/operational management for the fashion, sports and media conglomerate. Mr. Zlotnik also served in various senior management roles over a 20-year career at HBO.

SECURITY OWNERSHIP

Security Ownership of Management

We are a wholly owned subsidiary of Starz, whose address is 8900 Liberty Circle, Englewood, Colorado 80112. Starz is a company whose securities are registered under the Exchange Act, and is therefore required to file periodic and current reports and other materials with the SEC. While such information is available, investors are cautioned that Starz is not the issuer of the notes and is not otherwise a guarantor or obligor (contingent or otherwise) with respect to the notes, and will not otherwise provide credit support for the notes. ***Therefore, you are directed to rely solely on this prospectus in making your decision with respect to the exchange offer.***

The following table sets forth information with respect to the ownership by each of our named executive officers and by all of our named executive officers as a group of shares of each series of Starz common stock. This table does not include ownership information for any directors, as we are managed by our member, Starz. The security ownership information is given as of March 31, 2013, and, in the case of percentage ownership information, is based upon (1) 111,903,059 STRZA shares and (2) 9,882,238 STRZB shares, in each case, outstanding on that date. The percentage voting power is presented in the table below on an aggregate basis for all series of common stock.

Shares of restricted stock that have been granted pursuant to our incentive plans are included in the outstanding share numbers, for purposes of the table below and throughout this prospectus. Shares of common stock issuable upon exercise or conversion of options, warrants and convertible securities that were exercisable or convertible on or within 60 days after March 31, 2013, are deemed to be outstanding and to be beneficially owned by the person holding the options, warrants or convertible securities for the purpose of computing the percentage ownership of that person and for the aggregate percentage owned by the named executive officers as a group, but are not treated as outstanding for the purpose of computing the percentage ownership of any other individual person. For purposes of the following presentation, beneficial ownership of shares of STRZB, though convertible on a one-for-one basis into shares of STRZA, are reported as beneficial ownership of STRZB only, and not as beneficial ownership of STRZA. So far as is known to us, the persons indicated below have sole voting and dispositive power with respect to the shares indicated as owned by them, except as otherwise stated in the notes to the table.

The number of shares indicated as owned by the persons in the table includes interests in shares held by the Liberty Media 401(k) Savings Plan as of March 31, 2013. The shares held by the trustee of

the Liberty Media 401(k) Savings Plan for the benefit of these persons are voted as directed by such persons.

<u>Name</u>	<u>Title of Series</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Series (%)</u>	<u>Voting Power (%)</u>
Christopher P. Albrecht Chief Executive Officer and Director	STRZA STRZB	427,549(1)(2)	* —	* —
J. Steven Beabout Executive Vice President, General Counsel and Secretary	STRZA STRZB	48,382(1)(2)(3) —	* —	* —
Glenn E. Curtis President	STRZA STRZB	90,746(1)(2)(3) —	* —	* —
Edward L. Huguez President of Sales and Affiliate Marketing, Starz Entertainment, LLC	STRZA STRZB	61,431(1)(2)(3) —	* —	* —
Scott D. Macdonald Chief Financial Officer, Executive Vice President and Treasurer	STRZA STRZB	58,622(1)(2) —	* —	* —
Carmi D. Zlotnik Managing Director, Starz Entertainment, LLC	STRZA STRZB	88,140(1)(2) —	* —	* —
All executive officers as a group (6 persons)	STRZA STRZB	774,870(1)(2)(3) —	* —	* —

* Less than one percent

(1) Includes restricted shares, none of which are vested, as follows:

	<u>STRZA</u>
Christopher P. Albrecht	101,220
J. Steven Beabout	23,041
Glenn E. Curtis	38,018
Edward L. Huguez	20,622
Scott D. Macdonald	31,074
Carmi D. Zlotnik	32,020
Total	<u>245,995</u>

- (2) Includes beneficial ownership of shares that may be acquired upon exercise of, or which relate to, stock options and stock appreciation rights exercisable within 60 days after March 31, 2013.

	<u>STRZA</u>
Christopher P. Albrecht	325,374
J. Steven Beabout	24,631
Glenn E. Curtis	52,097
Edward L. Huguez	39,796
Scott D. Macdonald	25,719
Carmi D. Zlotnik	56,120
Total	<u>523,737</u>

- (3) Includes shares held in the Liberty Media 401(k) Savings Plan as follows:

	<u>STRZA</u>
J. Steven Beabout	710
Glenn E. Curtis	631
Edward L. Huguez	1,013
Total	<u>2,354</u>

Changes in Control

We know of no arrangements, including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in control of our company.

EXECUTIVE COMPENSATION

This section sets forth information relating to, and an analysis and discussion of, compensation paid to the following persons (who we refer to as our "named executive officers") who served in the following capacities (unless otherwise noted) as of December 31, 2012:

- Christopher P. Albrecht, Chief Executive Officer;
- Glenn E. Curtis, President since February 2012 (previously, Chief Financial Officer);
- Scott D. Macdonald, Chief Financial Officer, Executive Vice President and Treasurer since June 2012 (previously, Executive Vice President of Finance and Accounting and Treasurer);
- Steven Beabout, Executive Vice President, General Counsel and Secretary;
- Edward L. Huguez, President of Sales and Affiliate Marketing, Starz Entertainment;
- Carmi D. Zlotnik, Managing Director, Starz Entertainment.

Compensation Discussion and Analysis

Overview

During calendar year 2012, we were a wholly-owned subsidiary of Old LMC. As a result, the 2012 compensation of our named executive officers, including our Chief Executive Officer, was determined solely by Old LMC and its Chief Executive Officer, Gregory B. Maffei. Our human resources department (working within guidelines provided by Old LMC) had the responsibility of establishing, implementing and regularly monitoring adherence to our compensation philosophy for the remainder of our named executive officers. The compensation committee of the board of directors of Old LMC was responsible for establishing and approving the compensation of our Chief Executive Officer and Chief Financial Officers in 2012, as well as the equity components of the compensation of our other named executive officers in 2012, as noted below. Following the Spin-Off, the Starz compensation committee has the responsibility of establishing, implementing and regularly monitoring adherence to our compensation philosophy for our Chief Executive Officer and all of our other named executive officers.

Philosophy; Setting Executive Compensation

During 2012, our compensation philosophy sought to align the interests of the named executive officers with those of Old LMC with the ultimate goal of appropriately motivating and rewarding our executives in order to increase Old LMC's stockholder value. Following the Spin-Off, that philosophy now seeks to align the interests of our named executive officers with those of Starz's stockholders, with the ultimate goal of appropriately motivating and rewarding our executives in order to increase Starz's stockholder value. Accordingly, we believe that our compensation packages should assist our company in attracting, retaining and motivating key executives critical to our long-term success. To that end, the compensation packages provided to the named executive officers seek to maintain the appropriate balance among short-term and long-term compensation, cash and equity compensation and performance-based compensation. Annual equity-based awards granted to our named executive officers in 2012 were granted under Old LMC's incentive plans, and Starz has assumed those plans as its own in the Spin-Off.

We believe that each named executive officer should receive a compensation package that is commensurate with the responsibilities and proven performance of that executive and competitive relative to the compensation packages paid to similarly situated executives at companies in our industry. In that regard, we and Old LMC management (with the input of Mr. Albrecht) used the Cable Programmers/Broadcast Networks Compensation Survey, sponsored by the Cable and Telecommunications Human Resources Association (the "CTHRA Survey"), as a guide to ensure that

the compensation packages of our named executive officers (other than Mr. Albrecht's, which was governed by his existing employment agreement) are reasonable as compared to our industry peers. The 2012 CTHRA Survey covers 46 cable programmers, national broadcast networks and other media companies. We set a general guideline for target total compensation at the mean for similar positions in similarly sized companies as outlined in the CTHRA Survey. In addition, we used the Radford Global Technology Survey (the "Radford Survey"), which covers 1,791 companies, varying in size and industry, in 2012 as a guide when constructing the compensation package of Mr. Macdonald following his promotion to Chief Financial Officer in June 2012 so that it would be generally commensurate with the compensation packages of other corporate chief financial officers. In approving each named executive officer's compensation package (other than Mr. Albrecht, for the reasons cited above), we and Old LMC management also took into account:

- each element of the named executive officer's historical compensation, including salary, bonus, equity compensation, perquisites and other personal benefits;
- corporate financial performance compared to internal forecasts and budgets;
- the scope of the named executive officer's responsibilities;
- the performance of the group reporting to the named executive officer; and
- as to each named executive officer, the performance evaluations and compensation recommendations of the Chief Executive Officer (described in more detail below).

The 2012 compensation package of our Chief Executive Officer is governed by the terms of his employment agreement. See "—Executive Compensation Arrangements—Christopher P. Albrecht" below for more information. This compensation package was not based on any benchmarking analysis; rather, it was based on the familiarity of Mr. Maffei and the Old LMC compensation committee with the range of total compensation paid by companies of similar size and complexity within our industry.

Role of Chief Executive Officer in Compensation Decisions

In designing the compensation packages of our named executive officers (other than our Chief Executive Officer), recommendations were obtained from our Chief Executive Officer. Mr. Albrecht's recommendations were based on his evaluation of the performance and contributions of the other named executive officers, given their respective areas of responsibility. When making recommendations, our Chief Executive Officer considers various qualitative factors such as:

- the named executive officer's experience and overall effectiveness;
- the named executive officer's performance against individual performance goals;
- the responsibilities of the named executive officer, including any changes to those responsibilities over the year;
- the named executive officer's demonstrated leadership and management ability;
- the named executive officer's compensation relative to other executives at our company with similar, greater or lesser responsibilities;
- the named executive officer's compensation relative to compensation paid to similarly situated executives at companies within our industry;
- the named executive officer's years of service with us; and
- the performance of any group for which the named executive officer is primarily responsible.

Elements of 2012 Executive Compensation

For 2012 the principal components of compensation for the named executive officers were:

- base salary;
- a performance-based bonus, payable in cash, and, in the case of Mr. Albrecht, a discretionary bonus, payable in cash;
- a grant of equity incentive awards, other than to Mr. Albrecht;
- in the case of Mr. Albrecht, grants of equity incentive awards in connection with the Option Modification Program; and
- deferred compensation arrangements.

Base Salary. The base salaries of the named executive officers are reviewed on an annual basis (other than for Mr. Albrecht, whose salary is governed by his employment agreement), as well as at the time of any change in responsibilities. Typically, after establishing a named executive officer's base salary, salary increases are limited to adjustments based on an evaluation of such named executive officer's job performance, any changes in the scope of such named executive officer's responsibilities, and such named executive officer's salary level compared to other named executive officers. Based on the foregoing factors, the base salaries of Messrs. Beabout, Huguez and Zlotnik were all increased in 2012 by approximately 4-6% in recognition of favorable evaluations of each such named executive officer's 2011 job performance. The base salaries of Messrs. Curtis and Macdonald were instead increased by 8-9% primarily to reflect their promotions. These salary increases were effective mid-year 2012, consistent with historical practice. Pursuant to the terms of Mr. Albrecht's employment agreement, Mr. Albrecht's salary was not increased in 2012.

2012 Performance-based Bonuses. For 2012, we adopted an annual, performance-based bonus program for our employees, including each of our named executive officers. The program was adopted and approved in 2012 by our then-parent company, Old LMC; however, the amounts payable to our named executive officers under the program were reviewed and approved by the Starz compensation committee because the Spin-Off had been completed before such payments were determined.

Pursuant to the program, each participant in the program is assigned a target annual incentive award equal to a percentage of the employee's annual base salary which would be paid based upon Starz, LLC's actual revenue and Adjusted OIBDA results for 2012. In calculating the performance-based bonuses payable to our named executive officers, we define Adjusted OIBDA as revenue less programming costs, production and acquisition costs, home video cost of sales, operating expenses, advertising and marketing costs and general and administrative expenses. We consider these performance measures to be key measures of our operating performance. The target annual incentive awards are determined based upon the applicable employee's position and responsibilities. Target bonuses for 2012 (expressed as a percentage of annual base salary, calculated using (i) the named executive officer's actual base salary for January 1, 2012 to June 30, 2012 (before giving effect to each named executive officer's respective salary increase) and (ii) the named executive officer's actual base salary for the remainder of the year (after giving effect to each named executive officer's respective salary increase) for Messrs. Albrecht, Beabout, Huguez and Zlotnik were as follows: Mr. Albrecht: 75%, Mr. Beabout: 40%; Mr. Huguez: 40% and Mr. Zlotnik: 50%. Prior to his promotion in February 2012, Mr. Curtis's target bonus for 2012 (expressed as a percentage of his annual base salary) was 50%, and, following his promotion, Mr. Curtis' target bonus was increased (for the portion of the calendar year during which he held his new position) to 75% of his base salary. Similarly, prior to his promotion in June 2012, Mr. Macdonald's target bonus for 2012 (expressed as a percentage of his annual base salary) was 40%, and, following his promotion, Mr. Macdonald's target bonus was increased (for the portion of the calendar year during which he held his new position) to 50% of his base salary. Thus,

for purposes of calculating the target bonus percentages and base salaries to be used in computing the payouts under the program for Messrs. Curtis and Macdonald, we utilized a structure by which we calculated a portion of their payouts based on their pre-promotion program metrics and base salaries and the other portion on their post-promotion program metrics and base salaries to arrive at payouts that accurately reflect what each of Messrs. Curtis and Macdonald were entitled to under the program based on the change in their positions and responsibilities during 2012.

Payouts under the program range from a threshold payout of 50% of the targeted bonus amount if the actual performance metrics equal 85% of the annual budgeted amounts to a maximum payout of 150% of the targeted annual bonus amount if the actual performance metrics equal or exceed 120% of the annual budgeted amounts. We achieved actual revenue of \$1,630.7 million (which was 101.92% of the revised budgeted amount (described below) of \$1,600 million) and Adjusted OIBDA of \$444.8 million (which was 98.08% of the revised budgeted amount of \$453.6 million) for the year ended December 31, 2012. The budget was revised to reflect the reduction in 2012 revenue and operating income resulting from the fact that certain titles from The Weinstein Company that we expected to acquire in 2012 will not be acquired until 2013. Prior to this adjustment, actual revenue and Adjusted OIBDA were 100.77% and 97.77% of budget, respectively. The performance-based bonus for each named executive officer was then calculated as follows:

Name	Target Bonus	Actual Revenue Performance (as a percentage of Target Payout)	Adjusted OIBDA Performance (as a percentage of Target Payout)	Total Payout
Christopher P. Albrecht	\$ 750,000	101.92%	98.08%	\$ 750,000
Glenn E. Curtis	\$ 420,033	101.92%	98.08%	\$ 420,033
Scott D. Macdonald	\$ 193,412	101.92%	98.08%	\$ 193,412
J. Steven Beabout	\$ 211,683	101.92%	98.08%	\$ 211,683
Edward L. Huguez	\$ 173,041	101.92%	98.08%	\$ 173,041
Carmi D. Zlotnik	\$ 338,805	101.92%	98.08%	\$ 338,805

For more information on these awards, see "—Grants of Plan-Based Awards" below.

Discretionary Bonuses. From time to time, we may also grant discretionary bonus payments to reward employees for performance above expected levels, increased levels of responsibility or other factors that may not have been considered when the employee's base salary or equity compensation was set. In addition to his participation in the performance-based bonus program, Mr. Albrecht also received a discretionary bonus payment in 2012 of \$100,000 in recognition of his exceptional performance and strategic initiatives during 2012. See "—Executive Compensation Arrangements—Christopher P. Albrecht" below.

Equity Incentive Compensation. Consistent with our compensation philosophy, prior to the Spin-Off, we sought to align the interests of our named executive officers with those of Old LMC's stockholders by awarding stock-based incentive compensation. In keeping with this philosophy, following the Spin-Off, we seek to align the interests of our named executive officers with those of our parent's stockholders by continuing to award stock-based incentive compensation. This ensures that our executives have a continuing stake in our long-term consolidated success.

Our incentive plans (which were assumed by our company in the Spin-Off) provide for the grant of a variety of incentive awards, including stock options, restricted shares, restricted stock units, stock appreciation rights, cash awards and performance awards. Our executives are granted stock options and awards of restricted stock in preference to other awards because of our belief (and, prior to the Spin-Off, Old LMC's belief) that options and restricted shares better promote retention of key employees through the continuing, long-term nature of an equity investment. The value of the equity incentive awards to be granted are determined in consideration of the overall compensation package to

be paid to the named executive officer and in 2012 were approved by the compensation committee of the board of directors of Old LMC. Following the Spin-Off, all of our equity incentive awards are approved by the compensation committee of the Starz board of directors.

Stock options are awarded with an exercise price equal to fair market value on the date of grant, measured by reference to the closing sale price on the grant date. It is our policy to make such option grants in the first quarter of the year (with the exception of Mr. Albrecht, who received an option grant at year-end in 2011 because he had not received any equity awards since the execution of his employment agreement almost two years earlier). The grants made in March 2012 to our named executive officers (other than Mr. Albrecht, who had, at the time, recently received an option grant in December 2011) vest in equal amounts quarterly over four years from the date the grant was made. For more information regarding these equity incentive grants, please see the "Outstanding Equity Awards at Fiscal Year-End" table below.

Option Modification Program. In December 2012, in response to the wide-spread "fiscal cliff" concerns, the Old LMC compensation committee determined to complete an equity modification program (the "Option Modification Program") based on its reported belief that the corporate tax rate will decrease in 2013 and beyond. At the time, Old LMC reported that Old LMC anticipated its employees would become employed by Liberty Spinco following the Spin-Off, that Liberty Spinco would have limited amounts of taxable income compared to Old LMC (the parent company of Starz, LLC) and that the Spin-Off would result in the loss of the ability to take the compensation deduction against Starz, LLC's income in future years. Old LMC also reported its belief that, by realizing the compensation deduction in 2012, Old LMC would ensure having the benefit of the deduction and would realize the compensation deduction in respect of the affected incentive awards at a potentially higher corporate tax rate than if such deduction were realized in later years.

On December 4, 2012 (the "Grant Date"), the Old LMC compensation committee approved the acceleration of each unvested in-the-money option to acquire shares of LMCA held by certain of its and its subsidiaries' officers (collectively, the "Eligible Optionholders"), including Mr. Albrecht. Following this acceleration, also on the Grant Date, each Eligible Optionholder exercised, on a net settled basis, substantially all of his or her outstanding in-the-money vested and unvested options to acquire LMCA shares (the "Eligible Options"), and:

- with respect to each vested Eligible Option, Old LMC granted the Eligible Optionholder a vested new option with substantially the same terms and conditions as the exercised vested Eligible Option, except that the exercise price for the new option was the closing price per LMCA share, as applicable, on The Nasdaq Global Select Market on the Grant Date; and
- with respect to each unvested Eligible Option:
 - the Eligible Optionholder sold to Old LMC the shares of LMCA received upon exercise of such unvested Eligible Option on the Grant Date for cash equal to the closing price of LMCA on The Nasdaq Global Select Market on the Grant Date;
 - Each Eligible Optionholder used the proceeds of that sale to purchase from Old LMC at that price an equal number of restricted LMCA shares, as applicable, which have a vesting schedule identical to that of the exercised unvested Eligible Option; and
 - Old LMC granted the Eligible Optionholder an unvested new option, with substantially the same terms and conditions as the exercised unvested Eligible Option, except that (a) the number of shares underlying the new option is equal to the number of shares underlying such exercised unvested Eligible Option less the number of restricted shares purchased from Old LMC as described above and (b) the exercise price of the new option is the closing price of LMCA on The Nasdaq Global Select Market on the Grant Date.

The Old LMC compensation committee reported its expectation that the number of outstanding awards under its incentive plans (which plans our company assumed in connection with the Spin-Off) would not increase as a result of the Option Modification Program described above. For more information regarding these awards granted to Mr. Albrecht, please see the "Grants of Plan-Based Awards" table below.

Deferred Compensation Plan. The 2007 Starz, LLC Deferred Compensation Plan (as amended and restated) was established to help accommodate the tax and estate planning objectives of a select group of management or highly compensated employees, as determined by the committee administering the plan. Under that plan, participants may elect to defer up to 100% of such employee's annual base salary, any bonus and payments received under the Starz Entertainment Group, LLC 2006 Long-Term Incentive Plan (the "Starz Entertainment LTIP") and the Overture Films, LLC 2006 Long-Term Incentive Plan. Compensation deferred under the plan that otherwise would have been received in 2012 earns interest at the rate of 9% per annum, compounded quarterly, for the period of the deferral. For more information on this plan, see "—Executive Compensation Arrangements—2007 Deferred Compensation Plan" and the "—Nonqualified Deferred Compensation Plans" table below.

Employment Arrangements with Certain Named Executive Officers

Mr. Albrecht is the only named executive officer with an employment agreement. For a detailed description of his employment agreement, see "—Executive Compensation Arrangements—Christopher P. Albrecht" below.

Deductibility of Executive Compensation

In developing the 2012 compensation packages for the named executive officers, the deductibility of executive compensation under Section 162(m) of the Code was considered. However, in order to maintain flexibility in making compensation decisions, Old LMC did not require us to ensure that all 2012 compensation would be deductible under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). That provision prohibits the deduction of compensation of more than \$1 million paid to certain executives, subject to certain exceptions. One exception is for performance-based compensation, including equity and non-equity awards granted under Old LMC's incentive plans. Portions of the compensation we paid to certain of the named executive officers prior to the Spin-Off may not be deductible due to the application of Section 162(m) of the Code.

Since the Spin-Off, the Starz compensation committee has not adopted a policy requiring all compensation to be deductible under Section 162(m) of the Code, in order to maintain flexibility in making compensation decisions. Portions of the compensation we pay to certain of our named executive officers from and following 2013 may not be deductible due to the application of Section 162(m) of the Code.

Policy on Restatements

In those instances where we grant equity-based incentive compensation, Old LMC's policy (which policy the Starz compensation committee has not changed following the Spin-Off) was to include, in the related agreement with the executive a right, in favor of our company, to require the executive to repay or return to the company any stock or other incentive compensation (including proceeds from the disposition of shares received upon exercise of options or stock appreciation rights). That right will arise if (1) a material restatement of any of our financial statements is required and (2) in the reasonable judgment of the compensation committee of the Starz board of directors, (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 executive. In determining the amount of such repayment or return, the compensation committee of the

Starz board of directors may take into account, among other factors it deems relevant, the extent to which the market value of the applicable series of our common stock was affected by the errors giving rise to the restatement. The cash, stock or other compensation that we may require the executive to repay or return must have been received by the executive during the 12-month period beginning on the date of the first public issuance or the filing with the SEC, whichever occurs earlier, of the financial statement requiring restatement. The compensation required to be repaid or returned will include (1) cash or our company's stock received by the executive (A) upon the exercise during that 12-month period of any stock appreciation right held by the executive or (B) upon the payment during that 12-month period of any incentive compensation, the value of which is determined by reference to the value of our company's stock, and (2) any proceeds received by the executive from the disposition during that 12-month period of our company's stock received by the executive upon the exercise, vesting or payment during that 12-month period of any award of equity-based incentive compensation.

Summary Compensation Table

Name and Principal Position (as of 12/31/12)	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards \$(1)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings \$(2)	All Other Compensation \$(3)(4)	Total (\$)
Christopher P. Albrecht Chief Executive Officer	2012	1,000,000	100,000(5)	—	11,010,798(6)	750,000	—	25,834	12,886,632
	2011	1,000,000	500,000	—	3,260,186	767,506	—	25,334	5,553,026
Glenn E. Curtis President	2012	580,641	—	—	1,193,085	420,033	—	25,834	2,219,593
	2011	533,201	—	—	533,708	273,495	2,789	25,334	1,368,527
Scott D. Macdonald(7) Chief Financial Officer, Executive Vice President and Treasurer	2012	425,499	—	—	994,238	193,412	5,536	25,751	1,644,436
J. Steven Beabout(7) Executive Vice President, General Counsel and Secretary	2012	528,695	—	—	795,390	211,683	28,890	25,834	1,590,492
Edward L. Huguez President of Sales and Affiliate Marketing, Starz Entertainment	2012	431,858	—	—	994,238	173,041	14,168	25,746	1,639,051
	2011	409,076	—	—	426,966	167,412	15,451	25,196	1,044,101
Carmi D. Zlotnik Managing Director, Starz Entertainment	2012	676,750	—	—	1,193,085	338,805	—	22,408	2,231,048
	2011	648,838	—	—	533,708	332,404	—	22,313	1,537,263

- (1) Except with respect to the amount reported for Mr. Albrecht in 2012 (see note (6) below), reflects the grant date fair value of stock option awards for each named executive officer, which has been computed in accordance with FASB ASC Topic 718, but (pursuant to SEC regulations) without reduction for estimated forfeitures. For a description of the assumptions applied in these calculations, see Note 9 to our consolidated financial statements for the year ended December 31, 2012 (which are included elsewhere in this prospectus).
- (2) Reflects the above-market earnings credited during 2012 to the deferred compensation accounts of each applicable named executive officer. See "—Compensation Discussion and Analysis—Elements of 2012 Executive Compensation—Deferred Compensation Plan," and "—Nonqualified Deferred Compensation Plans."
- (3) Our personnel, including our named executive officers, participate, and prior to the Spin-Off, participated, in the Liberty Media 401(k) Savings Plan. This plan provides employees with an opportunity to save for retirement. Prior to the Spin-Off, the Liberty Media 401(k) Savings Plan participants contribute up to 75% of their eligible compensation on a pre-tax basis to the plan and an additional 10% of their eligible compensation on an after-tax basis (subject to specified maximums and IRS limits), and we contributed a matching contribution based on the participants' own contributions up to the maximum matching contribution set forth in the plan. Participant contributions to the Liberty Media 401(k) Savings Plan are fully vested upon contribution.

Included in this column, with respect to each named executive officer are the following matching contributions made by our company to the Liberty Media 401(k) Savings Plan:

Name	Amounts (\$)	
	2012	2011
Christopher P. Albrecht	25,000	24,500
Glenn E. Curtis	25,000	24,500
Scott D. Macdonald	25,000	—
J. Steven Beabout	25,000	—
Edward L. Huguez	25,000	24,500
Carmi D. Zlotnik	21,574	21,479

- (4) Included in this column are the following basic life and accidental death and dismemberment premiums paid on behalf of each of the named executive officer:

Name	Amounts (\$)	
	2012	2011
Christopher P. Albrecht	834	834
Glenn E. Curtis	834	834
Scott D. Macdonald	751	—
J. Steven Beabout	834	—
Edward L. Huguez	746	696
Carmi D. Zlotnik	834	834

- (5) Represents a discretionary bonus awarded to Mr. Albrecht. See "—Compensation Discussion and Analysis—Elements of 2012 Executive Compensation—Discretionary Bonuses."



- (6) Reflects the incremental fair value of the equity incentive awards received by Mr. Albrecht in the Option Modification Program, which has been computed in accordance with FASB ASC Topic 718, but (pursuant to SEC regulations) without reduction for estimated forfeitures. For a description of the assumptions applied in these calculations, see Note 9 to our consolidated financial statements for the year ended December 31, 2012 (which are included elsewhere in this prospectus).
- (7) Compensation information has been included for 2012 only, as Messrs. Macdonald and Beabout were not named executive officers in 2011.

Executive Compensation Arrangements

Christopher P. Albrecht

December 2009 Agreement. In December 2009, Starz, LLC entered into an employment agreement with Mr. Albrecht which provided for a four year employment term beginning January 1, 2010 and ending December 31, 2013. Thereafter it will continue from year to year (which is referred to as the "Extended Term") until either Mr. Albrecht or Starz, LLC provides notice of non-renewal at least 180 days prior to the expiration of the initial term of his employment agreement or any Extended Term. The employment agreement provides for a base annual salary of \$1 million and also provides that Mr. Albrecht will be eligible for a discretionary annual bonus equal to 75% of his base salary based on corporate and individual performance criteria to be determined by, prior to the Spin-Off, the compensation committee of Old LMC's board of directors in conjunction with Old LMC's Chief Executive Officer. Following the Spin-Off, such determinations will be made by the Starz compensation committee. Pursuant to his employment agreement, Mr. Albrecht is also entitled to participate in group life, health, accident, disability or hospitalization insurance plans and retirement plans and to receive such other benefits and perquisites as Starz, LLC may make available to its other senior executive employees as a group.

As part of the consideration payable to Mr. Albrecht during the term of his employment agreement, Mr. Albrecht was granted options (the "Multi-Year Award") to acquire shares of Series A Liberty Starz common stock of Liberty Interactive, Old LMC's former parent company. As a result of certain adjustments made to the Multi-Year Award over the years (including adjustments made in connection with the Spin-Off) and the Option Modification Program, the awards which comprised Mr. Albrecht's Multi-Year Award were adjusted such that his Multi-Year Award now consists of the following equity awards: options to acquire 88,129 shares of Starz Series A common stock at an exercise price of \$113.47, 393,999 shares of our Series A common stock at an exercise price of \$105.56 and restricted shares of our Series A common stock totaling 46,646. The options have a term of 10 years. In connection with his entry into his employment agreement, Mr. Albrecht was also granted 88,129 restricted shares of Starz Series A common stock (taking into account the adjustments mentioned above), half of which have vested.

The employment agreement provides that, in the event Mr. Albrecht is terminated for cause (as defined in the agreement) or if Mr. Albrecht terminates his employment without good reason, he will be entitled only to his accrued base salary, accrued but unpaid vacation time, unpaid expenses and any amounts due under applicable law, and he will forfeit all rights to his unvested restricted shares and unvested options. However, pursuant to the award agreements governing Mr. Albrecht's Multi-Year Award, his vested, unexercised options as of his termination date will remain exercisable for 90 days after his termination or until the original expiration date of the applicable award, if sooner. If Mr. Albrecht is terminated without cause, or if he terminates his employment for good reason (which includes change of control provisions as defined in the agreement), the agreement provides for him to receive (a) any accrued base salary, (b) a severance payment consisting of (i) a payment representing a continuation of his base salary until the earlier of (x) the date that is 18 months following the date of termination or (y) the date on which his term of employment would have expired had the termination not occurred (the "Severance Period"), and (ii) an amount equal to the target bonus for the year of termination, and (c) accrued but unpaid vacation time and unpaid expenses. The award agreements governing Mr. Albrecht's Multi-Year Award as it exists today provide for his Multi-Year Award to vest upon a termination without cause or for good reason in a number equal to the greater of (x) the

percentage of the initial term of his employment agreement elapsed through the termination date multiplied by the total number of options or restricted stock, as applicable, granted to Mr. Albrecht or (y) 37.5% of the total number of options or restricted stock, as applicable, granted to Mr. Albrecht. Such vested Multi-Year Award will remain exercisable to the end of the original term of such award. In addition, his employment agreement provides for Mr. Albrecht's health and welfare benefits to continue through the end of the term of the agreement. In the case of Mr. Albrecht's death or his disability, the agreement provides for the right to receive any accrued but unpaid base salary or vacation time, reimbursement for incurred expenses, and a lump sum payment equal to a prorated amount of his base salary for the remainder of the term plus a prorated amount of the target bonus for the year in which the event occurs, and the award agreements governing Mr. Albrecht's Multi-Year Award provide 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. See "—Potential Payments Upon Termination or Change-in-Control" for additional details regarding Mr. Albrecht's acceleration of benefits. In the event Mr. Albrecht's employment is terminated without cause or with good reason or due to Mr. Albrecht's disability, payments of amounts to Mr. Albrecht shall be subject to the execution and delivery to Starz, LLC of a severance agreement and release in the form described in the employment agreement. However, if Mr. Albrecht commences any competitive activities (as defined in the agreement) during the Severance Period discussed above or during the term of his employment, Starz, LLC will have no obligation to make any further severance, health or welfare benefits to Mr. Albrecht. On December 7, 2012, the employment agreement was amended so that certain provisions of the agreement relating to payments upon separation of service that are subject to the execution and delivery of the release comply with new guidance provided under Section 409A of the Code.

2013 Agreement in Principle. Prior to the Spin-Off, the Old LMC compensation committee approved in principle a new compensation arrangement in favor of Mr. Albrecht, providing for, among other things, a new four year employment term beginning January 1, 2013 and ending December 31, 2016, with an annual base salary of \$1.25 million. Under the new arrangement, Mr. Albrecht will be eligible to receive a discretionary annual bonus equal to 100% of his base salary based on corporate and individual performance criteria to be determined by the compensation committee of Starz's board of directors. In the event Mr. Albrecht's employment is terminated without cause or with good reason (to be defined in Mr. Albrecht's new agreement), then Mr. Albrecht will be entitled to receive the lesser of (i) 18 months' payment of his base salary and target bonus or (ii) payment of his base salary and target bonus through the end of the term of his new agreement. He will also be entitled to receive a grant of options to purchase shares of Starz Series A common stock equal to a Black-Scholes value of \$26 million (the "2013 Options"). One-half of the 2013 Options will vest on December 31, 2015, with the remaining 2013 Options vesting on December 31, 2016, in each case, subject to Mr. Albrecht being employed by Starz, LLC on the applicable vesting date and to the early vesting events described herein. The 2013 Options will have a term of 10 years. The other terms of the 2013 Options will be the same as those of Mr. Albrecht's Multi-Year Award, except that in the event Mr. Albrecht's employment is terminated by Starz other than for cause (as defined in Mr. Albrecht's 2009 employment agreement) or by Mr. Albrecht for good reason (to be defined in Mr. Albrecht's new employment agreement), the 2013 Options will be deemed to have vested in a number equal to the product of (i) the total number of unvested 2013 Options multiplied by (ii) a fraction, the numerator of which is the total number of days elapsed in the term of Mr. Albrecht's new agreement to the date of termination plus 548 days and the denominator of which is the total number of days in the full term under his new agreement. Such vested 2013 Options will remain exercisable through the end of their original term.

Equity Incentive Plans

The 2011 Incentive Plan, which was assumed from Old LMC in connection with the Spin-Off, is administered by the compensation committee of the Starz board of directors. The compensation

committee has full power and authority to grant eligible persons the awards described below and to determine the terms and conditions under which any awards are made. The 2011 Incentive Plan is designed to provide additional remuneration to certain employees and independent contractors for exceptional service and to encourage their investment in our company and its subsidiaries. The Starz compensation committee may grant non-qualified stock options, SARs, restricted shares, restricted stock units, cash awards, performance awards or any combination of the foregoing under the 2011 Incentive Plan (collectively, "awards").

The maximum number of shares of our common stock with respect to which awards may be issued under the 2011 Incentive Plan is 23,834,000, subject to anti-dilution and other adjustment provisions of the 2011 Incentive Plan. With limited exceptions, under the 2011 Incentive Plan, no person may be granted in any calendar year awards covering more than 7,626,922 shares of Starz common stock (subject to anti-dilution and other adjustment provisions of the 2011 Incentive Plan) nor may any person receive under the 2011 Incentive Plan payment for cash awards during any calendar year in excess of \$10 million. Shares of Starz common stock issuable pursuant to awards made under the 2011 Incentive Plan are made available from either authorized but unissued shares or shares that have been issued but reacquired by Starz. The 2011 Incentive Plan has a 5 year term.

2007 Deferred Compensation Plan

Under the Starz, LLC Deferred Compensation Plan (as amended and restated, the "2007 deferred compensation plan"), a select group of management or highly compensated employees as determined by the committee administering the plan may elect to defer up to 100% of such employee's annual base salary, any bonus and payments received under the Starz Entertainment LTIP and the Overture Films, LLC 2006 Long-Term Incentive Plan. Elections must be made in advance of certain deadlines and may include (1) the selection of a payment date, which generally may not be later than 30 years from the end of the year in which the applicable compensation is initially deferred, and (2) the form of distribution, such as a lump-sum payment or substantially equal annual installments over two to five years. Compensation deferred under the 2007 deferred compensation plan earns interest at the rate of 9% per year, compounded quarterly at the end of each calendar quarter.

In addition to the accelerated distribution events described under "—Potential Payments Upon Termination or Change-in-Control" below, at the eligible officer's request, if the committee determines that such officer has suffered a financial hardship, it may authorize immediate distribution of amounts deferred under the 2007 deferred compensation plan.

The 2007 deferred compensation plan may be terminated at any time. An optional termination by Starz, LLC will not result in any distribution acceleration.

Starz Entertainment 2006 Long-Term Incentive Plan

During 2006 and 2007, prior to the issuance of equity incentive awards under the incentive plans discussed above, Starz, LLC granted incentive units to certain officers and key employees under the Starz Entertainment LTIP. Such grants vested over a period of four years. The value of the units was determined using a formula based on a multiple of earnings before interest, taxes, depreciation and amortization, and adjusted for certain net assets or liabilities of Starz Entertainment as defined. During 2010, Starz, LLC amended the plan to freeze the value of the units at the value calculated as of December 31, 2009. No further grants are permitted under the Starz Entertainment LTIP.

Grants of Plan-Based Awards

The following table contains information regarding plan-based incentive awards granted during the year ended December 31, 2012 to the named executive officers.

Name	Grant Date	Date of Committee Action	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards Number of Shares of Stock or Units (#)	All Other Option Awards Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/sh)	Grant Date Fair Value of Stock & Option Awards (\$)
			Threshold (\$)(2)	Target (\$)	Maximum (\$)(3)				
Christopher P. Albrecht									
	01/01//2012(1)	—	375,000	750,000	1,125,000	—	—	—	—
Series A	12/04/2012	11/26/2012	—	—	—	11,464(4)	—	—	—(5)
Series A	12/04/2012	11/26/2012	—	—	—	43,546(4)	—	—	—(5)
Series A	12/04/2012	11/26/2012	—	—	—	3,100(4)	—	—	—(5)
Series A	12/04/2012	11/26/2012	—	—	—	—	132,712(4)	105.56	3,762,624(5)
Series A	12/04/2012	11/26/2012	—	—	—	—	176,258(4)	105.56	4,997,232(5)
Series A	12/04/2012	11/26/2012	—	—	—	—	40,965(4)	105.56	352,205(5)
Series A	12/04/2012	11/26/2012	—	—	—	—	44,064(4)	105.56	378,849(5)
Series A	12/04/2012	11/26/2012	—	—	—	—	63,536(4)	105.56	1,090,716(5)
Series A	12/04/2012	11/26/2012	—	—	—	—	25,000(4)	105.56	429,173(5)
Glenn E. Curtis									
	01/01//2012(1)	—	210,017	420,033	630,050	—	—	—	—
Series A	03/02/2012	02/22/2012	—	—	—	—	30,000	89.66	1,193,085
Scott D. Macdonal									
	01/01//2012(1)	—	96,706	193,412	290,118	—	—	—	—
Series A	03/02/2012	02/22/2012	—	—	—	—	25,000	89.66	994,238
J. Steven Beabout									
	01/01//2012(1)	—	105,842	211,683	317,525	—	—	—	—
Series A	03/02/2012	02/22/2012	—	—	—	—	20,000	89.66	795,390
Edward L. Huguez									
	01/01//2012(1)	—	86,521	173,041	259,562	—	—	—	—
Series A	03/02/2012	02/22/2012	—	—	—	—	25,000	89.66	994,238
Carmi D. Zlotnik									
	01/01//2012(1)	—	169,403	338,805	508,208	—	—	—	—
Series A	03/02/2012	02/22/2012	—	—	—	—	30,000	89.66	1,193,085

- (1) Reflects the date on which the terms of the 2012 performance-based bonus program, as described under "Compensation Discussion and Analysis—Elements of 2012 Executive Compensation—2012 Performance-based Bonuses," were established.
- (2) Represents the threshold amount that would have been payable to each named executive officer assuming the actual performance metrics equaled at least 85% of the annual budgeted amounts, see "—Compensation Discussion and Analysis—Elements of 2012 Executive Compensation—2012 Performance-based Bonuses."
- (3) Represents the maximum amount that would have been payable to each named executive officer assuming the actual performance metrics equaled or exceeded 120% of the annual budgeted amounts, see "—Compensation Discussion and Analysis—Elements of 2012 Executive Compensation—2012 Performance-based Bonuses."
- (4) Represents equity awards issued in connection with the Option Modification Program in December 2012. See "—Compensation Discussion and Analysis—Elements of 2012 Executive Compensation—Equity Incentive Compensation—Option Modification Program". For more information regarding the vesting terms of these awards, see "Outstanding Equity Awards at Fiscal Year End" below.
- (5) With respect to options awards issued in connection with the Option Modification Program, represents the incremental fair value of each award. With respect to restricted stock awards issued in connection with the Option Modification Program, such awards have no incremental fair value to report.

Outstanding Equity Awards at Fiscal Year-End

The following table contains information regarding unexercised options and unvested shares of Starz common stock which were outstanding as of December 31, 2012 and held by the named executive officers.

Name	Option awards				Stock awards	
	Number of securities underlying unexercised options (#) Exercisable	Number of securities underlying unexercised options (#) Unexercisable	Option exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)
Christopher P. Albrecht						
<i>Option Awards</i>						
Series A	44,064	44,065(1)	113.47	12/31/19	—	—
Series A	176,258	132,712(1)	105.56	12/31/19	—	—
Series A	44,064	40,965(1)	105.56	12/31/19	—	—
Series A	25,000	63,536(2)	105.56	12/15/18	—	—
<i>Stock Awards</i>						
Series A	—	—	—	—	44,065(1)	5,111,981
Series A	—	—	—	—	11,464(2)	1,329,939
Series A	—	—	—	—	43,546(1)	5,051,771
Series A	—	—	—	—	3,100(1)	359,631
Glenn E. Curtis						
<i>SAR Awards</i>						
Series A(3)	5,000	—	10.92	12/01/13	—	—
Series A(3)	440	—	24.63	08/06/14	—	—
Series A(3)	6,250	—	9.95	08/06/14	—	—
<i>Option Awards</i>						
Series A	9,638	12,394(5)	82.54	03/02/18	—	—
Series A	5,625	24,375(6)	89.66	03/02/19	—	—
Scott D. Macdonald						
<i>Option Awards</i>						
Series A	3,305	4,131(4)	57.90	03/01/17	—	—
Series A	4,406	9,915(5)	82.54	03/02/18	—	—
Series A	4,687	20,313(6)	89.66	03/02/19	—	—
<i>Stock Awards</i>						
Series A	—	—	—	—	6,848(7)	794,436
J. Steven Beabout						
<i>Option Awards</i>						
Series A	827	4,131(4)	57.90	03/01/17	—	—
Series A	689	6,197(5)	82.54	03/02/18	—	—
Series A	1,250	16,250(6)	89.66	03/02/19	—	—
Edward L. Huguez						
<i>Option Awards</i>						
Series A	—	4,131(4)	57.90	03/01/17	—	—
Series A	7,710	9,915(5)	82.54	03/02/18	—	—
Series A	4,687	20,313(6)	89.66	03/02/19	—	—
Carmi D. Zlotnik						
<i>Option Awards</i>						
Series A	9,088	4,131(4)	57.90	03/01/17	—	—
Series A	9,638	12,394(5)	82.54	03/02/18	—	—
Series A	5,625	24,375(6)	89.66	03/02/19	—	—

(1) Vests on December 31, 2013.

(2) Vests quarterly (based on original term of grant) beginning on March 15, 2013 with the last vesting date on December 15,

- (3) Awards were granted to Mr. Curtis when he was employed by the predecessor of Old LMC.
- (4) Vests quarterly over 4 years from March 1, 2010 grant date.
- (5) Vests quarterly over 4 years from March 2, 2011 grant date.
- (6) Vests quarterly over 4 years from March 2, 2012 grant date.
- (7) Vests annually over 3 years from March 25, 2011 grant date.

Option Exercises and Stock Vested

The following table sets forth information regarding (i) the exercise of vested options and the vesting of restricted stock held by our named executive officers (with the exception of Mr. Zlotnik who had no exercises of options or vesting of restricted stock during 2012) and, (ii) with respect to Mr. Albrecht, the exercise of (a) vested options and (b) options that were unvested at the date of the Option Modification Program that were then accelerated in connection with the Option Modification Program (the "formerly unvested options"), in each case, during the year ended December 31, 2012. See "—Compensation Discussion and Analysis—Elements of 2012 Executive Compensation—Equity Incentive Compensation—Option Modification Program" above.

Name	Option Awards		Stock Awards	
	Number of shares acquired on exercise #(1)	Value realized on exercise (\$)	Number of shares acquired on vesting #(1)	Value realized on vesting (\$)
Christopher P. Albrecht				
Series A	540,645	22,809,127(2)	44,064	4,383,927
Glenn E. Curtis				
Series A	12,483	1,033,762	—	—
Scott D. Macdonald				
Series A	9,087	196,561	3,423	304,955
J. Steven Beabout				
Series A	14,890	524,647	—	—
Edward L. Huguez				
Series A	9,088	431,664	—	—

- (1) Includes shares withheld by Old LMC in payment of withholding taxes at election of holder.
- (2) Of the \$12,207,321 aggregate amount related to the exercise by Mr. Albrecht of formerly unvested options in the Option Modification Program, an aggregate value of \$6,134,179 is related to the exercise of such formerly unvested options, net of amounts withheld for taxes. The formerly unvested options were replaced (with the exception of shares withheld for payment of taxes) with a combination of new unvested options and new unvested restricted stock awards that have the same vesting requirements and similar terms as the formerly unvested options. As a result, the unvested options and unvested restricted shares received upon exercise of the formerly unvested options will not vest and will be subject to forfeiture by Mr. Albrecht until he satisfies the vesting and other requirements applicable to such awards.

Nonqualified Deferred Compensation Plans

The following table sets forth information regarding the 2007 deferred compensation plan in which our named executive officers participated during the year ended December 31, 2012 as described above in "—Executive Compensation Arrangements—2007 Deferred Compensation Plan."

<u>Name</u>	<u>Executive contributions in 2012 (\$)</u>	<u>Registrant contributions in 2012 (\$)</u>	<u>Aggregate earnings in 2012 (\$)(1)</u>	<u>Aggregate withdrawals/distributions (\$)</u>	<u>Aggregate balance at 12/31/12 (\$)</u>
Scott D. Macdonald	25,530(2)	—	11,145	—	143,967
J. Steven Beabout	—	—	58,168	—	683,076
Edward L. Huguez	—	—	28,526	—	334,985(3)

- (1) Of these amounts, the following were reported in the "Summary Compensation Table" as above-market earnings that were credited to the named executive officer's deferred compensation account during 2012:

<u>Name</u>	<u>Amount (\$)</u>
Scott D. Macdonald	5,536
J. Steven Beabout	28,890
Edward L. Huguez	14,168

- (2) Mr. Macdonald's contributions to his deferred compensation account during 2012 are included in the amount of salary reported for Mr. Macdonald in 2012 in the "Summary Compensation Table."
- (3) In prior disclosure regarding the compensation of our named executive officers during the year ended December 31, 2011, of this amount, \$15,451 was reported in the "Summary Compensation Table" as above-market earnings.

Potential Payments Upon Termination or Change-in-Control

The following table sets forth the potential payments to our named executive officers if their employment had terminated or a change in control had occurred, in each case, as of December 31, 2012. In the event of such a termination or change in control, the actual amounts may be different due to various factors. In addition, we may enter into new arrangements or modify these arrangements from time to time. Because the discussion and table below assume the termination of our named executive officers as of December 31, 2012 and thus prior to the completion of the Spin-Off, references to "our company" below refer to Starz, LLC, which was a wholly-owned subsidiary of Old LMC prior to the Spin-Off, and references to Old LMC refer to the parent company of Starz, LLC (which, following the Spin-Off, is our parent company, Starz).

The amounts provided in the tables are based on the closing market price on December 31, 2012, the last trading day of such year for Old LMC's Series A Liberty Capital common stock then-outstanding, which was \$116.01. The value of the options shown in the table is based on the spread between the exercise or base price of the award and such closing market price. The value of the restricted stock shown in the table is based on such closing market price and the number of shares vested.

Each of our named executive officers has received awards and payments under the existing incentive plans, and each of our named executive officers is eligible to participate in our deferred compensation plans. Additionally, Mr. Albrecht is entitled to certain payments upon termination under his employment agreement. See "—Executive Compensation Arrangements—Christopher P. Albrecht" above.

Set forth below is a description of the circumstances giving rise to these potential payments and a brief summary of the provisions governing their payout:

Voluntary Termination. Under the existing incentive plans, upon a voluntary termination of employment for any reason other than disability, each named executive officer would only have a right to the equity grants that vested prior to his termination date.

Under the 2007 deferred compensation plan, we do not have an acceleration right to pay out account balances to the participants upon this type of termination. For purposes of the tabular presentation below, we have assumed that we were permitted to make payments to the executive officers in accordance with their respective standing elections under the plans, subject to compliance with Section 409A of the Code.

Termination for Cause. All outstanding equity grants constituting options or stock appreciation rights, whether unvested or vested but not yet exercised, and all equity grants constituting unvested restricted shares under the existing incentive plans would be forfeited by any named executive officer (other than Mr. Albrecht with respect to the options included in his Multi-Year Award) who is terminated for "cause." The existing incentive plans define "cause" as insubordination, dishonesty, incompetence, moral turpitude, other misconduct of any kind and the refusal to perform his duties and responsibilities for any reason other than illness or incapacity; provided that, if such termination is within 12 months after a change in control (as described below), "cause" means a felony conviction for fraud, misappropriation or embezzlement. Under Mr. Albrecht's employment agreement, "cause" (prior to a "corporate event," as discussed below) is defined as (a) any act or omission that constitutes a breach of his material obligations under the employment agreement, (b) the continued failure or refusal of Mr. Albrecht, other than on account of his death or disability, to substantially perform the material duties required of him as Chief Executive Officer of our company, (c) any material violation of any policy, rule or regulation of our company or any law or regulation applicable to the business of our company or its affiliates, (d) Mr. Albrecht's conviction of or plea of guilty or nolo contendere to any crime that constitutes a felony or crime of moral turpitude or is punishable by imprisonment of 30 days or more, or (e) any other intentional misconduct by Mr. Albrecht that has a material detrimental effect on the financial condition or business reputation of our company or any of its affiliates. In addition, under Mr. Albrecht's employment agreement, following the occurrence of a "corporate event," "cause" is instead defined pursuant to California state law. Upon a termination for cause, Mr. Albrecht would have a right to only the portion of the Multi-Year Award that vested prior to his termination date in the event he is terminated for cause, and his vested stock options would remain exercisable for only a short period following his termination. See "—Executive Compensation Arrangements—Christopher P. Albrecht" above.

No immediate distributions under the 2007 deferred compensation plan are permitted as a result of this type of termination.

Termination Without Cause or for Good Reason. Pursuant to the existing incentive plans and the related award agreements (and except as described below), if a named executive officer (other than Mr. Albrecht with respect to his Multi-Year Award) were terminated by us without cause, he would have a right to only the equity grants that vested prior to his termination date. However, with respect to option awards granted to Mr. Curtis while he was an employee of the predecessor of Old LMC, the relevant award agreements provide that he would be entitled to vesting in full with respect to any outstanding options that would have vested during the calendar year in which the termination occurs. Mr. Albrecht has certain accelerated vesting rights with respect to his Multi-Year Award upon a termination by him of his employment for good reason (as defined in his employment agreement). See "—Executive Compensation Arrangements—Christopher P. Albrecht" above.

No immediate distributions under the 2007 deferred compensation plan are permitted as a result of this type of termination.

Death. In the event of death, the existing incentive plans provide for vesting in full of any outstanding options and the lapse of restrictions on any restricted share awards.

No immediate distributions under the 2007 deferred compensation plan are permitted as a result of the death of the executive officer.

Disability. In the event of a disability, which is generally the inability to perform gainful activity for at least 12 months, the existing incentive plans provide for vesting in full of any outstanding options and the lapse of restrictions on any restricted share awards.

No amounts are shown for payments pursuant to short-term and long-term disability policies, which we make available to all our employees.

No immediate distributions under the 2007 deferred compensation plan are permitted as a result of the disability of the executive officer.

Change in Control. In the case of a change in control, the incentive plans provide for vesting in full of any outstanding options and the lapse of restrictions on any restricted share awards. A change in control is generally defined as:

- The acquisition of beneficial ownership of at least 20% of the combined voting power of the then outstanding shares of Old LMC ordinarily having the right to vote in the election of directors.
- Any non-exempt person purchases Old LMC's common stock pursuant to a tender offer or exchange offer, without the prior consent of Old LMC's board of directors.
- The individuals constituting Old LMC's board of directors over any two consecutive years cease to constitute at least a majority of the Starz board, subject to certain exceptions that permit the board to approve new members by approval of at least two-thirds of the remaining directors.
- Any merger, consolidation or binding share exchange that causes the persons who were common stockholders of Old LMC immediately prior thereto to lose their proportionate interest in the common stock or voting power of the successor or to have less than a majority of the combined voting power of the then outstanding shares ordinarily having the right to vote in the election of directors, the sale of substantially all of the assets Old LMC or the dissolution of Old LMC.

In the case of a change in control described in the last bullet point, the compensation committee of Old LMC's board of directors may determine not to accelerate the existing equity awards if equivalent awards will be substituted for the existing awards. For purposes of the tabular presentation below, we have assumed no such determination was made.

Mr. Albrecht's employment agreement includes additional acceleration of benefits provisions related to the Company if he terminates his employment with good reason upon the occurrence of a "Corporate Event," which is defined as (a) Old LMC no longer having certain publicly traded equity securities or (b) the acquisition of more than 50% of the voting power of our company's equity securities, unless (in the case of clause (a) or (b)) the directors prior to such event continue to constitute more than 50% of the directors. If a corporate event occurs, Mr. Albrecht has the right to terminate his employment within 60 days and it will be considered a termination with good reason. See "—Executive Compensation Arrangements—Christopher P. Albrecht" for benefits under a termination with good reason.

The 2007 deferred compensation plan provides our deferred compensation committee with the option of terminating the plan 30 days preceding or within 12 months after a change of control and distributing the account balances (which option is assumed to have been exercised for purposes of the tabular presentation below).

Benefits Payable Upon Termination or Change in Control

Name	Voluntary Termination (\$)	Termination for Cause (\$)	Termination Without Cause or for Good Reason (\$)	Death (\$)	Disability (\$)	After a Change in Control (\$)
Christopher P. Albrecht						
Severance	—	—	1,750,000(1)	1,750,000(2)	1,750,000(2)	1,750,000(1)
Health and welfare benefits	—	—	14,332(1)	—	—	14,332(1)
Options	2,675,537(3)	2,414,287(4)	4,618,638(5)	5,266,338(6)	5,266,338(6)	5,266,338(6)
Restricted stock	—	—	4,058,552(7)	11,853,322(6)	11,853,322(6)	11,853,322(6)
Total	2,675,537	2,414,287	10,441,522	18,869,660	18,869,660	18,883,992
Glenn E. Curtis						
Options	470,803(3)	—	470,803(3)	1,527,911(8)	1,527,911(8)	1,527,911(8)
SARs	1,228,532(3)	—	1,228,532(3)	1,228,532(8)	1,228,532(8)	1,228,532(8)
Total	1,699,335	—	1,699,335	2,756,443	2,756,443	2,756,443
Scott D. Macdonald						
Options	463,025(3)	—	463,025(3)	1,570,180(8)	1,570,180(8)	1,570,180(8)
Restricted stock	—	—	—	794,436(8)	794,436(8)	794,436(8)
Deferred compensation	—	—	—	—	—	143,967
Total	463,025	—	463,025	2,364,616	2,364,616	2,508,583
J. Steven Beabout						
Options	104,055(3)	—	104,055(3)	979,709(8)	979,709(8)	979,709(8)
Deferred compensation	—	—	—	—	—	683,076
Total	104,055	—	104,055	979,709	979,709	1,662,785
Edward L. Huguez						
Options	381,556(3)	—	381,556(3)	1,488,711(8)	1,488,711(8)	1,488,711(8)
Deferred compensation	—	—	—	—	—	334,985
Total	381,556	—	381,556	1,488,711	1,488,711	1,823,696
Carmi D. Zlotnik						
Options	998,906(3)	—	998,906(3)	2,296,067(8)	2,296,067(8)	2,296,067(8)
Total	998,906	—	998,906	2,296,067	2,296,067	2,296,067

- (1) If Mr. Albrecht's employment had been terminated at Old LMC's election for any reason (other than cause) or by Mr. Albrecht for good reason (as defined in his employment agreement, which definition includes change of control provisions for a Corporate Event as described above), as of December 31, 2012, he would have been entitled to continue to receive his base salary for 12 months, which totals \$1,000,000, and receive a severance bonus of \$750,000. In addition, if Mr. Albrecht elects continuation of health and welfare benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985 following his termination, we will pay the employer portion of such benefits for 12 months. With respect to periods following the termination of his employment, the foregoing payments are conditioned on Mr. Albrecht's compliance with certain conditions contained in his employment agreement, including non-competition and non-solicitation covenants. See "—Executive Compensation Arrangements—Christopher P. Albrecht" above.
- (2) If Mr. Albrecht's employment had been terminated as of December 31, 2012 as a result of his death or disability (as defined in his agreement), he, or his legal representative, would have been entitled to receive a

lump sum payment for his salary for the remainder of the term of his employment agreement which totaled \$1,000,000 plus the percentage of the target bonus for the fiscal year in which the death or disability occurs equal to the amount of time Mr. Albrecht had been employed during such fiscal year which would have been \$750,000 for December 31, 2012. See "—Executive Compensation Arrangements—Christopher P. Albrecht" above.

- (3) Based on the number of vested options and SARs at year-end. See "Outstanding Equity Awards at Fiscal Year-End" table above.
- (4) If Mr. Albrecht's employment had been terminated as of December 31, 2012 for cause, he would have the right to the portion of the Multi-Year Award that vested prior to his termination. See "—Executive Compensation Arrangements—Christopher P. Albrecht" above.
- (5) Based on the Multi-Year Award vesting 75% upon termination by Old LMC without cause or by Mr. Albrecht for good reason (as defined in his agreement). See "—Executive Compensation Arrangements—Christopher P. Albrecht" above and the "Outstanding Equity Awards at Fiscal Year-End" table above.
- (6) Based on (i) the number of vested options and (ii) the number of unvested options and the number of shares of restricted stock held by Mr. Albrecht at year-end. See "—Executive Compensation Arrangements—Christopher P. Albrecht" above and the "Outstanding Equity Awards at Fiscal Year-End" table above.
- (7) If Mr. Albrecht's employment had been terminated as of December 31, 2012 by our company without cause or by Mr. Albrecht for good reason, then his December 2009 grant of 44,065 restricted shares and 11,464 of the restricted shares he received in the Option Modification Program would have been forfeited. The remainder of his restricted shares would have vested upon such a termination in a number equal to the greater of (x) the percentage of the initial term of his employment agreement elapsed through the termination date multiplied by the total number of such remaining restricted shares or (y) 37.5% of the total number of such remaining restricted shares.
- (8) Based on the number of vested options and SARs and unvested options at year-end. See "Outstanding Equity Awards at Fiscal Year-End" table above.

Compensation of Directors

We are a directly wholly owned subsidiary of Starz, which is our sole member and manager. Accordingly, no director compensation is paid.

Equity Compensation Plan Information

The following table sets forth information as of December 31, 2012, with respect to shares of Starz's common stock authorized for issuance under our equity compensation plans, which we assumed from our predecessor, Old LMC, in the Spin-Off. This table assumes (i) that the Spin-Off had occurred on December 31, 2012 and (ii) that outstanding equity incentive awards with respect to our common stock had been adjusted on such date in connection with the Spin-Off.

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)(1)</u>	<u>Weighted average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a))(1)</u>
<i>Equity compensation plans approved by security holders:</i>			
Starz 2011 Incentive Plan			17,644,316
STRZA	9,930,268	\$ 12.47	
STRZB	—		
Starz 2011 Nonemployee Director Incentive Plan			1,409,010
STRZA	12,624	\$ 9.96	
STRZB	—		
Starz Transitional Stock Adjustment Plan			—(2)
STRZA	2,790,425	\$ 10.08	
STRZB	—		
Total			
STRZA	12,733,317		
STRZB	—		
			19,053,326
<i>Equity compensation plans not approved by security holders: none.</i>			

- (1) Each plan permits grants of, or with respect to, shares of any series of Starz common stock, subject to a single aggregate limit.
- (2) In September 2011, Old LMC was split-off from its former parent company Liberty Interactive (the "Old LMC Split-Off"). The Starz Transitional Stock Adjustment Plan governs the terms and conditions of equity awards granted in connection with adjustments made to equity awards in the Old LMC Split-Off. As a result, no further grants are permitted under this plan.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Guarantees

Following the Spin-Off, New LMC became the guarantor of our obligations under certain of our output agreements. At December 31, 2012, New LMC's guarantees for obligations under these agreements for films that have been released in theatres aggregated \$398.9 million. New LMC's guarantee amount for films that have not yet been released in theatres is not determinable. Pursuant to the reorganization agreement entered into in connection with the Spin-Off, Starz would be required to indemnify New LMC for any liabilities incurred as a result of this guarantee. See "—Agreements Relating to the Spin-Off."

Employee Benefit Plans

Prior to the Spin-Off, Starz, LLC participated in Old LMC's employee benefit plans (medical, dental, life insurance, 401(k), etc.). Charges from Old LMC related to these benefits and other miscellaneous charges aggregated \$12.5 million, \$12.4 million and \$12.8 million for the years ended December 31, 2012, 2011 and 2010, respectively. Such amounts were invoiced by Old LMC on a monthly basis and were due upon receipt of the invoice by us. Amounts due to Starz for such charges total \$1.0 million as of December 31, 2012.

Taxes

We are a single member LLC, which is treated as an entity that is disregarded as being separate from Old LMC/Starz for U.S. federal income tax purposes. As such, we are included in the consolidated federal and state income tax returns of Old LMC prior to the Spin-Off. We make tax payments to Starz in amounts that are equal to what our tax obligations would be if we were a standalone taxable entity. Prior to September 30, 2010, our subsidiary, Starz Media was subject to a separate tax sharing agreement with Old LMC. As a result, the tax benefits of losses generated by Starz Media were not included in the calculation of our tax obligation to Old LMC. On September 30, 2010, Starz Media was reattributed to the Liberty Starz tracking stock group and was included in the calculation of our tax obligation owed to Old LMC from September 30, 2010 until we sold a 25% interest in Starz Media to TWC in January 2011. As a result of the sale of the 25% interest to TWC, Starz Media became a separate taxpayer for federal purposes and in certain states. Effective April 1, 2012, Starz Media filed an election to convert itself from a limited liability company treated as a corporation to a partnership for U.S. federal and state income tax purposes.

Promissory Note Agreements

On December 17, 2010 and December 21, 2010, Starz Entertainment entered into promissory note agreements to provide funding to Starz Media and Anchor Bay Entertainment, respectively. The Starz Media note is payable on demand. The interest rate is determined at three month intervals and is equal to the LIBOR rate plus 8%. The LIBOR rate at any time means the rate per annum equal to the British Bankers' Association LIBOR for dollar deposits for a three month period. On December 31, 2012, the interest rate was 8.3% and the outstanding principal and interest balance was \$25.8 million. The Anchor Bay Entertainment note is payable on demand. The interest rate is determined at three month intervals and is equal to the LIBOR rate plus 4% through August 31, 2011. The interest rate from September 1, 2011 and thereafter is the LIBOR rate plus 8%. The LIBOR rate at any time means the rate per annum equal to the British Bankers' Association LIBOR for dollar deposits for a three month period. On December 31, 2012, the interest rate was 8.3% and the outstanding principal and interest balance was none.

Guarantees of Subsidiaries

Our subsidiary, Canada Co., entered into an agreement with the Ontario government whereby Canada Co. is eligible to receive funds under the Canadian Next Generation of Jobs Fund Grant through the termination date of March 31, 2014. Starz Entertainment entered into a guarantee for any amounts owed to the Ontario government under the grant if Canada Co. does not meet its obligations. The maximum amount of the grant available and the guarantee is \$23.1 million. The Ontario government can demand payment from Starz Entertainment if Canada Co. does not perform any of its obligations. The maximum potential amount payable under the guarantee is \$10.7 million at December 31, 2012 and Starz Entertainment has accrued \$8.5 million related to this guarantee as of December 31, 2012. We sold a controlling interest in Canada Co. on March 3, 2011. The terms of the guarantee have not changed.

In December 2010, Anchor Bay Entertainment entered into a five-year license agreement with TWC for the distribution, by our Home Video and Digital Media businesses, of certain of TWC's theatrical releases. Anchor Bay Entertainment pays advances to TWC based on a percentage of the U.S. box office and the genre of each film and earns a fee for the distribution of such theatrical releases. Starz Entertainment guarantees advance payments to TWC under this agreement up to \$50.0 million. Starz, LLC recognized participation expense of \$60.8 million and \$72.1 million for TWC's share of the net proceeds under Anchor Bay's license agreement with TWC for the years ended December 31, 2012 and 2011, respectively. Starz, LLC's accrued advances payable to TWC totaled \$23.9 million and \$56.2 million at December 31, 2012 and 2011, respectively.

Starz Entertainment is the guarantor on two noncancelable operating leases in which Starz Media, LLC and Film Roman, respectively, are the tenant. The maximum potential amount payable under these guarantees is \$13.0 million at December 31, 2012. Starz Entertainment does not currently expect to have to perform under these obligations. The leases expire in 2014 and 2016, respectively.

The Spin-Off

During August 2012, the board of directors of Old LMC authorized the Spin-Off. On January 11, 2013, the Spin-Off was effected in a tax free manner through the distribution, by means of a pro-rata dividend, of Liberty Spinco to the stockholders of Old LMC. As a result, Liberty Spinco became a separate public company on January 11, 2013 and was renamed Liberty Media Corporation. In connection with the Spin-Off, the parent company of Starz, LLC was renamed "Starz".

In connection with the Spin-Off, Starz, LLC distributed \$1.8 billion in cash to Old LMC (paid as follows: \$100.0 million on July 9, 2012, \$250.0 million on August 17, 2012, \$50.0 million on September 4, 2012, \$200.0 million on November 16, 2012 and \$1.2 billion on January 10, 2013) funded by a combination of cash on hand and borrowings under Starz, LLC's senior secured revolving credit facility. Such distributed cash was contributed to New LMC prior to the Spin-Off. Additionally, in connection with the Spin-Off, Starz, LLC distributed its Englewood, Colorado corporate office building and related building improvements to Old LMC (and Old LMC transferred such building and related improvements to a subsidiary of New LMC) and then leased back the use of such facilities from this New LMC subsidiary. Following the Spin-Off, New LMC and Starz operate independently, and neither have any stock ownership, beneficial or otherwise, in the other.

Agreements Relating to the Spin-Off

In connection with the Spin-Off, Old LMC and Liberty Spinco (or, where applicable, certain subsidiaries of our company or Liberty Spinco named therein) entered into the following agreements (the "Spin-Off Agreements"):

Reorganization Agreement

On January 10, 2013, Old LMC entered into a reorganization agreement with Liberty Spinco to provide for, among other things, the principal corporate transactions (including the internal restructuring) required to effect the Spin-Off, certain conditions to the Spin-Off and provisions governing the relationship between Old LMC and Liberty Spinco with respect to and resulting from the Spin-Off. The reorganization agreement also provides for mutual indemnification obligations, which are designed to make Liberty Spinco financially responsible for substantially all of the liabilities that may exist relating to the businesses and assets included in Liberty Spinco at the time of the Spin-Off together with liabilities arising out of or resulting from any breach of, failure to perform or comply with any covenant, undertaking or obligation of Liberty Spinco or any of its subsidiaries under the reorganization agreement, any agreement relating to the internal restructuring or any agreement to be entered into in connection with the Spin-Off, as well as for all liabilities incurred by Liberty Spinco after the Spin-Off, and to make Starz financially responsible for all potential liabilities of Liberty Spinco which are not related to Liberty Spinco's businesses, including, for example, any liabilities arising as a result of Liberty Spinco having been a subsidiary of Old LMC, together with liabilities (i) relating to Liberty Spinco's guarantee of the obligations of Starz or its subsidiaries under certain studio output agreements to which Starz or its subsidiaries are a party or (ii) arising out of or resulting from any breach of, failure to perform or comply with any covenant, undertaking or obligation of Starz or any of its subsidiaries under the reorganization agreement, any agreement relating to the internal restructuring or any agreement to be entered into in connection with the Spin-Off. These indemnification obligations exclude any matters relating to taxes. For a description of the allocation of tax-related obligations, please see "—Tax Sharing Agreement" below.

In addition, the reorganization agreement provides for each of Starz and Liberty Spinco to preserve the confidentiality of all confidential or proprietary information of the other party for five years following the Spin-Off, subject to customary exceptions, including disclosures required by law, court order or government regulation.

Tax Sharing Agreement

Prior to the effective time of the Spin-Off, Liberty Spinco entered into a tax sharing agreement with Old LMC (the "tax sharing agreement") that governs Starz's and Liberty Spinco's respective rights, responsibilities and obligations with respect to taxes and tax benefits, the filing of tax returns, the control of tax audits and other tax matters. References in this summary (i) to the terms "tax" or "taxes" mean U.S. federal, state, local and foreign taxes as well as any interest, penalties, additions to tax or additional amounts in respect of such taxes, (ii) to the term "LMC Spin-Off tax-related losses" refer to losses arising from the failure of the Spin-Off and related restructuring transactions to be tax-free, (iii) to the term "Conversion tax-related losses" refer to losses arising from the failure of the conversion of Old LMC's Liberty Starz common stock into its Liberty Capital common stock on November 28, 2011 (the "Starz Conversion") to be tax-free (except with respect to the issuance of cash in lieu of fractional shares), (iv) to the term "Old LMC Split-Off tax-related losses" refer to losses arising from the Old LMC Split-Off and certain related restructuring transactions as a result of (x) the failure of such transactions to be tax-free or (y) any series of stock of Liberty Interactive or Old LMC not being treated as stock of Liberty Interactive or Old LMC, respectively, or being treated as Section 306 stock within the meaning of Section 306(c) of the Code, for U.S. federal income tax purposes, and (v) to the term "Compensatory Equity Interests" refer to any equity interests, stock,

options, stock appreciation rights, or similar rights granted prior to the Spin-Off (including any such interests or rights which are adjusted in connection with the Spin-Off) in connection with employee, independent contractor or director compensation.

In addition, references to the "Starz group" mean, following the effective time of the Spin-Off, Starz and its subsidiaries; and references to the "Starz business" generally mean, (x) with respect to any tax year (or portion thereof) ending at or before the effective time of the Spin-Off, the assets, liabilities and businesses of, and any equity or debt interests in, Starz, LLC, Starz Entertainment, Starz Media, any predecessor of any of the foregoing, and each of their respective subsidiaries, and (y) with respect to any tax year (or portion thereof) beginning after the effective time of the Spin-Off, the assets, liabilities, and businesses of the Starz group. References to the "Spinco group" mean, following the effective time of the Spin-Off, Liberty Spinco and its subsidiaries; and references to the "Spinco business" generally mean, (x) with respect to any tax year (or portion thereof) ending at or before the effective time of the Old LMC Split-Off, the assets, liabilities and businesses of Liberty Interactive (or its predecessor, Liberty Interactive LLC) and their respective subsidiaries (other than (1) the Starz business, (2) the assets, liabilities and businesses that were tracked during such tax year (or portion thereof), and only for so long as so tracked, by Liberty Interactive's Liberty Interactive common stock, and (3) with respect to any tax year (or portion thereof) ending prior to May 9, 2006, the assets, liabilities and businesses of, and any equity or debt interests in, QVC, Inc., Provide Commerce, Inc. and their respective subsidiaries), (y) with respect to any tax year (or portion thereof) beginning after the effective time of the Old LMC Split-Off and ending at or before the effective time of the Spin-Off, the assets, liabilities and businesses of Old LMC and its subsidiaries (other than the Starz business), and (z) with respect to any tax year (or portion thereof) beginning after the effective time of the Spin-Off, the assets, liabilities, and businesses of the Spinco group.

Liberty Spinco and certain of Liberty Spinco's eligible subsidiaries that were contributed to Liberty Spinco in connection with the Spin-Off joined with Old LMC in the filing of a consolidated return for U.S. federal income tax purposes and also joined with Old LMC in the filing of certain consolidated, combined, and unitary returns for state, local, and foreign tax purposes. However, generally for tax periods beginning after the Spin-Off, Liberty Spinco and the members of its group do not join with Starz in the filing of federal, state, local or foreign consolidated, combined or unitary tax returns.

Under the tax sharing agreement, Starz is liable for the taxes (determined without regard to tax benefits) allocated to it, as reduced first by any tax benefits allocated to it and then by any tax benefits allocated to Liberty Spinco (to the extent such benefits are not first used by Liberty Spinco), and must pay such taxes, as so reduced, to the applicable tax authority or to Liberty Spinco (if Liberty Spinco is responsible for preparing the applicable tax return), and Starz is liable for paying Liberty Spinco for any tax benefits allocated to Liberty Spinco that are used by Starz to reduce the taxes allocated to it. Similarly, Liberty Spinco is liable for the taxes (determined without regard to tax benefits) allocated to Liberty Spinco, as reduced first by any tax benefits allocated to it and then by any tax benefits allocated to Starz (to the extent such benefits are not first used by Starz), and must pay such taxes, as so reduced, to the applicable tax authority or to Starz (if Starz is responsible for preparing the applicable tax return), and Liberty Spinco is liable for paying Starz for any tax benefits allocated to Starz that are used by Liberty Spinco to reduce the taxes allocated to it.

Generally, taxes (determined without regard to tax benefits) for any tax year (or portion thereof) shall be allocated between Starz and Liberty Spinco in proportion to the taxable income or other applicable items of the Starz business and the Spinco business that contribute to such taxes, and tax benefits shall be allocated between Starz and Liberty Spinco in proportion to the losses, credits or other applicable items of the Starz business and the Liberty Spinco business that contribute to such tax benefits. Tax items attributable to the Liberty Spinco business that are carried forward or back and used as a tax benefit in another tax year generally shall be allocated to Liberty Spinco, and tax items

attributable to the Starz business that are carried forward or back and used as a tax benefit in another tax year shall be allocated to Starz. Special allocation rules apply, however, as follows:

- Liberty Spinco is allocated any taxes and Spin-Off tax-related losses that result from the Spin-Off and related restructuring transactions (other than a portion of any transfer taxes as described below), except that Starz is allocated any such taxes or Spin-Off tax-related losses that (i) result primarily from, individually or in the aggregate, a breach by Starz of any of its restrictive covenants described below, (ii) result from Section 355(e) of the Code applying to the Spin-Off as a result of the Spin-Off being part of a plan (or series of related transactions) pursuant to which one or more persons acquire a 50-percent or greater interest (measured by vote or value) in the stock of Old LMC/Starz, or (iii) result from deferred intercompany items or excess loss accounts that are triggered by the Spin-Off, and that would otherwise be allocated to Starz;
- Liberty Spinco is allocated any taxes and Conversion tax-related losses resulting from the Starz Conversion, except that Starz is allocated any such taxes or Conversion tax-related losses that result primarily from, individually or in the aggregate, a breach by Starz of any of its restrictive covenants described below;
- Liberty Spinco is allocated any taxes and Old LMC Split-Off tax-related losses resulting from the Old LMC Split-Off and related restructuring transactions, except that Starz is allocated any such taxes or Old LMC Split-Off tax-related losses that (i) result primarily from, individually or in the aggregate, a breach by Starz of any of its restrictive covenants described below, (ii) result from Section 355(e) of the Code applying to the Old LMC Split-Off as a result of the Old LMC Split-Off being part of a plan (or series of related transactions) pursuant to which one or more persons acquire a 50-percent or greater interest (measured by vote or value) in the stock of Old LMC/Starz, or (iii) result from deferred intercompany items or excess loss accounts that are triggered by the Old LMC Split-Off, and that would otherwise be allocated to Starz;
- Liberty Spinco is allocated any taxes and losses resulting from (i) the treatment of the Liberty Capital common stock or the Liberty Starz common stock as other than stock of Old LMC, or as Section 306 stock within the meaning of Section 306(c) of the Code, in any taxable period (or portion thereof) ending at or before the Spin-Off, or (ii) the actual or deemed disposition of any assets caused by the issuance of Old LMC's Liberty Capital common stock or Liberty Starz common stock in any taxable period (or portion thereof) ending at or before the Spin-Off; provided, however, that Starz is allocated any such taxes or losses that (x) result primarily from, individually or in the aggregate, a breach by Starz of any of its restrictive covenants described below, or (y) result from deferred intercompany items or excess loss accounts that are triggered thereby, and that would otherwise be allocated to Starz;
- Starz is allocated any tax benefit that results from the carryback of a tax item that is otherwise allocated to Liberty Spinco during a tax year beginning after the effective time of the Spin-Off to a tax return that Starz is responsible for filing for a tax year beginning before the Spin-Off to the extent (and only to such extent) that such carryback increases the taxes or reduces the tax benefits that would otherwise be allocable to Starz;
- for any tax year (or portion thereof) ending at or before the effective time of the Spin-Off, (x) taxes and tax items arising from the issuance, vesting, exercise or settlement of any Compensatory Equity Interests (1) with respect to any series of Old LMC's Liberty Starz common stock or Liberty Interactive's Liberty Starz common stock or (2) in Starz, LLC, Starz Entertainment, Starz Media, any predecessor of any of the foregoing, any of their respective subsidiaries, or any entity acquired, directly or indirectly, by Starz following the Spin-Off (each, a "Starz Entity") are allocated to Starz; (y) taxes and tax items arising from the issuance, vesting, exercise or settlement of any Compensatory Equity Interests with respect to any series of Old

LMC's Liberty Capital common stock or Liberty Interactive's Liberty Capital common stock or in any entity (including DIRECTV, Discovery Communications, Inc., Liberty Global, Inc., and Ascent Capital Group, Inc.) other than Old LMC or any Starz Entity are allocated to Liberty Spinco; and (z) any other taxes or tax items related to employee, independent contractor or director compensation or employee benefits are allocated to Starz to the extent that the Starz business is or was responsible for the underlying obligation and to Liberty Spinco to the extent that the Spinco business is or was responsible for the underlying obligation;

- for any tax year (or portion thereof) beginning after the effective time of the Spin-Off, (x) taxes and tax items arising from the issuance, vesting, exercise or settlement of any Compensatory Equity Interests with respect to any class or series of Starz stock or in any member of the Starz group or any Starz Entity are allocated to Starz; (y) taxes and tax items arising from the issuance, vesting, exercise or settlement of any Compensatory Equity Interests with respect to any class or series of Liberty Spinco stock or in any member of the Spinco group or any entity (including DIRECTV, Discovery Communications, Inc., Liberty Global, Inc., and Ascent Capital Group, Inc.) other than Starz, any member of the Starz group or any Starz Entity are allocated to Liberty Spinco; and (z) any other taxes or tax items related to employee, independent contractor or director compensation or employee benefits are allocated to Starz to the extent that the Starz business is or was responsible for the underlying obligation and to Liberty Spinco to the extent that the Spinco business is or was responsible for the underlying obligation;
- any alternative minimum federal tax credit shall be allocated between Starz and Liberty Spinco in a manner that offsets the excess of the net payments previously made between the parties with respect to the tax return in which the corresponding alternative minimum federal tax liability was reported over the net payments that would have been made between the parties if no alternative minimum federal tax liability had been owed with respect to such tax return (treating any payment received as a negative amount of net payments made for this purpose);
- for any tax period (whether beginning before, at or after the effective time of the Spin-Off), taxes and tax items of any subsidiary that is acquired, directly or indirectly, after the Spin-Off by any member of the Starz group or by any member of the Spinco group shall generally be allocated to Starz or Liberty Spinco, respectively;
- Liberty Spinco shall be allocated (x) the capital loss resulting from the sale by Starz, LLC of a portion of its equity interests in Starz Media to The Weinstein Company LLC and (y) the capital loss recognized under Section 331 of the Code with respect to Starz, LLC's equity interest in Starz Media resulting from the deemed liquidation of Starz Media for U.S. federal income tax purposes;
- Starz and Liberty Spinco shall each be allocated 50 percent of any transfer taxes arising from the Spin-Off and related restructuring transactions; and
- Liberty Spinco shall be allocated all taxes, tax items, losses and payments attributable to Old LMC's tax sharing agreement with Liberty Interactive and Liberty Interactive LLC (the "Liberty Interactive Tax Sharing Agreement"), except that Starz shall be allocated any such taxes, tax items, losses and payments that (x) are attributable to the Starz business, (y) are attributable to taxes, tax items, or losses that are specially allocated to Starz, as described above, or (z) result primarily from, individually or in the aggregate, a breach by Starz of any of its restrictive covenants described below.

Payments will initially be made between Starz and Liberty Spinco on the basis of the tax returns as filed, or if the tax is not reported on a tax return, on the basis of the amount of tax initially paid to the tax authority. Additional payments will then be made if additional taxes are subsequently paid, refunds or tax benefits are subsequently received or utilized, or the amount or character of any tax item is

adjusted or redetermined. Payments that are not made within the time period prescribed by the tax sharing agreement will bear interest until they are made.

Starz is responsible for preparing and filing all tax returns for any tax year beginning on or before the date of the Spin-Off which include tax items allocable to both the Starz business and the Spinco business, and any tax returns for any tax year beginning after the date of the Spin-Off that includes one or more members of the Starz group and the Spinco group. In addition, for any tax year beginning on or before the date of the Spin-Off, Starz is responsible for preparing and filing any tax returns that include only tax items allocable to the Starz business, and Liberty Spinco is responsible for preparing and filing any tax returns that include only tax items allocable to the Spinco business; and for any tax year beginning after the date of the Spin-Off, Starz is responsible for preparing and filing any tax returns that include only one or more members of the Starz group, and Liberty Spinco is responsible for preparing and filing any tax returns that include only one or more members of the Spinco group. Liberty Spinco generally has the right to review and consent (which consent shall not be unreasonably withheld or delayed) to the treatment in any tax return prepared by Starz of any tax items allocated to Liberty Spinco under the rules above. In addition, without obtaining the consent of Liberty Spinco (which consent shall not be unreasonably withheld or delayed), Starz is not permitted to file, or cause to be filed, any amended tax return, to the extent that such amended tax return, if accepted by the applicable tax authority, would be likely to increase the tax liability of Liberty Spinco, or give rise to a payment under the tax sharing agreement by Liberty Spinco, for any tax year (or portion thereof).

On any tax return that Liberty Spinco is responsible for preparing and filing, Liberty Spinco may not take (and shall cause the members of the Spinco group not to take) any position that it knows, or reasonably should know, would adversely affect the Starz group (unless the failure to take such position would be contrary to applicable law), and Liberty Spinco and the members of the Spinco group must allocate tax items between any tax returns for which Liberty Spinco is responsible and any related tax return for which Starz is responsible that are filed with respect to the same tax year in a manner that is consistent with the reporting of such tax items on the tax return prepared by Starz. Liberty Spinco also agreed to make any applicable elections under applicable tax law necessary to effect such allocation. Liberty Spinco's ability to obtain a refund from the carryback of a tax benefit that is allocable to the Spinco business in a tax year beginning after the Spin-Off to a tax return for which Starz is responsible for preparing in a tax year beginning prior to the Spin-Off will be at the discretion of Starz. Moreover, any refund that Liberty Spinco may obtain will be net of any portion of such tax benefit that is allocated to Starz under the special allocation rules described above.

Starz generally has the authority to respond to and control all tax proceedings, including tax audits, involving any taxes reported on tax returns for which Starz is responsible for preparing and filing, and Liberty Spinco has the right to participate, at Liberty Spinco's own cost and expense, in such tax proceedings to the extent they involve taxes or tax benefits allocable to Liberty Spinco. Liberty Spinco generally has the authority to respond to and control all tax proceedings, including tax audits, involving any taxes reported on tax returns for which Liberty Spinco is responsible for preparing and filing, and Starz has the right to participate, at its own cost and expense, in such tax proceedings to the extent they involve taxes or tax benefits allocable to Starz. Notwithstanding the foregoing, Starz and Liberty Spinco have the authority to jointly control all proceedings, including tax audits, involving any taxes or certain tax-related losses arising from the Spin-Off, the Starz Conversion, the Old LMC Split-Off, and Old LMC's former tracking stock. In addition, Liberty Spinco has the authority to control all proceedings, including tax audits, involving any liabilities arising under the Liberty Interactive Tax Sharing Agreement, except that Starz and Liberty Spinco have the right to jointly control any proceedings involving any such liabilities arising from the Old LMC Split-Off, and Starz has the right to participate in any other proceedings relating to the Liberty Interactive Tax Sharing Agreement to the extent they involve taxes, tax items, losses or payments allocable to Starz.

The tax sharing agreement further provides for the exchange of information for tax matters (and confidentiality protections related to such exchanged information), the retention of records that may affect the tax liabilities of the parties to the agreement, and cooperation between Starz and Liberty Spinco with respect to tax matters and in obtaining any supplemental private letter ruling from the IRS related to the Spin-Off that may be reasonably requested by a party.

To the extent permitted by applicable tax law, Starz and Liberty Spinco treated any payments made under the tax sharing agreement as a capital contribution or distribution (as applicable) immediately prior to the Spin-Off. However, if any payment causes, directly or indirectly, an increase in the taxable income of the recipient (or its group), the payor's payment obligation will be grossed up to take into account the taxes owed by the recipient (or its group).

Finally, each of Starz and Liberty Spinco are restricted by certain covenants related to the Spin-Off, the Starz Conversion, and the Old LMC Split-Off. These restrictive covenants require that neither Starz, Liberty Spinco, any member of their respective groups, nor any of their respective affiliates take, or fail to take, any action following the Spin-Off if such action, or failure to act:

- would be inconsistent with or prohibit certain restructuring transactions related to the Spin-Off from qualifying for tax-free treatment for U.S. federal income tax purposes to Old LMC and each of its subsidiaries immediately prior to the Spin-Off;
- would be inconsistent with or prohibit the Spin-Off from qualifying as a tax-free transaction under Sections 355, 368(a) and 361 of the Code to Old LMC, Liberty Spinco, each of their respective subsidiaries at the effective time of the Spin-Off, and the holders of Old LMC common stock who received shares of Liberty Spinco common stock pursuant to the Spin-Off;
- would be inconsistent with or prohibit the Starz Conversion from qualifying as a tax-free reorganization under Section 368(a)(1) (E) to Old LMC, each of its subsidiaries at the effective time of the Starz Conversion, and the Old LMC stockholders who received Liberty Capital common stock pursuant to the Starz Conversion (except with respect to cash received in lieu of fractional shares);
- would be inconsistent with or prohibit the Old LMC Split-Off from qualifying as a tax-free transaction under Sections 355, 368(a) and 361 of the Code to Liberty Interactive, each of its subsidiaries immediately prior to the effective time of the Old LMC Split-Off and the holders of Liberty Interactive's Liberty Capital common stock and Liberty Starz common stock who received shares of Liberty Capital common stock and Liberty Starz common stock, respectively, pursuant to the Old LMC Split-Off;
- would be inconsistent with, or otherwise cause any person to be in breach of, any representation, covenant, or material statement made in connection with obtaining any private letter ruling (if applicable) or tax opinion relating to the U.S. federal income tax consequences of the Spin-Off, the Starz Conversion, or the Old LMC Split-Off; or
- would be inconsistent with, or otherwise cause any person to be in breach of, any representation or covenant made in the Liberty Interactive Tax Sharing Agreement.

Further, each party is restricted from taking any position for tax purposes that is inconsistent with the Ruling or the tax opinions obtained in connection with the Spin-Off.

The parties must indemnify each other for taxes and losses allocated to them under the tax sharing agreement and for taxes and losses arising from a breach by them of their respective covenants and obligations under the tax sharing agreement. Under the tax sharing agreement, Starz also assigned to Liberty Spinco Starz's right to receive any indemnification payment (or any related rights) under the Liberty Interactive Tax Sharing Agreement to the extent those rights relate to taxes or losses allocated to Liberty Spinco under the tax sharing agreement that Liberty Spinco has paid.

Services Agreement

In connection with the Spin-Off, Liberty Spinco entered into a services agreement with Starz, pursuant to which Liberty Spinco provides Starz with specified services, including:

- insurance administration and risk management services;
- other services typically performed by Liberty Spinco's legal, investor relations, tax, accounting, and internal audit departments; and
- such other services as Liberty Spinco may obtain from its officers, employees and consultants in the management of its own operations that Starz may from time to time request or require.

In addition, Starz provides to Liberty Spinco certain technical and information technology services (including management information systems, computer, data storage network and telecommunications services).

Starz and Liberty Spinco make payments to each other under the services agreement based upon a portion of personnel costs (taking into account wages and benefits) of the officers and employees of one company who provide services to the other company, including officers of Liberty Spinco who also act as officers of Starz. These personnel costs are comparable to those arrived at on an arm's-length basis and are based upon the allocated percentages of time spent by Liberty Spinco personnel performing services for Starz under the services agreement and vice versa. Starz and Liberty Spinco also reimburse each other for direct out-of-pocket costs incurred by one company for third party services provided to the other company. Liberty Spinco and Starz evaluate all charges for reasonableness quarterly and make adjustments to these charges as the parties mutually agree. Based upon the current personnel costs of the affected personnel at Liberty Spinco or Starz and Starz's or Liberty Spinco's anticipated percentage usage thereof, respectively, the net fees payable to Liberty Spinco for the first year of the services agreement are expected to be approximately \$600,000.

The services agreement will continue in effect until the close of business on the third anniversary of the Spin-Off, unless earlier terminated (1) by Starz at any time on at least 30 days' prior written notice, (2) by Liberty Spinco upon written notice to Starz following a change in control or certain bankruptcy or insolvency-related events affecting Starz or (3) by Starz, upon written notice to Liberty Spinco, following certain changes in control of Liberty Spinco or Liberty Spinco being the subject of certain bankruptcy or insolvency-related events.

Facilities Sharing Agreement

In connection with the Spin-Off, Starz entered into a three-year facilities sharing agreement (the "LMC facilities sharing agreement") with Liberty Property Holdings, Inc. ("LPH"), pursuant to which Starz shares office facilities with Liberty Spinco located at 12300 Liberty Boulevard, Englewood, Colorado. Starz pays a sharing fee for use of the office based on a comparable fair market rental rate and an estimate of the usage of the office facilities by or on behalf of Starz. The LMC facilities sharing agreement continues in effect until the close of business on the third anniversary of the Spin-Off, unless earlier terminated (1) by Starz at any time on at least 30 days' prior written notice, (2) by LPH upon written notice to Starz following a default by Starz of any of its material obligations under the LMC facilities sharing agreement, which default remains unremedied for 30 days after written notice of such default is provided, (3) by Starz upon written notice to LPH, following certain changes in control of Liberty Spinco or Liberty Spinco being the subject of certain bankruptcy or insolvency-related events or (4) by LPH upon written notice to Starz, following certain changes in control of Starz or Starz being the subject of certain bankruptcy or insolvency-related events.

Aircraft Time Sharing Agreements

In connection with the Spin-Off, we entered into two aircraft time sharing agreements with Liberty Spinco concerning each of two aircraft that, pursuant to each aircraft time sharing agreement, are owned by Liberty Spinco. Each aircraft time sharing agreement provides that Liberty Spinco will lease us the aircraft and provide a fully qualified flight crew for all operations on a periodic, non-exclusive time-sharing basis. We will pay Liberty Spinco an amount equal to 200% of the actual expenses for fuel for each flight conducted under each aircraft time sharing agreement (which is estimated to be a de minimus amount for the first year under both aircraft time sharing agreements). The aircraft time sharing agreements will continue in effect until the close of business on the first anniversary of the Spin-Off, and then will be automatically renewed on a month-to-month basis, unless terminated earlier by either party upon at least 30 days' prior written notice.

Lease Agreement for Starz Building

As part of the internal restructuring conducted in order to effect the Spin-Off, the Starz, LLC headquarters building was contributed to LPH. On January 11, 2013, LPH entered into a ten year lease agreement with Starz, LLC. This lease agreement provides for successive five year renewal periods at the option of Starz, LLC. and provides for termination by LPH in the case of certain events, including a change in control of our company or Starz, LLC.

These descriptions are qualified in their entirety by reference to the full text of the Spin-Off Agreements, which are included as exhibits to the registration statement of which this prospectus forms a part, and are incorporated by reference herein.

DESCRIPTION OF OTHER INDEBTEDNESS

This section includes summaries of certain indebtedness and certain other long-term liabilities of us and our subsidiaries.

Existing 5.00% Senior Notes

We have outstanding the existing 5.00% senior notes due 2019 in the aggregate principal amount of \$500,000,000. We pay interest of 5.00% per annum on the existing 5.00% senior notes, which mature on September 15, 2019. Interest is payable on the existing 5.00% senior notes on March 15 and September 15 of each year.

Redemption. The existing 5.00% senior notes are redeemable at our option, in whole or in part, on not less than thirty days nor more than sixty days notice, at the following redemption prices, plus accrued and unpaid interest (if any) to the date of redemption, if redeemed during the twelve month period commencing September 15 of the years indicated:

2015	102.50%
2016	101.25%
2017 and thereafter	100.00%

Guarantees and security. The existing 5.00% senior notes are guaranteed, jointly and severally, on a senior basis, by each of our existing and future subsidiaries that guarantee the obligations under our senior secured credit facilities. As of the date hereof, Starz Entertainment is the sole guarantor of the existing 5.00% senior notes. The existing 5.00% senior notes are unsecured.

Covenants. Since the indenture that will govern the notes offered hereby also governs the existing 5.00% senior notes, the covenants governing the existing 5.00% senior notes are identical to the covenants applicable to the notes offered hereby. The existing 5.00% senior notes restrict us and certain of our subsidiaries from incurring debt, but permit debt as long as our consolidated interest coverage ratio is at least 2.00 to 1.00. In addition, certain other debt is permitted regardless of our consolidated interest coverage ratio, including debt under the senior secured credit facilities not exceeding \$1.5 billion. In addition, the existing 5.00% senior notes contain other covenants, including, but not limited to, restrictions on restricted payments, indebtedness, liens, affiliate transactions, mergers and acquisitions, and asset sales. Certain covenants governing the existing 5.00% senior notes terminate upon the existing 5.00% senior notes having investment grade ratings from both Moody's and Standard & Poor's, including but not limited to restrictions on indebtedness, restricted payments and asset sales.

The above description of the existing 5.00% senior notes is qualified in its entirety by reference to the complete terms contained in the indenture governing the existing 5.00% senior notes. See "Description of Notes."

Senior Secured Credit Facilities

On November 16, 2011, we entered into a credit agreement that provided us with a \$1,000.0 million revolving credit facility and \$500.0 million of term loans, and also provided for up to \$250.0 million of uncommitted incremental term or revolving loans. At closing, Starz, LLC borrowed \$500.0 million under the term loan facility and \$5.0 million under the revolving credit facility. The outstanding term loans were repaid upon issuance of the existing 5.00% senior notes. Under this credit agreement, which we refer to as our senior secured credit facilities, we had \$5.0 million of revolving

loans outstanding as of December 31, 2012. The term loans were scheduled to mature and the revolving loan commitments terminate on November 16, 2016.

Interest. Borrowings under our senior secured credit facilities bear interest at either the alternate base rate or LIBOR at our election. Borrowings that are alternate base rate loans will bear interest at a per annum rate equal to the alternate base rate plus a margin that varies between 0.50% and 1.50% depending on our consolidated leverage ratio, as defined in our senior secured credit facilities. Borrowings that are LIBOR loans will bear interest at a per annum rate equal to the applicable LIBOR plus a margin that varies between 1.50% and 2.50% depending on our consolidated leverage ratio. At December 31, 2012, our borrowing margin was 1.50% over LIBOR.

Security and guarantees. Borrowings made by us are currently guaranteed by Starz Entertainment and Finance Corp. and will be guaranteed by any future material domestic subsidiaries, and borrowings are secured by a first priority perfected security interest in shares of our equity interests held directly or indirectly by Starz and the equity interests in each guarantor held directly or indirectly by us. Our senior secured credit facilities provide for a release of all collateral if our consolidated leverage ratio, as defined in our senior secured credit facilities, is less than 1.50 to 1.00 for two consecutive fiscal quarters or we achieve an investment grade rating on our debt by either Moody's or Standard & Poor's.

Covenants. Our senior secured credit facilities contain affirmative and negative covenants and financial covenants that require us to maintain a consolidated leverage ratio of not more than 4.75 to 1.00 through December 31, 2013 and 4.25 to 1.00 thereafter, and a consolidated interest coverage ratio of not less than 2.75 to 1.00. The negative covenants limit our ability and the ability of our restricted subsidiaries to, among other things:

- incur additional indebtedness;
- create liens on property or assets;
- make certain loans or investments;
- sell or dispose of assets;
- pay certain dividends and other restricted payments;
- dissolve, consolidate or merge;
- enter into certain transactions with affiliates;
- enter into sale/leaseback transactions; and
- restrict subsidiary distributions.

These covenants are subject to significant exceptions.

Events of Default. Our senior secured credit facilities also contain certain events of default, including, among other things, the failure to perform or observe terms, covenants or agreements included in our senior secured credit facilities, nonpayment defaults on principal, interest or fees under our senior secured credit facilities, defaults on other indebtedness in an aggregate principal amount exceeding \$50.0 million if the effect is to permit acceleration, entry of unsatisfied judgments in an aggregate amount in excess of \$50.0 million against us or our restricted subsidiaries, the occurrence of a change of control, failure of any collateral document to create or maintain a priority lien, and certain events related to bankruptcy and insolvency or ERISA matters.

If an event of default occurs, the lenders under our senior secured credit facilities may, among other things, terminate their commitments, declare all outstanding borrowings to be immediately due and payable together with accrued interest and fees, and exercise remedies under the collateral

documents relating to our senior secured credit facilities. We were in compliance in all material respects with the covenants in our senior secured credit facilities as of September 30, 2012.

Capital Leases

As of December 31, 2012, Starz Entertainment, our wholly owned subsidiary, was party to three separate full-time transponder capacity agreements with PanAmSat Corporation, pursuant to which Starz Entertainment leases transponders. These transponder leases have termination dates ranging from 2018 to 2021. As of December 31, 2012, the outstanding indebtedness under these transponder leases was \$34.8 million.

In connection with the Spin-Off, Starz, LLC distributed its corporate office building and related building improvements to Old LMC (and Old LMC transferred such building and related improvements to a subsidiary of New LMC) and then leased back the facilities from this New LMC subsidiary. In connection with the leaseback, Starz, LLC recorded a \$44.8 million capital lease.

Guarantee Commitments

Our subsidiary, Canada Co., entered into an agreement with the Ontario government whereby Canada Co. is eligible to receive funds under the Ontario Next Generation of Jobs Fund Grant through the termination date of March 31, 2014. Starz Entertainment entered into a guarantee for any amounts owed to the Ontario government under the grant if Canada Co. does not meet its obligations. The maximum amount of the grant available and the guarantee is \$23.1 million. The Ontario government can demand payment from Starz Entertainment if Canada Co. does not perform any of its obligations. The maximum potential amount payable under the guarantee is \$10.7 million at December 31, 2012 and Starz Entertainment has accrued \$8.5 million for this guarantee as of December 31, 2012. We sold a controlling interest in Canada Co. on March 3, 2011. The terms of the guarantee have not changed.

In January 2011, Anchor Bay Entertainment entered into a five-year license agreement with TWC for the distribution, by our Home Video and Digital Media businesses, of certain of TWC's theatrical releases. Anchor Bay Entertainment pays advances to TWC based on a percentage of the U.S. box office and the genre of each film and earns a fee for the distribution of such theatrical releases. Starz Entertainment guarantees Anchor Bay Entertainment's advance payments to TWC under this agreement up to \$50.0 million.

Starz Entertainment is the guarantor on two noncancelable operating leases in which Starz Media, LLC and Film Roman, respectively, are the tenant. The maximum potential amount payable under these guarantees is \$13.0 million at December 31, 2012. Starz Entertainment does not currently expect to have to perform under these obligations. The leases expire in 2014 and 2016, respectively.

DESCRIPTION OF NOTES

As used below in this "Description of Notes" section, the " *Issuers* " means Starz, LLC (" *Starz* "), a Delaware limited liability company, and Starz Finance Corp. (" *Starz Finance* "), a Delaware corporation, and their respective successors, but not any of their respective subsidiaries. On February 8, 2013, the Issuers issued \$175.0 million aggregate principal amount of 5.00% senior notes due 2019 (the " *Original Notes* ") under an indenture, dated as of September 13, 2012 (the " *Indenture* "), among the Issuers, the Guarantors and U.S. Bank National Association, as trustee (the " *Trustee* "). On September 13, 2012, the Issuers issued \$500.0 million aggregate principal amount of 5.00% senior notes due 2019 (the " *Initial Notes* ") under the Indenture. Following the consummation of the offering of the Original Notes, there were \$675 million aggregate principal amount of 5.00% senior notes due 2019 outstanding. The Original Notes and the Initial Notes will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The terms of the Original Notes and the Initial Notes include those set forth in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act.

As part of our sale of the Original Notes, we are required, among other things, to complete this exchange offer, exchanging the Original Notes for new registered 5.00% Senior Notes due 2019, or the " *Exchange Notes* ." The Exchange Notes are substantially identical to the Original Notes, except the Exchange Notes are registered under the Securities Act, and the transfer restrictions and registration rights, and related special interest provisions applicable to the Original Notes will not apply to the Exchange Notes. The Exchange Notes will represent the same debt as the Original Notes and we will issue the Exchange Notes under the Indenture (the same indenture we used in issuing the Original Notes). The Initial Notes, the Original Notes and the Exchange Notes are collectively referred to herein as the " *Notes* ."

The following is a summary of the material terms and provisions of the Indenture, the Notes and the Note Guarantees. The following summary does not purport to be a complete description of these documents and is subject to the detailed provisions of, and qualified in its entirety by reference to, the Indenture. You may obtain a copy of the Indenture from Starz at its address set forth elsewhere in the Prospectus. You can find definitions of certain terms used for purposes of this description only under "—Certain Definitions."

Principal, Maturity and Interest

The Notes will mature on September 15, 2019. The Notes will bear interest at the rate of 5.00% per annum, payable on March 15 and September 15 of each year, commencing on March 15, 2013 to Holders of record at the close of business on March 1 or September 1, as the case may be, immediately preceding the relevant interest payment date. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months.

The Notes will be issued in registered form, without coupons, and in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

An aggregate principal amount of Notes equal to \$175,000,000 were issued in the offering of Original Notes. The Issuers may issue additional Notes having identical terms and conditions to the Notes being issued in the offering of Original Notes, except for issue date, issue price and first interest payment date, in an unlimited aggregate principal amount (the " *Additional Notes* "), subject to compliance with the covenants described under "—Certain Covenants—Limitations on Incurrence of Indebtedness" and "—Limitations on Liens." Any Additional Notes will be part of the same issue as the Initial Notes and the Original Notes and will be treated as one class with the Initial Notes and the Original Notes, including for purposes of voting, redemptions and offers to purchase. For purposes of this "Description of Notes," (a) except for the covenants described under "—Certain Covenants—Limitations on

Incurrence of Indebtedness" and "—Limitations on Liens," references to the Notes include Additional Notes, if any, and (b) references to the Notes include the Exchange Notes.

Methods of Receiving Payments on the Notes

If a Holder has given wire transfer instructions to Starz at least ten Business Days prior to the applicable payment date, the Issuers will make all payments on such Holder's Notes by wire transfer of immediately available funds to the account specified in those instructions. Otherwise, payments on the Notes will be made at the office or agency of the paying agent (the "*Paying Agent*") and registrar (the "*Registrar*") for the Notes within the City and State of New York unless the Issuers elect to make interest payments by check mailed to the Holders at their addresses set forth in the register of Holders.

Ranking

The Notes offered hereby and the Note Guarantees will be senior unsecured obligations of the Issuers and the Guarantors and will effectively rank:

- equally in right of payment with all existing and future senior Indebtedness of the Issuers and Guarantors, including borrowings under or guarantees of the Credit Agreement;
- senior in right of payment to all existing and future subordinated Indebtedness of the Issuers and Guarantors;
- effectively subordinated to any Obligations of the Issuers and Guarantors that are secured by Liens (including borrowings under the Credit Agreement), to the extent of the assets securing such Obligations; and
- structurally subordinated to any Indebtedness or Obligations of any non-Guarantor Subsidiaries.

As of December 31, 2012, as adjusted, after giving effect to borrowings under our senior secured revolving credit facility and the payment of the remaining \$1.2 billion of the total \$1.8 billion cash dividend to our parent, Old LMC, with the proceeds therefrom and cash on hand, (1) we and our guarantor subsidiary would have had \$555.0 million of secured indebtedness under our senior secured revolving credit facility, and (2) we and our guarantor subsidiary would have had an additional \$445.0 million of available and unused capacity under our senior secured revolving credit facility. As of December 31, 2012, as further adjusted for the issuance of the notes and the use of proceeds therefrom as described under "—Use of Proceeds," (1) we and our guarantor subsidiary would have had \$375.0 million of secured indebtedness under our senior secured revolving credit facility, and (2) we and our guarantor subsidiary would have had an additional \$625.0 million of available and unused capacity under our senior secured revolving credit facility. See "Unaudited Pro Forma Condensed Consolidated Financial Data." Non-guarantor subsidiaries accounted for \$312.2 million, or 19.1% of our consolidated revenue for the year ended December 31, 2012, and \$127.9 million, or 5.9%, of our consolidated assets as of December 31, 2012.

Note Guarantees

The Issuers' obligations under the Notes and the Indenture will be jointly and severally guaranteed (the "*Note Guarantees*") by each Subsidiary that guarantees the obligations under the Credit Agreement.

The obligations of each Guarantor under its Note Guarantee will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guarantor (including, without limitation, any guarantees under the Credit Agreement) and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under its Note Guarantee or pursuant to its contribution

obligations under the Indenture, result in the obligations of such Guarantor under its Note Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law. Each Guarantor that makes a payment for distribution under its Note Guarantee is entitled to a contribution from each other Guarantor in a *pro rata* amount based on adjusted net assets of each Guarantor.

A Guarantor will be released from its obligations under its Note Guarantee and its obligations under the Indenture:

(1) in the event of dissolution of such Guarantor;

(2) if such Guarantor is designated as an Unrestricted Subsidiary or otherwise ceases to be a Restricted Subsidiary, in each case in accordance with the provisions of the Indenture, upon effectiveness of such designation or when it first ceases to be a Restricted Subsidiary, respectively; or

(3) upon the release or discharge of the guarantee by such Guarantor of the Credit Agreement, except a discharge or release by or as a result of payment under such other guarantee.

See "—Certain Covenants—Limitations on Designation of Unrestricted Subsidiaries."

As of the Issue Date, only Starz Finance and Starz Entertainment will be "Restricted Subsidiaries." However, under the circumstances described below under "—Certain Covenants—Limitations on Designation of Unrestricted Subsidiaries," Starz will be permitted to designate any of Starz's Subsidiaries, other than Starz Finance or any Subsidiary that continues to guarantee the obligations under the Credit Agreement, as "Unrestricted Subsidiaries." The effect of designating a Subsidiary as an "Unrestricted Subsidiary" will be that:

- an Unrestricted Subsidiary will not be subject to many of the restrictive covenants in the Indenture;
- a Subsidiary that is a Guarantor and that is designated an Unrestricted Subsidiary will be released from its Note Guarantee and its obligations under the Indenture; and
- the assets, income, cash flow and other financial results of an Unrestricted Subsidiary will not be consolidated with those of the Issuers for purposes of calculating compliance with the restrictive covenants contained in the Indenture.

After-Acquired Guarantees

From and after the Issue Date, the Indenture will require Starz to cause any Subsidiary that otherwise guarantees the Credit Agreement to Guarantee the Notes.

Mandatory Redemption

The Issuers will not be required to redeem the Notes prior to maturity. However, we may at any time and from time to time purchase Notes in the open market or otherwise as described under "—Change of Control," "—Asset Sales" and "—Optional Redemption."

Optional Redemption

Redemption at Specified Prices

Except as set forth below, the Notes may not be redeemed prior to September 15, 2015. At any time or from time to time on or after September 15, 2015, the Issuers, at their option, may redeem the Notes, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set

forth below, together with accrued and unpaid interest thereon to the redemption date, if redeemed during the 12-month period beginning on September 15 of the years indicated:

<u>Year</u>	<u>Optional Redemption Price</u>
2015	102.50%
2016	101.25%
2017 and thereafter	100.00%

Redemption at a Make-Whole Premium

In addition, before September 15, 2015, the Issuers may redeem all or, from time to time, a part of the Notes upon not less than 30 nor more than 60 days' notice, at a redemption price equal to:

- 100% of the aggregate principal amount of the Notes to be redeemed, plus accrued and unpaid interest to the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date), plus
- the Make Whole Amount.

" *Make Whole Amount* " means, with respect to any Note at any redemption date, the greater of (A) 1.00% and (B) the excess, if any, of (1) an amount equal to the present value of (a) the redemption price of such Note at September 15, 2015 plus (b) the remaining scheduled interest payments on the Notes to be redeemed (subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date) to September 15, 2015 (other than interest accrued to the redemption date), computed using a discount rate equal to the Treasury Rate plus 50 basis points, over (2) the aggregate principal amount of the Notes to be redeemed.

" *Treasury Rate* " means, at the time of computation, the yield to maturity of United States Treasury Securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) which has become publicly available at least three Business Days prior to the redemption date or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to September 15, 2015; *provided, however*, that if such period is not equal to the constant maturity of a United States Treasury Security for which a weekly average yield is given the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury Securities for which such yields are given, except that if the period from the redemption date to September 15, 2015 is less than one year, the weekly average yield on actually traded United States Treasury Securities adjusted to a constant maturity of one year shall be used.

The Treasury Rate shall be calculated on the third Business Day preceding the redemption date. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward.

Redemption with Proceeds from Equity Offerings

At any time or from time to time prior to September 15, 2015, the Issuers may, at their option, redeem up to 35% of the aggregate principal amount of the Notes issued under the Indenture with the net cash proceeds of one or more Qualified Equity Offerings at a redemption price equal to 105.00% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest thereon, to the date of redemption; *provided* that (1) at least 65% of the aggregate principal amount of Notes issued under the Indenture remains outstanding immediately after the occurrence of such redemption and (2) the redemption occurs within 90 days of the date of the closing of any such Qualified Equity Offering.

Selection and Notice of Redemption

In the event that less than all of the Notes are to be redeemed at any time pursuant to an optional redemption, selection of the Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not then listed on a national securities exchange, on a *pro rata* basis, by lot or by such method as the Trustee shall deem fair and appropriate; *provided, however*, that no Notes of a principal amount of \$2,000 or less shall be redeemed in part. In addition, if a partial redemption is made pursuant to the provisions described under "—Redemption with Proceeds from Equity Offerings," selection of the Notes or portions thereof for redemption shall be made by the Trustee only on a *pro rata* basis or on as nearly a *pro rata* basis as is practicable (subject to the procedures of The Depository Trust Company), unless that method is otherwise prohibited.

Notice of redemption will be mailed by first-class mail at least 30 but not more than 60 days before the date of redemption to each Holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a satisfaction and discharge of the Indenture. If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of the Note to be redeemed. A new Note in a principal amount equal to the unredeemed portion of the Note will be issued in the name of the Holder of the Note upon cancellation of the original Note. On and after the date of redemption, interest will cease to accrue on Notes or portions thereof called for redemption so long as the Issuers have deposited with the Paying Agent for the Notes funds in satisfaction of the redemption price (including accrued and unpaid interest on the Notes to be redeemed) pursuant to the Indenture.

Change of Control

Upon the occurrence of any Change of Control, each Holder will have the right to require that the Issuers purchase that Holder's Notes for a cash price (the "*Change of Control Purchase Price*") equal to 101% of the principal amount of the Notes to be purchased, plus accrued and unpaid interest thereon, to the date of purchase.

Within 30 days following any Change of Control, Starz will mail, or caused to be mailed, to the Holders a notice:

(1) describing the transaction or transactions that constitute the Change of Control;

(2) offering to purchase, pursuant to the procedures required by the Indenture and described in the notice (a "*Change of Control Offer*"), on a date specified in the notice (which shall be a Business Day not earlier than 30 days nor later than 60 days from the date the notice is mailed) and for the Change of Control Purchase Price, all Notes properly tendered by such Holder pursuant to such Change of Control Offer; and

(3) describing the procedures that Holders must follow to accept the Change of Control Offer. The Change of Control Offer is required to remain open for at least 20 Business Days or for such longer period as is required by law.

Starz will publicly announce the results of the Change of Control Offer on or as soon as practicable after the date of purchase.

If a Change of Control Offer is made, there can be no assurance that the Issuers will have available funds sufficient to pay for all or any of the Notes that might be delivered by Holders seeking to accept the Change of Control Offer. In addition, we cannot assure you that in the event of a Change of Control the Issuers will be able to obtain the consents necessary to consummate a Change of

Control Offer from the lenders under agreements governing outstanding Indebtedness which may prohibit the offer.

The provisions described above that require us to make a Change of Control Offer following a Change of Control will be applicable regardless of whether any other provisions of the Indenture are applicable to the transaction giving rise to the Change of Control. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders of the Notes to require that the Issuers purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuers' obligation to make a Change of Control Offer will be satisfied if a third party makes the Change of Control Offer in the manner and at the times and otherwise in compliance with the requirements applicable to a Change of Control Offer made by the Issuers and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer.

With respect to any disposition of assets, the phrase "all or substantially all" as used in the Indenture (including as set forth under the definition of "Plan of Liquidation" and "—Certain Covenants—Limitations on Mergers, Consolidations, Etc.") varies according to the facts and circumstances of the subject transaction, has no clearly established meaning under New York law (which governs the Indenture) and is subject to judicial interpretation. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the assets of Starz and its Subsidiaries, and therefore it may be unclear as to whether a Change of Control has occurred and whether the Holders have the right to require the Issuers to purchase Notes. In addition, a recent Delaware court case has implied that the provisions in clause (2) of the definition of "Change of Control" may be unenforceable on public policy grounds. No assurances can be given that a court would enforce clause (2) as written for the benefit of Holders.

The Issuers will comply with applicable tender offer rules, including the requirements of Rule 14e-1 under the Exchange Act and any other applicable laws and regulations in connection with the purchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the "Change of Control" provisions of the Indenture, the Issuers shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the "Change of Control" provisions of the Indenture by virtue of this compliance.

Asset Sales

Starz will not, and will not permit any Restricted Subsidiary to, directly or indirectly, consummate any Asset Sale unless at the time of such transaction (or, if earlier, the date of the commitment to enter into such transaction) and after giving effect thereto and to the use of proceeds thereof, (a) no Default shall have occurred and be continuing, and (b) the Consolidated Leverage Test would be satisfied.

If Starz or any Restricted Subsidiary engages in an Asset Sale, Starz or such Restricted Subsidiary shall, no later than 365 days following the consummation thereof, apply all or any of the Net Available Proceeds therefrom to:

- (1) satisfy all mandatory repayment obligations under the Credit Facilities arising by reason of such Asset Sale and, in the case of any such repayment under any revolving credit facility, effect a permanent reduction in the availability under such revolving credit facility;
- (2) repay any Indebtedness which was secured by the assets sold in such Asset Sale or any Indebtedness to which the Notes and the Note Guarantees are structurally subordinated;

(3) repay other *pari passu* Indebtedness (*provided* , that in the case of this clause (3), Starz shall also equally and ratably reduce Indebtedness under the Notes by making an offer (in accordance with the procedures set forth below for an Asset Sale) to all Holders of Notes to purchase at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest the *pro rata* principal amount of Notes); or

(4) (A) invest all or any part of the Net Available Proceeds thereof in the purchase of assets (other than securities) to be used by Starz or any Restricted Subsidiary in the Permitted Business, (B) acquire Qualified Equity Interests in a Person that is a Restricted Subsidiary or in a Person engaged in a Permitted Business that shall become a Restricted Subsidiary immediately upon the consummation of such acquisition or (C) a combination of (A) and (B).

The amount of Net Available Proceeds not applied or invested as provided in this paragraph will constitute " *Excess Proceeds* ." To the extent Net Available Proceeds are received by a Foreign Subsidiary and the Issuers determines that the application of such Net Available Proceeds in compliance with this paragraph would result in material adverse tax consequences to Starz or any of its Subsidiaries, such Net Available Proceeds shall not be subject to the requirements of this paragraph and shall not be included in Excess Proceeds.

When the aggregate amount of Excess Proceeds equals or exceeds \$50 million, the Issuers will be required to make an offer to purchase from all Holders and, if applicable, redeem (or make an offer to do so) any other Indebtedness that ranks *pari passu* with the Notes of the Issuers and the Guarantors the provisions of which require the Issuers to redeem such Indebtedness with the proceeds from any Asset Sales (or offer to do so), in an aggregate principal amount of Notes and such other Indebtedness that ranks *pari passu* with the Notes equal to the amount of such Excess Proceeds as follows:

(1) the Issuers will (a) make an offer to purchase (a " *Net Proceeds Offer* ") to all Holders in accordance with the procedures set forth in the Indenture, and (b) redeem (or make an offer to do so) any such other Indebtedness that ranks *pari passu* with the Notes, pro rata in proportion to the respective principal amounts of the Notes and such other Indebtedness required to be redeemed, the maximum principal amount of Notes and other Indebtedness that may be redeemed out of the amount (the " *Payment Amount* ") of such Excess Proceeds;

(2) the offer price for the Notes will be payable in cash in an amount equal to 100% of the principal amount of the Notes tendered pursuant to a Net Proceeds Offer, plus accrued and unpaid interest thereon, if any, to the date such Net Proceeds Offer is consummated (the " *Offered Price* "), in accordance with the procedures set forth in the Indenture, and the redemption price for such other Indebtedness that ranks *pari passu* with the Notes (the " *Parity Indebtedness Price* ") shall be as set forth in the related documentation governing such Indebtedness;

(3) if the aggregate Offered Price of Notes validly tendered and not withdrawn by Holders thereof exceeds the *pro rata* portion of the Payment Amount allocable to the Notes, Notes to be purchased will be selected on a *pro rata* basis; and

(4) upon completion of such Net Proceeds Offer in accordance with the foregoing provisions, the amount of Excess Proceeds with respect to which such Net Proceeds Offer was made shall be deemed to be zero.

To the extent that the sum of the aggregate Offered Price of Notes tendered pursuant to a Net Proceeds Offer and the aggregate Parity Indebtedness Price paid to the holders of such other Indebtedness that ranks *pari passu* with the Notes is less than the Payment Amount relating thereto (such shortfall constituting a " *Net Proceeds Deficiency* "), the Issuers may use the Net Proceeds Deficiency, or a portion thereof, for general corporate purposes, subject to the provisions of the Indenture.

In the event of the transfer of substantially all (but not all) of the assets of Starz and the Restricted Subsidiaries as an entirety to a Person in a transaction covered by and effected in accordance with the covenant described under "—Certain Covenants—Limitations on Mergers, Consolidations, Etc.," the successor shall be deemed to have sold for cash at Fair Market Value the assets of Starz and the Restricted Subsidiaries not so transferred for purposes of this covenant, and the successor shall comply with the provisions of this covenant with respect to such deemed sale as if it were an Asset Sale (with such Fair Market Value being deemed to be Net Available Proceeds for such purpose).

The Issuers will comply with applicable tender offer rules, including the requirements of Rule 14e-1 under the Exchange Act and any other applicable laws and regulations in connection with the purchase of Notes pursuant to a Net Proceeds Offer. To the extent that the provisions of any securities laws or regulations conflict with the "Asset Sales" provisions of the Indenture, the Issuers shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the "Asset Sales" provisions of the Indenture by virtue of this compliance.

Certain Covenants

The Indenture will contain, among others, the following covenants:

Limitations on Incurrence of Indebtedness

Starz will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur any Indebtedness; *provided* that Starz or any Restricted Subsidiary may incur additional Indebtedness, in each case, if, after giving effect to such incurrence and the application of the proceeds therefrom, the Consolidated Interest Coverage Ratio would be at least 2.00 to 1.00 (the "*Coverage Ratio Exception*").

Notwithstanding the above, each of the following shall be permitted (the "*Permitted Indebtedness*"):

- (1) Indebtedness of the Issuers and any Guarantor under Credit Facilities (other than Indebtedness referred to in clause (2)) in an aggregate principal amount at any time outstanding not to exceed \$1,500 million;
- (2) the Notes issued on the Issue Date and the Note Guarantees and the Exchange Notes and related guarantees thereof to be issued in exchange for Notes and the Note Guarantees pursuant to the Registration Rights Agreement (but excluding any Additional Notes);
- (3) Indebtedness of Starz and the Restricted Subsidiaries to the extent outstanding on the Issue Date after giving effect to the intended use of proceeds of the Notes (other than Indebtedness referred to in clause (1), (2) or (4));
- (4) (x) Indebtedness of Starz or any Restricted Subsidiary owed to any other Restricted Subsidiary or Starz and (y) guarantees by any Restricted Subsidiary or Starz of any Indebtedness of Starz or any other Restricted Subsidiary; *provided, however*, that upon any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or such Indebtedness being owed to any Person other than Starz or a Restricted Subsidiary, as applicable, Starz or such Restricted Subsidiary, as applicable, shall be deemed to have incurred Indebtedness not permitted by this clause (4);
- (5) Indebtedness in respect of bid, performance or surety bonds issued for the account of Starz or any Restricted Subsidiary in the ordinary course of business, including guarantees or obligations of Starz or any Restricted Subsidiary with respect to letters of credit supporting such bid, performance or surety obligations (in each case other than for an obligation for money borrowed);

(6) Purchase Money Indebtedness incurred by Starz or any Restricted Subsidiary, and Refinancing Indebtedness thereof, in an aggregate principal amount not to exceed at any time outstanding \$150 million;

(7) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within five Business Days of incurrence;

(8) Indebtedness arising in connection with endorsement of instruments for deposit in the ordinary course of business;

(9) Refinancing Indebtedness with respect to Indebtedness incurred pursuant to the Coverage Ratio Exception or clause (2) or (3) above or this clause (9);

(10) indemnification, adjustment of purchase price, earn-out or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets of Starz or any Restricted Subsidiary or Equity Interests of a Restricted Subsidiary, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Equity Interests for the purpose of financing or in contemplation of any such acquisition; *provided* that (a) any amount of such obligations included on the face of the balance sheet of Starz or any Restricted Subsidiary shall not be permitted under this clause (10) and (b) in the case of a disposition, the maximum aggregate liability in respect of all such obligations outstanding under this clause (10) shall at no time exceed the gross proceeds actually received by Starz and the Restricted Subsidiaries in connection with such disposition; and

(11) Indebtedness of Starz or any Restricted Subsidiary in an aggregate principal amount not to exceed \$225 million at any time outstanding.

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (1) through (11) above or is entitled to be incurred pursuant to the Coverage Ratio Exception, Starz shall, in its sole discretion, classify such item of Indebtedness and may divide and classify such Indebtedness in more than one of the types of Indebtedness described and may later reclassify any item of Indebtedness described in clauses (1) through (11) above (*provided* that at the time of reclassification it meets the criteria in such category or categories), except that Indebtedness outstanding or committed under the Credit Agreement on the Issue Date shall be deemed to have been incurred under clause (1) above. In addition, for purposes of determining any particular amount of Indebtedness under this covenant, guarantees, Liens or letter of credit obligations supporting Indebtedness otherwise included in the determination of such particular amount shall not be included so long as incurred by a Person that could have incurred such Indebtedness.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term debt, or first committed or first incurred (whichever yields the lower U.S. dollar equivalent), in the case of revolving credit debt; *provided* that if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced.

Limitations on Restricted Payments

Starz will not, and will not permit any Restricted Subsidiary to, directly or indirectly, make any Restricted Payment unless at the time of such Restricted Payment:

- (1) no Default shall have occurred and be continuing or shall occur as a consequence thereof; and
- (2) after giving effect to such Restricted Payment and the application of proceeds therefrom the Consolidated Leverage Ratio would not be greater than 4.0 to 1.00.

The foregoing provisions will not prohibit:

- (1) the payment by Starz or any Restricted Subsidiary of any dividend within 60 days after the date of declaration thereof, if on the date of declaration the payment would have complied with the provisions of the Indenture;
- (2) the redemption of any Equity Interests of Starz or any Restricted Subsidiary in exchange for, or out of the proceeds of the substantially concurrent issuance and sale of, Qualified Equity Interests and the payment by Starz of dividends in the form of Qualified Equity Interests;
- (3) (x) prior to the consummation of an initial public offering of Starz's Equity Interests, payments to Parent to permit Parent, and which are used by Parent to redeem Equity Interests of Parent, and (y) after the consummation of an initial public offering of Starz's Equity Interests, the redemption by Starz of Equity Interests of Starz, in each case, held by officers, directors or employees or former officers, directors or employees (or their transferees, estates or beneficiaries under their estates), upon their death, disability, retirement, severance or termination of employment or service; *provided* that the aggregate cash consideration paid for all such redemptions shall not exceed \$25 million during any twelve consecutive months;
- (4) payments permitted pursuant to clause (3) of the covenant described under "—Limitations on Transactions with Affiliates";
- (5) repurchases of Equity Interests deemed to occur upon the exercise of stock options if the Equity Interests represent a portion of the exercise price thereof;
- (6) Restricted Payments by Starz and Restricted Subsidiaries pursuant to and in accordance with stock option plans or other benefit plans for directors, management, employees or consultants of Starz and its Subsidiaries;
- (7) payment by Starz to Parent of a dividend in an amount not to exceed \$1,400 million to fund the dividend in connection with the reorganization as described in the Offering Memorandum provided that such Restricted Payments pursuant to this clause (7) shall be distributed no later than December 31, 2013; and
- (8) other Restricted Payments in an aggregate amount from and after the Issue Date not to exceed \$50 million;

provided that in the case of any Restricted Payment pursuant to clause (7) or (8) above, no Default shall have occurred and be continuing or occur as a consequence thereof.

For purposes of this covenant, if a particular Restricted Payment involves a non-cash payment, including a distribution of assets, then such Restricted Payment shall be deemed to be an amount equal to the cash portion of such Restricted Payment, if any, plus an amount equal to the Fair Market Value of the non-cash portion of such Restricted Payment.

Limitations on Dividend and Other Restrictions Affecting Restricted Subsidiaries

Starz will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- (a) pay dividends or make any other distributions on or in respect of its Equity Interests held by Starz or any other Restricted Subsidiary;
- (b) make loans or advances or pay any Indebtedness owed to Starz or any other Restricted Subsidiary; or
- (c) transfer any of its assets to Starz or any other Restricted Subsidiary;

except for:

- (1) encumbrances or restrictions existing under or by reason of applicable law, regulation or order;
- (2) encumbrances or restrictions existing under the Indenture, the Notes, the Note Guarantees and the Exchange Notes (and any guarantees thereof);
- (3) non-assignment provisions of any contract or any lease;
- (4) encumbrances or restrictions existing under agreements existing on the Issue Date (including, without limitation, the Credit Agreement) as in effect on that date;
- (5) restrictions relating to any Lien permitted under the Indenture imposed by the holder of such Lien that limit the right of the relevant obligor to transfer assets that are subject to such Lien;
- (6) restrictions imposed under any agreement to sell assets permitted under the Indenture to any Person pending the closing of such sale;
- (7) any instrument governing Acquired Indebtedness, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired and restrictions under any agreement of any Person that becomes a Restricted Subsidiary provided that such restrictions are not created in contemplation of or in connection with such Person becoming a Restricted Subsidiary;
- (8) any agreement governing Indebtedness entered into after the Issue Date in compliance with the covenant described under "—Limitations on Incurrence of Indebtedness";
- (9) customary provisions in partnership agreements, limited liability company organizational governance documents, joint venture agreements, shareholder agreements and other similar agreements that restrict the transfer of ownership interests in such partnership, limited liability company, joint venture, corporation or similar Person or assets of such entities;
- (10) Purchase Money Indebtedness incurred in compliance with the covenant described under "—Limitations on Incurrence of Indebtedness" that impose restrictions of the nature described in clause (c) above on the assets acquired;
- (11) restrictions on cash or other deposits or net worth imposed by suppliers or landlords under contracts entered into in the ordinary course of business; and
- (12) any encumbrances or restrictions imposed by any amendments, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (1) through (11) above; provided that such amendments, replacements or refinancings are not materially more

restrictive with respect to such encumbrances and restrictions than those prior to such amendment, replacement or refinancing.

Limitations on Transactions with Affiliates

Starz will not, and will not permit any Restricted Subsidiary to, directly or indirectly, in one transaction or a series of related transactions, sell, lease, transfer or otherwise dispose of any of its assets to, or purchase any assets from, or enter into any contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (an "*Affiliate Transaction*"), unless such Affiliate Transaction is on terms that are no less favorable to Starz or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction at such time on an arm's-length basis by Starz or that Restricted Subsidiary from a Person that is not an Affiliate of Starz or that Restricted Subsidiary.

The foregoing restrictions shall not apply to:

- (1) transactions between or among Starz and its Wholly-Owned Restricted Subsidiaries not involving any other Affiliate;
- (2) reasonable director, officer and employee compensation (including bonuses) and other benefits (including retirement, health, and Stock Compensation Plans) and indemnification arrangements and payments to Affiliates in consideration for securities issued in connection therewith;
- (3) for any taxable period for which Starz and/or any of its Subsidiaries are members of a consolidated, combined or similar income tax group for U.S. federal and/or applicable foreign, state or local income tax purposes of which a direct or indirect parent of Starz is the common parent (a "*Tax Group*"), the portion of any U.S. federal, state, local or foreign income taxes (as applicable) of such Tax Group for such taxable period that are attributable to the income of Starz and/or its Subsidiaries;
- (4) loans and advances described in clause (3) of the definition of "Permitted Investments" and Permitted Investments in the form of loans and advances by Starz Entertainment to Starz Media Group, LLC, Anchor Bay Entertainment, LLC, Film Roman, LLC and Starz Independent, LLC, and its subsidiaries;
- (5) Restricted Payments which are made in accordance with the covenant described under "—Limitations on Restricted Payments";
- (6) (x) any agreement in effect on the Issue Date and disclosed in the Offering Memorandum, as in effect on the Issue Date or as thereafter amended or replaced in any manner, that, taken as a whole, is not more disadvantageous to the Holders or Starz in any material respect than such agreement as it was in effect on the Issue Date or (y) any transaction pursuant to any agreement referred to in the immediately preceding clause (x);
- (7) any transaction with a joint venture or similar entity which would constitute an Affiliate Transaction solely because Starz or a Restricted Subsidiary owns an equity interest in or otherwise controls such joint venture or similar entity; *provided* that no Affiliate of Starz or any of its Subsidiaries other than Starz or a Restricted Subsidiary shall have a beneficial interest in such joint venture or similar entity;
- (8) ordinary overhead arrangements in which Starz or any of its Subsidiaries participate; and
- (9) (a) any transaction with an Affiliate where the only consideration paid by Starz or any Restricted Subsidiary is Qualified Equity Interests or (b) the issuance or sale of any Qualified Equity Interests.

Limitations on Liens

Starz will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, create, incur, assume or permit or suffer to exist any Lien (other than a Permitted Lien) on any asset (including Equity Interests of a Restricted Subsidiary owned by Starz or any Restricted Subsidiary) or property of Starz or such Restricted Subsidiary securing Indebtedness unless:

- (1) in the case of Liens securing Subordinated Indebtedness, the Notes and Note Guarantees issued by the Persons granting such Liens, if any, are secured by a Lien on such property, assets or proceeds that is senior in priority to such Liens; or
- (2) in the case of Liens securing any other Indebtedness, the Notes and the Note Guarantees issued by the Persons granting such Liens, if any, are equally and ratably secured.

Any Lien created for the benefit of the Holders of the Notes pursuant to this covenant shall be deemed automatically and unconditionally released and discharged upon the release and discharge of the Liens described in clauses (1) and (2) above that resulted in the creation of such Lien for the benefit of the Holders.

The expansion of Liens by virtue of accrual of interest, the accretion of accreted value, the payment of interest or dividends in the form of additional Indebtedness, amortization of original issue discount and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies will not be deemed to be an incurrence of Liens for purposes of this covenant.

Limitations on Designation of Unrestricted Subsidiaries

Starz may designate any Subsidiary (including any newly formed or newly acquired Subsidiary) of Starz as an "Unrestricted Subsidiary" under the Indenture (a "Designation") only if:

- (1) no Default shall have occurred and be continuing at the time of or immediately after giving effect to such Designation; and
- (2) at the time of and immediately after giving effect to such Designation, the Consolidated Leverage Test would be satisfied.

No Subsidiary shall be Designated as an "Unrestricted Subsidiary" unless such Subsidiary:

- (1) has no Indebtedness other than Non-Recourse Debt and other obligations arising by operation of law, including joint and several liability for taxes, ERISA obligations and similar items, except, in each case, pursuant to Investments which are made in accordance with the covenant described under "—Limitations on Restricted Payments";
- (2) is not party to any agreement, contract, arrangement or understanding with Starz or any Restricted Subsidiary unless the terms of the agreement, contract, arrangement or understanding comply with the covenant described above under "—Limitations on Transactions with Affiliates";
- (3) is a Person with respect to which neither Starz nor any Restricted Subsidiary has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve the Person's financial condition or to cause the Person to achieve any specified levels of operating results, except, in each case, pursuant to Investments which are made in accordance with the covenant described under "—Limitations on Restricted Payments"; and
- (4) is not a Subsidiary of Starz or its other Subsidiaries (other than another Unrestricted Subsidiary) where Starz or such other Subsidiary is a general partner of any such Subsidiary.

Notwithstanding the foregoing, Starz Finance may not be designated as an Unrestricted Subsidiary.

If, at any time, any Unrestricted Subsidiary fails to meet the preceding requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture on the date that is 30 days after Starz or any Restricted Subsidiary has obtained knowledge of such failure (unless such failure has been cured by such date), and any Indebtedness of the Subsidiary and any Liens on assets of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary at such time and, if the Indebtedness is not permitted to be incurred under the covenant described under "—Limitations on Incurrence of Indebtedness" or the Lien is not permitted under the covenant described under "—Limitations on Liens," Starz shall be in default of the applicable covenant.

Starz may redesignate an Unrestricted Subsidiary as a Restricted Subsidiary (a " *Redesignation* ") only if:

- (1) no Default shall have occurred and be continuing at the time of and after giving effect to such Redesignation; and
- (2) all Liens, Indebtedness and Investments of such Unrestricted Subsidiary outstanding immediately following such Redesignation would, if incurred or made at such time, have been permitted to be incurred or made for all purposes of the Indenture.

All Designations and Redesignations must be evidenced by resolutions of the Board of Directors of Starz and an Officer's Certificate certifying compliance with the foregoing provisions delivered to the Trustee.

Limitations on Sale and Leaseback Transactions

Starz will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into any Sale and Leaseback Transaction other than the sale and leaseback of Starz's corporate office building and related building improvements; *provided* that Starz or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) no Default shall have occurred or be continuing;
- (2) (a) the lease in such Sale and Leaseback is a capital lease and Starz or such Restricted Subsidiary could have incurred the Indebtedness attributable to such Sale and Leaseback Transaction pursuant to the covenant described under "—Limitations on Incurrence of Indebtedness" or (b) the lease in the Sale and Leaseback Transaction is not a capital lease and the aggregate proceeds from such arrangements since the Issue Date do not exceed \$100 million; and
- (3) the transfer of assets in such Sale and Leaseback Transaction is not prohibited by the covenant described under "—Asset Sales."

Limitations on Mergers, Consolidations, Etc.

Starz will not, directly or indirectly, in a single transaction or a series of related transactions, (a) consolidate or merge with or into another Person, or sell, lease, transfer, convey or otherwise dispose of or assign all or substantially all of the assets of Starz or Starz and the Restricted Subsidiaries (taken as a whole), (b) permit Starz Finance to consolidate or merge with or into another Person or (c) adopt a Plan of Liquidation unless, in either case:

- (1) either:
 - (a) such Issuer will be the surviving or continuing Person; or
 - (b) the Person formed by or surviving such consolidation or merger or to which such sale, lease, conveyance or other disposition shall be made (or, in the case of a Plan of Liquidation, any Person to which assets are transferred) (collectively, the " *Successor* ") is a

corporation, limited liability company or limited partnership organized and existing under the laws of any State of the United States of America or the District of Columbia and the Successor (if not Starz) expressly assumes, by agreements in form and substance reasonably satisfactory to the Trustee, all of the obligations of such Issuer under the Notes, the Indenture and the Registration Rights Agreement; *provided* that, for so long as Starz or any Successor is a limited liability company or partnership, there must be a co-issuer of the Notes that is a Wholly Owned Restricted Subsidiary of Starz and that is a corporation organized and existing under the laws of the United States, any State thereof or the District of Columbia;

(2) immediately prior to and immediately after giving effect to such transaction and the assumption of the obligations as set forth in clause (1)(b) above and the incurrence of any Indebtedness to be incurred in connection therewith, and the use of any net proceeds therefrom on a pro forma basis, no Default shall have occurred and be continuing; and

(3) immediately after and giving effect to such transaction and the assumption of the obligations set forth in clause (1)(b) above and the incurrence of any Indebtedness to be incurred in connection therewith, and the use of any net proceeds therefrom on a pro forma basis, the Consolidated Leverage Test would be satisfied.

For purposes of this covenant, any Indebtedness of the Successor which was not Indebtedness of the Issuers immediately prior to the transaction shall be deemed to have been incurred in connection with such transaction.

Except as provided in the fourth paragraph under "—Note Guarantees," no Guarantor may consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, unless:

(1) either:

(a) such Guarantor will be the surviving or continuing Person; or

(b) the Person formed by or surviving any such consolidation or merger is an Issuer or another Guarantor or assumes, by agreements in form and substance reasonably satisfactory to the Trustee, all of the obligations of such Guarantor under the Note Guarantee of such Guarantor, the Indenture and the Registration Rights Agreement; and

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Restricted Subsidiaries, the Equity Interests of which constitute all or substantially all of the properties and assets of Starz, will be deemed to be the transfer of all or substantially all of the properties and assets of Starz.

Upon any consolidation, combination or merger of an Issuer or a Guarantor, or any transfer of all or substantially all of the assets of an Issuer or Guarantor in accordance with the foregoing, in which such Issuer or such Guarantor is not a continuing obligor under the Notes or its Note Guarantee, the surviving entity formed by such consolidation or into which such Issuer or such Guarantor is merged or the Person to which the conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, such Issuer or such Guarantor under the Indenture, the Registration Rights Agreement, the Notes and the Note Guarantees with the same effect as if such surviving entity had been named therein as such Issuer or such Guarantor and, except in the case of a lease, such Issuer or such Guarantor, as the case may be, will be released from the obligation to pay the principal of and interest on the Notes or in respect of its Note Guarantee, as the case may be, and all of such Issuer's or such Guarantor's other obligations and covenants under the Notes, the Indenture and its Note Guarantee, if applicable.

Notwithstanding the foregoing, any Restricted Subsidiary may consolidate with, merge with or into or convey, transfer or lease, in one transaction or a series of transactions, all or substantially all of its assets to Starz or another Restricted Subsidiary; *provided* if such Restricted Subsidiary is a Guarantor, that the surviving entity remains or becomes a Guarantor.

Additional Note Guarantees

If, after the Issue Date, (a) any Restricted Subsidiary guarantees any Indebtedness under the Credit Agreement or any supplement, amendment or restatement thereof, or (b) Starz otherwise elects to have any Subsidiary become a Guarantor, then, in each such case, Starz shall cause such Subsidiary to:

(1) execute and deliver to the Trustee (a) a supplemental indenture in form and substance satisfactory to the Trustee pursuant to which such Subsidiary shall unconditionally guarantee all of the Issuers' obligations under the Notes and the Indenture and (b) a notation of guarantee in respect of its Note Guarantee; and

(2) deliver to the Trustee one or more opinions of counsel that such supplemental indenture (a) has been duly authorized, executed and delivered by such Subsidiary and (b) constitutes a valid and legally binding obligation of such Subsidiary in accordance with its terms (subject to customary qualifications).

Conduct of Business

Starz will not, and will not permit any Restricted Subsidiary to, engage in any business other than Permitted Businesses.

Reports

Whether or not required by the SEC, so long as any Notes are outstanding, Starz will furnish to the Holders of Notes, or file electronically with the SEC through the SEC's Electronic Data Gathering, Analysis and Retrieval System (or any successor system):

(1) within 60 days of the end of any fiscal quarter (other than any fiscal quarter end that coincides with the end of a fiscal year), all quarterly and, within 120 days of the end of any fiscal year, annual financial statements (including footnote disclosure) that would be required to be contained in a filing with the SEC on Forms 10-Q and 10-K, as applicable, if Starz were required to file these Forms (other than separate financial statements of any subsidiary of Starz that would be due solely to the fact that such Subsidiary's securities secure the Notes as required by Rule 3-16 of Regulation S-X under the Securities Act (or any successor regulation)), and a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report on the annual financial statements by Starz's certified independent accountants; and

(2) all current reports that would be required to be filed with the SEC on Form 8-K if Starz were required to file these reports to the extent such reports relate to the occurrence of any event which would require an 8-K to be filed pursuant to the following Items set forth in the instruction to Form 8-K: (i) Item 1.03 Bankruptcy or Receivership, (ii) Item 2.01 Completion of Acquisition or Disposition (other than with respect to acquisitions and dispositions not exceeding \$25 million), (iii) Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off Balance Sheet Arrangement (other than with respect to lease obligations incurred in the ordinary course of business and not in excess of \$25 million), (iv) Item 2.04 Triggering Events That Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement, (v) Item 2.06 Material Impairment, (vi) Item 4.01 Change in Certifying Accountant, (vii) Item 4.02

Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review, (viii) Item 5.01 Change in Control and (ix) Item 5.02 Departure of Director or Certain Officers; Election of Directors; Appointment of Certain Officers;

provided, however, that (A) reports provided pursuant to clauses (1) and (2) shall not be required to comply with (i) Sections 302 (Corporate Responsibility for Financial Reports), 906 (Corporate Responsibility for Financial Reports) and 404 (Management Assessment of Internal Controls) of the Sarbanes-Oxley Act of 2002, and Items 307 (Disclosure Controls and Procedures), 308 (Internal Control Over Financial Reporting) and 402 (Executive Compensation) of Regulation S-K; or (ii) Regulation G under the Exchange Act or Item 10(e) of Regulation S-K with respect to any non-U.S. GAAP financial measures contained therein and (B) reports and information provided pursuant to clauses (1) and (2) shall not be required to be accompanied by any exhibits consisting of commercial agreements (not including notes or other debt instruments) with customers and suppliers.

Starz will deliver with each report referred to in clause (1) above, a schedule eliminating Unrestricted Subsidiaries and reconciling the same to the financial statements in such report.

Starz shall maintain a website to which all of the reports and press releases required by this "Reports" covenant are posted or shall file such information with the SEC.

The Issuers and the Guarantors have agreed that, for so long as any Notes remain outstanding, Starz will furnish to the Holders and upon their request, to prospective investors and securities analysts, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

In the event that a direct or indirect parent has complied with the reporting requirements of Section 13 or 15(d) of the Exchange Act, if applicable, and has furnished the Holders of Notes, or filed electronically with the SEC's Electronic Data Gathering, Analysis and Retrieval System (or any successor system), the reports described herein with respect to such parent (including any consolidating financial information required by Regulation S-X relating to Starz and the Restricted Subsidiaries that explains in reasonable detail the differences between the information relating to such parent on the one hand, and the information relating to Starz and the Restricted Subsidiaries on a standalone basis on the other hand), Starz shall be deemed to be in compliance with the provisions of this covenant.

Payment for Consent

Starz will not, and will not permit any Restricted Subsidiary to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or agreed to be paid to all Holders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Fall-Away Event

If on any date following the Issue Date (i) the Notes have investment grade ratings from both Moody's and Standard & Poor's, and Starz has delivered written notice of such investment grade ratings to the Trustee, and (ii) no Default has occurred and is continuing under the Indenture, then, beginning on that day and continuing at all times thereafter regardless of any subsequent changes in the ratings of the Notes or the occurrence of any Default, the covenants specifically listed under the following captions in this "Description of Notes" section will no longer be applicable to the Notes (collectively, the "*Terminated Covenants* "):

- (1) "*—Limitations on Incurrence of Indebtedness*";
- (2) "*—Limitations on Restricted Payments*";

- (3) "—Limitations on Dividend and Other Restrictions Affecting Restricted Subsidiaries";
- (4) "—Asset Sales";
- (5) clause (3) under "—Limitations on Mergers, Consolidations, Etc.";
- (6) "—Limitations on Transactions with Affiliates";
- (7) clause (2) under "—Limitations on Sale and Leaseback Transactions"; and
- (8) "—Change of Control."

No Default, Event of Default or breach of any kind shall be deemed to exist under the Indenture or the Notes with respect to the Terminated Covenants based on, and none of Starz or any of its Subsidiaries shall bear any liability for, any actions taken or events occurring after the Notes attain such investment grade ratings, regardless of whether such actions or event would have been permitted if the applicable Terminated Covenants remained in effect.

There can be no assurance that the Notes will ever achieve investment grade ratings.

Events of Default

Each of the following will constitute an " *Event of Default* " under the Indenture:

(1) failure by the Issuers to pay interest on any of the Notes when it becomes due and payable and the continuance of any such failure for 30 days;

(2) failure by the Issuers to pay the principal on any of the Notes when it becomes due and payable, whether at stated maturity, upon redemption, upon purchase, upon acceleration or otherwise;

(3) failure by the Issuers to comply with any of its agreements or covenants described above under "—Certain Covenants—Limitations on Mergers, Consolidations, Etc." or in respect of its obligations to make a Change of Control Offer as described under "—Change of Control";

(4) failure by the Issuers to comply with any other agreement or covenant in the Indenture and continuance of this failure for 30 days after notice of the failure has been given to the Issuers by the Trustee or by the Holders of at least 25% of the aggregate principal amount of the Notes then outstanding;

(5) default under any mortgage, indenture or other instrument or agreement under which there may be issued or by which there may be secured or evidenced Indebtedness of Starz or any Restricted Subsidiary, whether such Indebtedness now exists or is incurred after the Issue Date, which default:

(a) is caused by a failure to pay at final maturity principal on such Indebtedness within the applicable express grace period and any extensions thereof,

(b) results in the acceleration of such Indebtedness prior to its express final maturity, or

(c) results in the commencement of judicial proceedings to foreclose upon, or to exercise remedies under applicable law or applicable security documents to take ownership of, the assets securing such Indebtedness, and

in each case, the principal amount of such Indebtedness, together with any other Indebtedness with respect to which an event described in clause (a), (b) or (c) has occurred and is continuing, aggregates \$50 million or more (and *provided* that for purposes of this clause (5) only, "Indebtedness" shall include any Hedging Obligations with the "principal amount" of any Hedging Obligations at any time shall be the maximum aggregate amount (giving effect to any netting

agreements) that Starz or such Restricted Subsidiary would be required to pay if the agreement with respect to such Hedging Obligations terminated at such time);

(6) one or more judgments or orders that exceed \$50 million in the aggregate (net of amounts covered by insurance or bonded) for the payment of money have been entered by a court or courts of competent jurisdiction against Starz or any Restricted Subsidiary and such judgment or judgments have not been satisfied, stayed, annulled or rescinded within 60 days of being entered;

(7) Starz, Starz Finance or any Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

- (a) commences a voluntary case,
- (b) consents to the entry of an order for relief against it in an involuntary case,
- (c) consents to the appointment of a Custodian of it or for all or substantially all of its assets, or
- (d) makes a general assignment for the benefit of its creditors;

(8) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

- (a) is for relief against Starz, Starz Finance or any Significant Subsidiary as debtor in an involuntary case,
- (b) appoints a Custodian of Starz, Starz Finance or any Significant Subsidiary or a Custodian for all or substantially all of the assets of Starz, Starz Finance or any Significant Subsidiary, or
- (c) orders the liquidation of Starz, Starz Finance or any Significant Subsidiary, and the order or decree remains unstayed and in effect for 60 days;

(9) any Note Guarantee ceases to be in full force and effect (other than in accordance with the terms of the Indenture) or is declared null and void and unenforceable or found to be invalid or any Guarantor denies its liability under its Note Guarantee (other than by reason of release of a Guarantor from its Note Guarantee in accordance with the terms of the Indenture).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above with respect to any Issuer or any Guarantor), shall have occurred and be continuing under the Indenture, the Trustee, by written notice to the Issuers, or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding by written notice to the Issuers and the Trustee, may declare all amounts owing under the Notes to be due and payable. Upon such declaration of acceleration, the aggregate principal of and accrued and unpaid interest on the outstanding Notes shall immediately become due and payable; *provided, however*, that after such acceleration, but before a judgment or decree based on acceleration, the Holders of a majority in aggregate principal amount of the outstanding Notes may, under certain circumstances, rescind and annul such acceleration if all Events of Default, other than the nonpayment of accelerated principal and interest, have been cured or waived as provided in the Indenture. If an Event of Default specified in clause (7) or (8) with respect to any Issuer or any Guarantor occurs, all outstanding Notes shall become due and payable without any further action or notice.

The Trustee shall, within 30 days after the occurrence of any Default with respect to the Notes, give the Holders notice of all uncured Defaults thereunder known to it; *provided, however*, that, except in the case of an Event of Default in payment with respect to the Notes or a Default in complying with "—Certain Covenants—Limitations on Mergers, Consolidations, Etc.," the Trustee shall be protected in

withholding such notice if and so long as it in good faith determines that the withholding of such notice is in the interest of the Holders.

No Holder will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless the Trustee:

- (1) has failed to act for a period of 60 days after receiving written notice of a continuing Event of Default by such Holder and a request to act by Holders of at least 25% in aggregate principal amount of Notes outstanding;
- (2) has been offered indemnity satisfactory to it in its reasonable judgment; and
- (3) has not received from the Holders of a majority in aggregate principal amount of the outstanding Notes a direction inconsistent with such request.

However, such limitations do not apply to a suit instituted by a Holder of any Note for enforcement of payment of the principal of or interest on such Note on or after the due date therefor (after giving effect to the grace period specified in clause (1) of the first paragraph of this "—Events of Default" section).

Starz is required to deliver to the Trustee annually a statement regarding compliance with the Indenture and, upon any Officer of Starz becoming aware of any Default, a statement specifying such Default and what action Starz is taking or propose to take with respect thereto.

Legal Defeasance and Covenant Defeasance

The Issuers may, at their option and at any time, elect to have their obligations and the obligations of the Guarantors discharged with respect to the outstanding Notes ("*Legal Defeasance*"). Legal Defeasance means that the Issuers and the Guarantors shall be deemed to have paid and discharged the entire indebtedness represented by the Notes and the Note Guarantees, and the Indenture shall cease to be of further effect as to all outstanding Notes and Note Guarantees, except as to

- (1) rights of Holders to receive payments in respect of the principal of and interest on the Notes when such payments are due from the trust funds referred to below,
- (2) the Issuers' obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes, and the maintenance of an office or agency for payment and money for security payments held in trust,
- (3) the rights, powers, trust, duties, and immunities of the Trustee, and the Issuers' obligations in connection therewith, and
- (4) the Legal Defeasance provisions of the Indenture.

In addition, the Issuers may, at their option and at any time, elect to have their obligations and the obligations of the Guarantors released with respect to most of the covenants under the Indenture, except as described otherwise in the Indenture ("*Covenant Defeasance*"), and thereafter any omission to comply with such obligations shall not constitute a Default. In the event Covenant Defeasance occurs, certain Events of Default (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) will no longer apply. The Issuers may exercise their Legal Defeasance option regardless of whether it previously exercised Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Issuers must irrevocably deposit with the Trustee, as trust funds, in trust solely for the benefit of the Holders, U.S. legal tender, U.S. Government Obligations or a combination thereof, in such amounts as will be sufficient (without consideration of any reinvestment of interest) in the opinion of a nationally recognized firm of independent public accountants selected by Starz, to pay

the principal of and interest on the Notes on the stated date for payment or on the redemption date of the principal or installment of principal of or interest on the Notes,

(2) in the case of Legal Defeasance, Starz shall have delivered to the Trustee an opinion of counsel in the United States confirming that:

- (a) the Issuers have received from, or there has been published by the Internal Revenue Service, a ruling, or
- (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law,

in either case to the effect that, and based thereon the opinion of counsel shall confirm that, the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred,

(3) in the case of Covenant Defeasance, Starz shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the Covenant Defeasance had not occurred,

(4) no Default shall have occurred and be continuing on the date of such deposit (other than a Default resulting from the borrowing of funds to be applied to such deposit),

(5) the Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a Default under the Indenture or a default under any other material agreement or instrument to which Starz or any of its Subsidiaries is a party or by which Starz or any of its Subsidiaries are bound (other than any such Default or default resulting solely from the borrowing of funds to be applied to such deposit),

(6) Starz shall have delivered to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuers with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of their creditors or others, and

(7) Starz shall have delivered to the Trustee an Officer's Certificate and an opinion of counsel, each stating that the conditions provided for in, in the case of the Officer's Certificate, clauses (1) through (6) and, in the case of the opinion of counsel, clauses (2) and/or (3) and (5) of this paragraph have been complied with.

If the funds deposited with the Trustee to effect Covenant Defeasance are insufficient to pay the principal of and interest on the Notes when due, then the obligations of the Issuers and the obligations of the Guarantors under the Indenture will be revived and no such defeasance will be deemed to have occurred.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to rights of registration of transfer or exchange of Notes which shall survive until all Notes have been canceled) as to all outstanding Notes when either

- (1) all the Notes that have been authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has been deposited

in trust or segregated and held in trust by the Issuers and thereafter repaid to the Issuers or discharged from this trust) have been delivered to the Trustee for cancellation, or

(2) (a) all Notes not delivered to the Trustee for cancellation otherwise (i) have become due and payable, (ii) will become due and payable, or may be called for redemption, within one year or (iii) have been called for redemption pursuant to the provisions described under "—Optional Redemption," and, in any case, the Issuers have irrevocably deposited or caused to be deposited with the Trustee as trust funds, in trust solely for the benefit of the Holders, U.S. legal tender, U.S. Government Obligations or a combination thereof, in such amounts as will be sufficient (without consideration of any reinvestment of interest) to pay and discharge the entire Indebtedness (including all principal and accrued interest) on the Notes not theretofore delivered to the Trustee for cancellation,

(b) the Issuers have paid all sums payable by them under the Indenture, and

(c) Starz has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at maturity or on the date of redemption, as the case may be.

In addition, Starz must deliver an Officer's Certificate and an opinion of counsel stating that all conditions precedent to satisfaction and discharge have been complied with.

Transfer and Exchange

A Holder will be able to register the transfer or exchange of Notes only in accordance with the provisions of the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Without the prior consent of the Issuers, the Registrar is not required (1) to register the transfer or exchange of any Note selected for redemption, (2) to register the transfer or exchange of any Note for a period of 15 days before a selection of Notes to be redeemed or (3) to register the transfer or exchange of a Note between a record date and the next succeeding interest payment date.

The Notes will be issued in registered form and the registered Holder will be treated as the owner of such Note for all purposes.

Amendment, Supplement and Waiver

Subject to certain exceptions, the Indenture or the Notes may be amended with the consent (which may include consents obtained in connection with a tender offer or exchange offer for Notes) of the Holders of at least a majority in principal amount of the Notes then outstanding, and any existing Default under, or compliance with any provision of, the Indenture may be waived (other than any continuing Default in the payment of the principal or interest on the Notes) with the consent (which may include consents obtained in connection with a tender offer or exchange offer for Notes) of the Holders of a majority in principal amount of the Notes then outstanding; *provided* that, without the consent of each Holder affected, no amendment or waiver may:

(1) reduce, or change the maturity of, the principal of any Note;

(2) reduce the rate of, or extend the time for payment of, interest on any Note;

(3) reduce any premium payable upon redemption of the Notes or change the date on, or the circumstances under, which any Notes are subject to redemption (other than provisions relating to the purchase of Notes described above under "—Change of Control" and "—Asset Sales," except that if a Change of Control has occurred, no amendment or other modification of the obligation of

the Issuers to make a Change of Control Offer relating to such Change of Control shall be made without the consent of each Holder of the Notes affected);

- (4) make any Note payable in money or currency other than that stated in the Notes;
- (5) modify or change any provision of the Indenture or the related definitions to affect the ranking of the Notes or any Note Guarantee in a manner that adversely affects the Holders;
- (6) reduce the percentage of Holders necessary to consent to an amendment or waiver to the Indenture or the Notes;
- (7) waive a Default in the payment of principal of or premium or interest on any Notes (except a rescission of acceleration of the Notes by the Holders thereof as provided in the Indenture and a waiver of the payment default that resulted from such acceleration);
- (8) impair the rights of Holders to receive payments of principal of or interest on the Notes on or after the due date therefor or to institute suit for the enforcement of any payment on the Notes;
- (9) release all or substantially all of the Guarantors from their obligations under their Note Guarantees, except as permitted by the Indenture; or
- (10) make any change in these amendment and waiver provisions.

Notwithstanding the foregoing, the Issuers and the Trustee may amend the Indenture, the Note Guarantees or the Notes without the consent of any Holder, to cure any ambiguity, defect or inconsistency; to provide for uncertificated Notes in addition to or in place of certificated Notes; to provide for the assumption of the Issuers' or a Guarantor's obligations to the Holders in the case of a merger, consolidation or sale of all or substantially all of the assets in accordance with "—Certain Covenants—Limitations on Mergers, Consolidations, Etc.;" to release any Guarantor from any of its obligations under its Note Guarantee or the Indenture (to the extent permitted by the Indenture) or add a Guarantor; to make any change that does not materially adversely affect the rights of any Holder and in the case of the Indenture, to maintain the qualification of the Indenture under the Trust Indenture Act; to mortgage, pledge, hypothecate or grant any Lien in favor of the Trustee for the benefit of the Holders of the Notes as security for the payment and performance of all or any portion of the obligations under the Notes and the Indenture in any property or assets, including any which are required to be mortgaged, pledged or hypothecated, or in which a Lien is required to be granted to or for the benefit of the Trustee pursuant to the Indenture or otherwise. The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of either Issuer or any Guarantor will have any liability for any obligations of any Issuer under the Notes or the Indenture or of any Guarantor under its Note Guarantee or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes and the Note Guarantees. The waiver may not be effective to waive liabilities under the federal securities laws. It is the view of the SEC that this type of waiver is against public policy.

Concerning the Trustee

U.S. Bank National Association will be the Trustee under the Indenture and has been appointed by the Issuers as Registrar and Paying Agent with regard to the Notes.

The Holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture will provide that, in case an Event of Default occurs and is not cured, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in similar circumstances in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to the Trustee.

Governing Law

The Indenture, the Notes and the Note Guarantees will be governed by, and construed in accordance with, the laws of the State of New York.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms.

" *Acquired Indebtedness* " means (1) with respect to any Person that becomes a Restricted Subsidiary after the Issue Date, Indebtedness of such Person and its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary that was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary and (2) with respect to Starz or any Restricted Subsidiary, any Indebtedness of a Person (other than Starz or a Restricted Subsidiary) existing at the time such Person is merged with or into Starz or a Restricted Subsidiary, or Indebtedness expressly assumed by Starz or any Restricted Subsidiary in connection with the acquisition of an asset or assets from another Person, which Indebtedness was not, in any case, incurred by such other Person in connection with, or in contemplation of, such merger or acquisition.

"Additional Interest" means all additional interest then owing pursuant to the registration rights agreement dated as of the issue date of the Original Notes, among the Issuers, Starz Entertainment and SunTrust Robinson Humphrey, Inc., as representative of the several initial purchasers.

" *Affiliate* " of any Person means any other Person which directly or indirectly Controls or is Controlled by, or is under direct or indirect common Control with, the referent Person. For purposes of the definition of "Qualified Equity Offering" only, "Affiliate" shall not include any Person who is an Affiliate of Starz solely because such Person is Controlled directly or indirectly by John C. Malone so long as such Affiliate does not purchase securities in any Qualified Equity Offering with the proceeds, directly or indirectly, of any Restricted Payment permitted under the Indenture.

" *Affiliated Persons* " mean, with respect to any specified Person, (a) such specified Person's parents, spouse, siblings, descendants, stepchildren, step grandchildren, nieces and nephews and their respective spouses, (b) the estate, legatees and devisees of such specified Person and each of the Persons referred to in clause (a), and (c) any company, partnership, trust or other entity or investment vehicle Controlled by any of the Persons referred to in clause (a) or (b) or the holdings of which are for the primary benefit of any of such Persons.

" *amend* " means to amend, supplement, restate, amend and restate or otherwise modify, including successively, and " *amendment* " shall have a correlative meaning.

" *asset* " means any asset or property.

" *Asset Acquisition* " means

(1) an Investment by Starz or any Restricted Subsidiary in any other Person if, as a result of such Investment, such Person shall become a Restricted Subsidiary, or shall be merged with or into Starz or any Restricted Subsidiary, or

(2) the acquisition by Starz or any Restricted Subsidiary of all or substantially all of the assets of any other Person or any division or line of business of any other Person.

" *Asset Sale* " means any sale, issuance, conveyance, transfer, lease, assignment or other disposition by Starz or any Restricted Subsidiary to any Person other than Starz or any Restricted Subsidiary (including by means of a Sale and Leaseback Transaction or a merger or consolidation) (collectively, for purposes of this definition, a " *transfer* "), in one transaction or a series of related transactions, of any assets of Starz or any of its Restricted Subsidiaries other than in the ordinary course of business. For purposes of this definition, the term "Asset Sale" shall not include:

(1) transfers of cash or Cash Equivalents;

(2) transfers of assets (including Equity Interests) that are governed by, and made in accordance with, the covenant described under "—Certain Covenants—Limitations on Mergers, Consolidations, Etc.," and transfers of Equity Interests in Unrestricted Subsidiaries;

(3) Permitted Investments and Restricted Payments permitted under the covenant described under "—Certain Covenants—Limitations on Restricted Payments";

(4) the creation of or realization on any Lien permitted under the Indenture;

(5) transfers of inventory and damaged, worn-out or obsolete equipment or assets that are no longer used or useful in the business of Starz or its Restricted Subsidiaries;

(6) sales or grants of licenses or sublicenses to use the patents, trade secrets, know-how and other intellectual property, and licenses, leases or subleases of other assets, of Starz or any Restricted Subsidiary, or the sale, transfer, license or sublicenses of any films or film libraries owned by Starz or any Restricted Subsidiaries, in each case to the extent not materially interfering with the business of Starz and the Restricted Subsidiaries;

(7) any transfer or series of related transfers that, but for this clause, would be Asset Sales, if the aggregate Fair Market Value of the assets transferred in such transaction or any such series of related transactions does not exceed \$25 million;

(8) (x) Asset Sales by any Issuer or any Guarantor to any other Guarantor or Issuer and (y) Asset Sales of any Subsidiary that is not a Guarantor to any other Subsidiary that is not a Guarantor; and

(9) any transfer of accounts receivable in connection with the collection thereof.

" *Bankruptcy Law* " means Title 11 of the United States Code, as amended, or any similar federal or state law for the relief of debtors.

" *Board of Directors* " means, with respect to any Person, (i) in the case of any corporation, the board of directors of such Person, or the functional equivalent of the foregoing, (ii) in the case of any limited liability company, the board of managers of such Person or such Person's sole manager, (iii) in the case of any partnership, the Board of Directors of the general partner of such Person and (iv) in any other case, the functional equivalent of the foregoing or, in each case, other than for purposes of the definition of "Change of Control," any duly authorized committee of such body.

" *Business Day* " means a day other than a Saturday, Sunday or other day on which banking institutions in New York are authorized or required by law to close.

" *Capitalized Lease Obligations* " of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP; provided however, that any obligations relating to a lease that would have been accounted by such Person as an operating lease in accordance with GAAP as of the Issue Date shall not be deemed Capitalized Lease Obligations for all purposes under the Indenture.

" *Cash Equivalents* " means:

- (1) marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition;
- (2) certificates of deposit, time deposits, eurodollar time deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any commercial bank organized under the laws of the United States or any state thereof;
- (3) commercial paper of an issuer rated at least A-1 by Standard & Poor's or P-1 by Moody's, or carrying an equivalent rating by a nationally recognized rating agency if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within six months from the date of acquisition;
- (4) repurchase obligations of any commercial bank satisfying the requirements of clause (2) of this definition, having a term of not more than 30 days, with respect to securities issued or fully guaranteed or insured by the United States government;
- (5) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by Standard & Poor's or A by Moody's;
- (6) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any commercial bank satisfying the requirements of clause (2) of this definition;
- (7) money market mutual or similar funds that invest exclusively in assets satisfying the requirements of clauses (1) through (6) of this definition;
- (8) money market funds that (i) comply with the criteria set forth in SEC Rule 2a-7 under the Investment Company Act of 1940, as amended, (ii) are rated AAA by Standard & Poor's or Aaa by Moody's and (iii) have portfolio assets of at least \$5,000,000,000; and
- (9) in the case of any Foreign Subsidiary, investments substantially comparable to any of the foregoing investments with respect to the country in which such Foreign Subsidiary is organized.

" *Change of Control* " means the occurrence of any of the following events:

- (1) the acquisition of beneficial ownership by any person or group (excluding any Permitted Holder or group Controlled by any Permitted Holder) of more than 30% of the aggregate voting power of all outstanding classes or series of Starz's voting stock and such aggregate voting power exceeds the aggregate voting power of all outstanding classes or series of Starz's voting stock beneficially owned by the Permitted Holders collectively, and on any day until the date that is six months after the date on which such person or group becomes such beneficial owner, Starz is

rated by one of Moody's or Standard & Poor's and the rating assigned by either of them is not an investment grade rating;

(2) after the consummation of an initial public offering of Starz's Equity Interests, during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of Starz (together with any new directors whose election by the Board of Directors or whose nomination for election by the equityholders of Starz was approved by a vote of the majority of the directors of Starz then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of Starz's Board of Directors then in office; or

(3) Starz shall adopt a Plan of Liquidation or any such plan shall be approved by the stockholders of Starz.

For purposes of this definition, (a) a Person shall not be deemed to have beneficial ownership of securities subject to a stock purchase agreement, merger agreement or similar agreement until the consummation of the transactions contemplated by such agreement and (b) "person" and "group" have the meanings given to them for purposes of Section 13(d) and 14(d) of the Exchange Act or any successor provisions, and the term "group" includes any group acting for the purpose of acquiring, holding or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act or any successor provision.

" *Consolidated Interest Coverage Ratio* " means the ratio of (i) Consolidated OIBDA during the most recent four consecutive full fiscal quarters for which financial statements are available (the " *Four-Quarter Period* ") ending on or prior to the date of the transaction giving rise to the need to calculate the Consolidated Interest Coverage Ratio (the " *Transaction Date* ") to (ii) Consolidated Interest Expense for such Four-Quarter Period. For purposes of this definition, Consolidated OIBDA and Consolidated Interest Expense shall be calculated after giving effect on a pro forma basis for the period of such calculation to:

(1) the incurrence of any Indebtedness or the issuance of any Preferred Stock of Starz or any Restricted Subsidiary (and the application of the proceeds thereof) and any repayment of other Indebtedness or redemption of other Preferred Stock (and the application of the proceeds therefrom) (other than the incurrence or repayment of Indebtedness in the ordinary course of business for working capital purposes pursuant to any revolving credit arrangement) occurring during the Four-Quarter Period or at any time subsequent to the last day of the Four-Quarter Period and on or prior to the Transaction Date, as if such incurrence, repayment, issuance or redemption, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four-Quarter Period; and

(2) any Asset Sale or Asset Acquisition (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of Starz or any Restricted Subsidiary (including any Person who becomes a Restricted Subsidiary as a result of such Asset Acquisition or as a result of a Redesignation) incurring Acquired Indebtedness and also including any Consolidated OIBDA (including any pro forma expense and cost reductions calculated on a basis consistent with Regulation S-X under the Exchange Act) associated with any such Asset Acquisition) occurring during the Four-Quarter Period or at any time subsequent to the last day of the Four-Quarter Period and on or prior to the Transaction Date, as if such Asset Sale or Asset Acquisition (including the incurrence of, or assumption or liability for, any such Indebtedness or Acquired Indebtedness) occurred on the first day of the Four-Quarter Period.

In calculating Consolidated Interest Expense for purposes of determining the denominator (but not the numerator) of this Consolidated Interest Coverage Ratio:

- (1) interest on outstanding Indebtedness determined on a fluctuating basis as of the Transaction Date and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on the Transaction Date;
- (2) if interest on any Indebtedness actually incurred on the Transaction Date may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rates, then the interest rate in effect on the Transaction Date will be deemed to have been in effect during the Four-Quarter Period; and
- (3) notwithstanding clause (1) or (2) above, interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements relating to Hedging Obligations, shall be deemed to accrue at the rate per annum resulting after giving effect to the operation of the agreements governing such Hedging Obligations.

" *Consolidated Interest Expense* " means, for any period of four consecutive fiscal quarters, the interest expense for such period determined on a consolidated basis in accordance with GAAP with respect to Starz and its Restricted Subsidiaries (including that portion attributable to Capitalized Lease Obligations in accordance with GAAP and net payments (less net credits) pursuant to Hedging Obligations to the extent such net payments constitute interest expense and are allocable to such period, in each case, in accordance with GAAP), net of interest income of Starz and its Restricted Subsidiaries, for such period determined on a consolidated basis in accordance with GAAP.

" *Consolidated Leverage Ratio* " means, at any date, the ratio of (i) Consolidated Total Debt to (ii) Consolidated OIBDA during the most recent four consecutive full fiscal quarters for which financial statements are available ending on or prior to the date of the transaction giving rise to the need to calculate the Consolidated Leverage Ratio. In the event that Starz or any of its Restricted Subsidiaries incurs, repays, repurchases or redeems any Indebtedness subsequent to the commencement of the period for which the Consolidated Leverage Ratio is being calculated but prior to the event for which the calculation of the Consolidated Leverage Ratio is made, then the Consolidated Leverage Ratio shall be calculated giving pro forma effect to such incurrence, repayment, repurchase or redemption of Indebtedness as if the same had occurred at the beginning of the applicable four-quarter period; *provided* that Starz may elect, pursuant to an Officer's Certificate delivered to the Trustee to treat all or any portion of the commitment under any Indebtedness as being incurred at such time, in which case any subsequent incurrence of Indebtedness under such commitment shall not be deemed, for purposes of this calculation, to be an incurrence at such subsequent time.

" *Consolidated Leverage Test* " means, at any date, that the Consolidated Leverage Ratio is no greater than (i) prior to January 1, 2014, 4.75 to 1.00 and (ii) thereafter, 4.25 to 1.00.

" *Consolidated Net Income or Loss* " means, for any period, the consolidated net income (or loss) for such period of Starz and its Restricted Subsidiaries determined on a consolidated basis in accordance with GAAP.

" *Consolidated OIBDA* " means, for any period, Consolidated Net Income or Loss of Starz and its Restricted Subsidiaries for such period plus (a) without duplication and to the extent deducted in determining such Consolidated Net Income or Loss, the sum of the following amounts for such period (i) any unusual or extraordinary items resulting in losses as determined under GAAP, (ii) any loss from discontinued operations, (iii) income tax expense, (iv) any non-cash losses that are not operational in nature such as goodwill, asset and other impairment charges (including impairments of capitalized production and development costs), early extinguishment of debt, losses from asset sales or retirements and write-offs of deferred financing costs, (v) any realized or unrealized losses resulting from

adjustments to financial instruments to account for such instruments at fair market value, (vi) any realized or unrealized losses on foreign currency hedging transactions, (vii) interest expense, (viii) share of losses of affiliated entities accounted for under the equity method of accounting, (ix) net income attributable to noncontrolling (minority) interests, (x) depreciation and amortization expense (excluding programming license fee amortization and production cost amortization), (xi) non-cash stock compensation expense or non-cash phantom stock appreciation rights expense, (xii) non-recurring cash charges associated with acquisition or disposition transactions, including integration costs, restructuring costs and severance charges, and (xiii) reasonable pro forma cost savings resulting from acquisition or disposition transactions that have been realized or are expected to be realized within 12 months of such transaction (provided that any adjustments under clauses (xii) and (xiii) shall be limited in the aggregate to 7.5% of Consolidated OIBDA as calculated without the additions in clauses (xii) and (xiii)), and minus (b) without duplication and to the extent included in determining such Consolidated Net Income or Loss, (i) any unusual or extraordinary items resulting in gains as determined under GAAP, (ii) any gains from discontinued operations, (iii) income tax benefits, (iv) any non-cash gains that are not operational in nature such as gains from asset sales, (v) any realized or unrealized gains resulting from adjustments to financial instruments to account for such instruments at fair market value, (vi) any realized or unrealized gains on foreign currency hedging transactions, (vii) interest income, (viii) share of earnings of affiliated entities accounted for under the equity method of accounting, and (ix) net loss attributable to noncontrolling (minority) interests. All additions and subtractions shall be determined on a consolidated basis (excluding any Unrestricted Subsidiary) in accordance with GAAP. For any period during which a purchase or other acquisition is made by Starz or the Restricted Subsidiaries, Consolidated OIBDA shall be calculated on a pro forma basis as if such purchase or other acquisition was consummated on the first day of such period, and for any period during which a Subsidiary or business was disposed of or discontinued, Consolidated OIBDA shall be calculated on a pro forma basis as if such Subsidiary or business had been disposed of on the first day of such period.

" *Consolidated Total Debt* " means, at any date, the aggregate principal amount of all Indebtedness of Starz and its Restricted Subsidiaries at such date, determined on a consolidated basis in accordance with GAAP.

" *Control* " means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. " *Controlling* " and " *Controlled* " have meanings correlative thereto.

" *Coverage Ratio Exception* " has the meaning set forth in the proviso in the first paragraph of the covenant described under "—Certain Covenants—Limitations on Incurrence of Indebtedness."

" *Credit Agreement* " means the Credit Agreement dated November 16, 2011, by and among Starz, LLC, as Borrower, the guarantors party thereto from time to time, the lenders party thereto from time to time, The Bank of Nova Scotia, as administrative agent, SunTrust Bank, as syndication agent, The Bank of Nova Scotia, SunTrust Robinson Humphrey, Inc., JPMorgan Chase Bank, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBS Securities Inc., RBC Capital Markets, and Barclays Capital, as joint lead arrangers and joint bookrunners and JPMorgan Chase Bank, N.A., Bank of America, N.A., The Royal Bank of Scotland plc, Royal Bank of Canada, and Barclays Bank plc, as documentation agents, as amended from time to time.

" *Credit Facilities* " means one or more (A) debt facilities (which may be outstanding at the same time and including, without limitation, the Credit Agreement) or commercial paper facilities, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to lenders or to special purpose entities formed to borrow from lenders against such receivables) or letters of credit, (B) debt securities, indentures or other forms of debt financing (including convertible or exchangeable debt instruments or bank guarantees or bankers' acceptances), or (C) instruments or

agreements evidencing any other Indebtedness, in each case, with the same or different borrowers or issuers and, in each case, as amended, supplemented, modified, extended, restructured, renewed, refinanced, restated, replaced or refunded in whole or in part from time to time (including increasing the amount of available borrowings thereunder or adding Subsidiaries of Starz as additional borrowers or guarantors thereunder).

" *Custodian* " means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

" *Default* " means (1) any Event of Default or (2) any event, act or condition that, after notice or the passage of time or both, would be an Event of Default.

" *Designation* " has the meaning given to this term in the covenant described under "—Certain Covenants—Limitations on Designation of Unrestricted Subsidiaries."

" *Disqualified Equity Interests* " of any Person means any class of Equity Interests of such Person that, by its terms, or by the terms of any related agreement or of any security into which it is convertible, puttable or exchangeable, is, or upon the happening of any event or the passage of time would be, required to be redeemed by such Person, whether or not at the option of the holder thereof, or matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, in whole or in part, in each case on or prior to the date that is 91 days after the final maturity date of the Notes; *provided, however*, that any class of Equity Interests of such Person that, by its terms, authorizes such Person to satisfy in full its obligations with respect to the payment of dividends or upon maturity, redemption (pursuant to a sinking fund or otherwise) or repurchase thereof or otherwise by the delivery of Equity Interests that are not Disqualified Equity Interests, and that is not convertible, puttable or exchangeable for Disqualified Equity Interests or Indebtedness, will not be deemed to be Disqualified Equity Interests so long as such Person satisfies its obligations with respect thereto solely by the delivery of Equity Interests that are not Disqualified Equity Interests; *provided, further, however*, that any Equity Interests that would not constitute Disqualified Equity Interests but for provisions thereof giving holders thereof (or the holders of any security into or for which such Equity Interests are convertible, exchangeable or exercisable) the right to require the issuer to redeem such Equity Interests upon the occurrence of a change in control or an asset sale occurring prior to the 91st day after the final maturity date of the Notes shall not constitute Disqualified Equity Interests if (1) the change of control or asset sale provisions applicable to such Equity Interests are no more favorable to such holders than the provisions described under "—Change of Control" and "—Asset Sales," respectively, and (2) such Equity Interests specifically provide that the issuer will not redeem any such Equity Interests pursuant to such provisions prior to the Issuers' purchase of the Notes as required pursuant to the provisions described under "—Change of Control" and "—Asset Sales," respectively.

" *Domestic Subsidiary* " means any Subsidiary of Starz organized under the laws of any jurisdiction within the United States.

" *Equity Interests* " of any Person means (1) any and all shares or other equity interests (including common stock, preferred stock, limited liability company interests and partnership interests) in such Person and (2) all rights to purchase, warrants or options (whether or not currently exercisable), participations or other equivalents of or interests in (however designated) such shares or other interests in such Person.

" *Exchange Act* " means the U.S. Securities Exchange Act of 1934, as amended.

" *Exchange Notes* " means the debt securities of the Issuers issued pursuant to the Indenture in exchange for, and in an aggregate principal amount equal to, the Notes, in compliance with the terms of the Registration Rights Agreement.

" *Fair Market Value* " means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) that would be negotiated in an arm's-length transaction for cash between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction, as such price is determined in good faith by the Board of Directors of Starz or a duly authorized committee thereof, as evidenced by a resolution of such Board or committee.

" *Foreign Subsidiary* " means any Subsidiary of Starz that is not a Domestic Subsidiary.

" *GAAP* " means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, consistently applied and as in effect from time to time.

" *guarantee* " means a direct or indirect guarantee by any Person of any Indebtedness of any other Person and includes any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services (unless such purchase arrangements are on arm's-length terms and are entered into in the ordinary course of business), to take-or-pay, or to maintain financial statement conditions or otherwise); or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); " *guarantee* ," when used as a verb, and " *guaranteed* " have correlative meanings.

" *Guarantors* " means each Person that is required to, or at the election of the Issuers does, become a Guarantor by the terms of the Indenture, in each case, until such Person is released from its Note Guarantee in accordance with the terms of the Indenture. On the Issue Date, only Starz Entertainment shall be a Guarantor.

" *Hedging Obligations* " of any Person means the obligations of such Person under any Swap Agreement.

" *Holder* " means any registered holder, from time to time, of the Notes.

" *incur* " means, with respect to any Indebtedness or Obligation, incur, create, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to such Indebtedness or Obligation; *provided* that (1) the Indebtedness of a Person existing at the time such Person became a Restricted Subsidiary shall be deemed to have been incurred by such Restricted Subsidiary and (2) neither the accrual of interest nor the accretion of original issue discount or the accretion or accumulation of dividends on any Equity Interests shall be deemed to be an incurrence of Indebtedness.

" *Indebtedness* " of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements constituting Liens hereunder relating to property acquired by such Person (excluding obligations arising from inventory transactions in the ordinary course of business), (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding accounts payable and all accrued liabilities and deferred revenue incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all guarantees by such Person of Indebtedness of others, (h) all Capitalized Lease Obligations of such Person, (i) all obligations, contingent or otherwise,

of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor. "Indebtedness" shall not include any amounts payable under any long-term incentive or deferred compensation plans of any Person relating to its or its Subsidiaries' directors, management, employees or consultants.

" *interest* " means, with respect to the Notes, interest on the Notes, and Additional Interest, if any.

" *Investments* " of any Person means:

- (1) all direct or indirect investments by such Person in any other Person in the form of loans, advances or capital contributions or other credit extensions constituting Indebtedness of such other Person, and any guarantee of Indebtedness of any other Person;
- (2) all purchases (or other acquisitions for consideration) by such Person of Indebtedness, Equity Interests or other securities of any other Person (other than any such purchase that constitutes a Restricted Payment of the type described in clause (2) of the definition thereof);
- (3) all other items that would be classified as investments on a balance sheet of such Person prepared in accordance with GAAP (including, if required by GAAP, purchases of assets outside the ordinary course of business); and
- (4) the Designation of any Subsidiary as an Unrestricted Subsidiary.

Except as otherwise expressly specified in this definition, the amount of any Investment (other than an Investment made in cash) shall be the Fair Market Value thereof on the date such Investment is made. The amount of Investment pursuant to clause (4) shall be the Fair Market Value of Starz's proportionate interest in such Unrestricted Subsidiary as of the date of such Unrestricted Subsidiary's designation as an Unrestricted Subsidiary. If Starz or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any Restricted Subsidiary, or any Restricted Subsidiary issues any Equity Interests, in either case, such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary, Starz shall be deemed to have made an Investment on the date of any such sale or other disposition equal to the Fair Market Value of the Equity Interests of and all other Investments in such Restricted Subsidiary retained. Notwithstanding the foregoing, purchases or redemptions of Equity Interests of Starz or Parent shall be deemed not to be Investments.

"Issue Date" means September 13, 2012, the date on which the Initial Notes were originally issued.

"*Lien* " means, with respect to any asset, any mortgage, deed of trust, lien (statutory or other), pledge, easement, charge, security interest or other encumbrance of any kind or nature in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, to secure payment of a debt or performance of an obligation, including the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset.

" *LMC* " means Liberty Media Corporation (formerly known as Liberty CapStarz, Inc. and Liberty Splitco, Inc.), a Delaware corporation, and any successor (by merger, consolidation, transfer or otherwise) to all or substantially all of its assets; and any subsequent successor (by merger, consolidation, transfer or otherwise) to all or substantially all of a successor's assets, *provided* , that if a Transferee Parent becomes the beneficial owner of all or substantially all of the equity securities of Starz then beneficially owned by LMC as to which LMC has dispositive power, the term "LMC" shall also mean such Transferee Parent and any successor (by merger, consolidation, transfer or otherwise) to

all or substantially all of its assets. " *Transferee Parent* " for this purpose means, in the event of any transaction or series of related transactions involving the direct or indirect transfer (or relinquishment of control) by LMC of a Person or Persons (a " *Transferred Person* ") that hold equity securities of Starz beneficially owned by LMC, such Transferred Person or its successor in such transaction or any ultimate parent entity (within the meaning of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended) of such Transferred Person or its successor if immediately after giving effect to such transaction or the last transaction in such series, voting securities representing at least a majority of the voting power of the outstanding voting securities of such Transferred Person, successor or ultimate parent entity are beneficially owned by any combination of LMC, Persons who prior to such transaction were beneficial owners of a majority of, or a majority of the voting power of, the outstanding voting securities of LMC (or of any publicly traded class or series of voting securities of LMC designed to track the economic performance of a specified group of assets or businesses) or Persons who are Control Persons as of the date of such transaction or the last transaction in such series. " *Control Person* " for this purpose means each of (a) the Chairman of the Board of LMC, (b) the President of LMC, (c) any Executive Vice President or Senior Vice President of LMC, (d) each of the directors of LMC and (e) the respective Affiliated Persons of the Persons referred to in clauses (a) through (d).

" *Moody's* " means Moody's Investors Service, Inc., and any successor to its ratings agency business.

" *Net Available Proceeds* " means, with respect to any Asset Sale, the proceeds thereof in the form of cash or Cash Equivalents, net of:

- (1) brokerage commissions and other fees and expenses (including fees, discounts and expenses of legal counsel, accountants and investment banks, consultants and placement agents) of such Asset Sale;
- (2) provisions for taxes payable as a result of such Asset Sale (after taking into account any available tax credits or deductions and any tax sharing arrangements);
- (3) amounts required to be paid to any Person (other than Starz or any Restricted Subsidiary and other than under a Credit Facility) owning a beneficial interest in the assets subject to the Asset Sale or having a Lien thereon;
- (4) payments of unassumed liabilities (not constituting Indebtedness) relating to the assets sold at the time of, or within 30 days after the date of, such Asset Sale; and
- (5) appropriate amounts to be provided by Starz or any Restricted Subsidiary, as the case may be, as a reserve required in accordance with GAAP against any adjustment in the sale price of such asset or assets or liabilities associated with such Asset Sale and retained by Starz or any Restricted Subsidiary, as the case may be, after such Asset Sale, including pensions and other postemployment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an Officer's Certificate delivered to the Trustee; *provided, however*, that any amounts remaining after adjustments, revaluations or liquidations of such reserves shall constitute Net Available Proceeds.

" *Non-Recourse Debt* " means Indebtedness of an Unrestricted Subsidiary:

- (1) as to which neither Starz nor any Restricted Subsidiary (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise, and
- (2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the Credit Facilities and the Notes) of Starz or any Restricted Subsidiary to declare a default on the other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity.

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" *Obligation* " means any principal, interest, penalties, fees, indemnification, reimbursements, costs, expenses, damages and other liabilities payable under the documentation governing any Indebtedness.

" *Offering Memorandum* " means the offering memorandum dated as of September 6, 2012, relating to the initial issuance of Notes under the Indenture.

" *Officer* " means any of the following of Starz: the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, the President, any Vice President, the Treasurer or the Secretary.

" *Officer's Certificate* " means a certificate signed by an Officer.

" *Parent* " means LMC.

" *Permitted Business* " means the businesses engaged in by Starz and its Subsidiaries on the Issue Date as described in the Offering Memorandum and businesses that are reasonably related thereto or reasonable extensions thereof.

" *Permitted Holders* " means any one or more of (a) LMC, (b) John C. Malone, (c) each of the respective Affiliated Persons of the Person referred to in clause (b), and (d) any Person a majority of the aggregate voting power of all the outstanding classes or series of the equity securities of which are beneficially owned by any one or more of the Persons referred to in clauses (a), (b) or (c).

" *Permitted Investment* " means:

- (1) Investments by Starz or any Restricted Subsidiary in any Restricted Subsidiary;
- (2) Investments in Starz by any Restricted Subsidiary;
- (3) loans and advances to directors, employees and officers of Parent (prior to the consummation of an initial public offering of Starz's Equity Interests) or Starz or any of the Restricted Subsidiaries for bona fide business purposes and to purchase Equity Interests of the Parent (prior to the consummation of an initial public offering of Starz's Equity Interests) or Starz (after the consummation of an initial public offering of Starz's Equity Interests) not in excess of \$10 million at any one time outstanding;
- (4) cash and Cash Equivalents;
- (5) receivables owing to Starz or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided, however*, that such trade terms may include such concessionary trade terms as Starz or any such Restricted Subsidiary deems reasonable under the circumstances;
- (6) Investments in securities of trade creditors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers;
- (7) Investments made by Starz or any Restricted Subsidiary as a result of consideration received in connection with a sale of assets made in compliance with the covenant described under "—Asset Sales";
- (8) lease, utility and other similar deposits in the ordinary course of business;
- (9) stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to Starz or any Restricted Subsidiary or in satisfaction of judgments;
- (10) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date;

(11) Investments, including in joint ventures, not to exceed \$200 million in the aggregate outstanding at any time; and

(12) Investments made in any Person so long as at the time of, and after giving effect to, such Investment the Consolidated Leverage Test would be satisfied.

" *Permitted Liens* " means the following types of Liens:

(1) Liens securing Indebtedness with an aggregate principal amount not exceeding the greater of (x) \$1,500 million and (y) the amount of Indebtedness that may be incurred at such time such that the Secured Leverage Ratio would not exceed 3.0 to 1.0 at the time of its incurrence;

(2) Liens for taxes, assessments or governmental charges or claims either (a) not delinquent or (b) contested in good faith by appropriate proceedings and as to which Starz or a Restricted Subsidiary shall have set aside on its books such reserves as may be required pursuant to GAAP;

(3) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent by more than 30 days or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made in respect thereof;

(4) pledges and deposits made in the ordinary course of business in compliance with workers' compensation (or pursuant to letters of credit issued in connection with such workers' compensation compliance), unemployment insurance and other social security laws or regulations;

(5) Liens incurred or deposits made in the ordinary course of business to secure the performance of tenders, statutory obligations, surety and appeal bonds, performance bonds, bids, trade contracts, leases, government contracts, performance and return-of-money bonds, letters of credit and other similar obligations (exclusive of obligations for the payment of borrowed money);

(6) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(7) judgment Liens not giving rise to an Event of Default;

(8) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of Starz or any Restricted Subsidiary;

(9) Liens securing obligations in respect of trade-related letters of credit and covering the goods (or the documents of title in respect of such goods) financed or the purchase of which is supported by such letters of credit and the proceeds and products thereof;

(10) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual or warranty requirements of Starz or any Restricted Subsidiary, including rights of offset and setoff;

(11) bankers' Liens, rights of setoff and other similar Liens existing solely with respect to cash and Cash Equivalents on deposit in one or more accounts maintained by Starz or any Restricted Subsidiary, in each case granted in the ordinary course of business in favor of the bank or banks with which such accounts are maintained, securing amounts owing to such bank with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements; provided that in no case shall any such Liens secure (either directly or indirectly) the repayment of any Indebtedness;

(12) leases or subleases granted to others that do not materially interfere with the ordinary course of business of Starz or any Restricted Subsidiary;

(13) Liens arising from filing Uniform Commercial Code financing statements regarding leases;

(14) Liens securing the Notes and Liens securing any guarantees of the Notes;

(15) Liens existing on the Issue Date securing obligations outstanding on the Issue Date (other than Liens securing the Credit Facilities);

(16) Liens in favor of an Issuer or a Guarantor;

(17) Liens securing Purchase Money Indebtedness that do not exceed an aggregate principal amount of \$150 million at any one time outstanding; provided that such Liens shall secure Capitalized Lease Obligations or be created within 90 days of the acquisition of such fixed or capital assets and shall not extend to any asset other than the specified asset being financed and additions and improvements thereon;

(18) Liens securing Acquired Indebtedness permitted to be incurred under the Indenture; provided that the Liens do not extend to assets not subject to such Lien at the time of acquisition (other than improvements thereon) and are no more favorable to the lienholders than those securing such Acquired Indebtedness prior to the incurrence of such Acquired Indebtedness by Starz or a Restricted Subsidiary;

(19) deposits and other Liens securing credit card operations of Starz and its Subsidiaries, provided the amount secured does not exceed amounts owed by Starz and its Subsidiaries in connection with such credit card operations;

(20) Liens to secure Refinancing Indebtedness of Indebtedness secured by Liens referred to in the foregoing clauses (15), (17) and (18); *provided* that in the case of Liens securing Refinancing Indebtedness of Indebtedness secured by Liens referred to in the foregoing clauses (15), (17) and (18) such Liens do not extend to any additional assets (other than improvements thereon and replacements thereof);

(21) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(22) Interests of vendors in inventory arising out of such inventory being subject to a "sale or return" arrangement with such vendor or any consignment by any third party of any inventory;

(23) Liens of Starz or any Restricted Subsidiary with respect to obligations that do not exceed an aggregate principal amount of \$225 million at any one time outstanding;

(24) Liens securing Hedging Obligations; and

(25) Liens granted in favor of guilds in the ordinary course of business that secure obligations relating to collective bargaining agreements that are not overdue by more than 30 days or are being contested in good faith.

" *Person* " means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof or other entity of any kind.

" *Plan of Liquidation* " with respect to any Person, means a plan that provides for, contemplates or the effectuation of which is preceded or accompanied by (whether or not substantially contemporaneously, in phases or otherwise): (1) the sale, lease, conveyance or other disposition of all or substantially all of the assets of such Person other than as an entirety or substantially as an entirety;

and (2) the distribution of all or substantially all of the proceeds of such sale, lease, conveyance or other disposition of all or substantially all of the remaining assets of such Person to holders of Equity Interests of such Person.

" *Preferred Stock* " means, with respect to any Person, any and all preferred or preference stock or other equity interests (however designated) of such Person whether now outstanding or issued after the Issue Date.

" *principal* " means, with respect to the Notes, the principal of, and premium, if any, on the Notes.

" *Purchase Money Indebtedness* " means Indebtedness, including Capitalized Lease Obligations, of Starz or any Restricted Subsidiary incurred for the purpose of financing all or any part of the purchase price of property, plant or equipment used in the business of Starz or any Restricted Subsidiary or the cost of installation, construction or improvement thereof; *provided, however*, that (1) the amount of such Indebtedness shall not exceed such purchase price or cost and (2) such Indebtedness shall be incurred within 90 days after such acquisition of such asset by Starz or such Restricted Subsidiary or such installation, construction or improvement.

" *Qualified Equity Interests* " of any Person means Equity Interests of such Person other than Disqualified Equity Interests; *provided* that such Equity Interests shall not be deemed Qualified Equity Interests to the extent sold or owed to a Subsidiary of such Person or financed, directly or indirectly, using funds (1) borrowed from such Person or any Subsidiary of such Person until and to the extent such borrowing is repaid or (2) contributed, extended, guaranteed or advanced by such Person or any Subsidiary of such Person (including, without limitation, in respect of any employee stock ownership or benefit plan). Unless otherwise specified, Qualified Equity Interests refer to Qualified Equity Interests of Starz.

" *Qualified Equity Offering* " means the issuance and sale of Qualified Equity Interests of Starz to Persons other than (x) Parent or any of its Subsidiaries or (y) any other Person who is, prior to such issuance and sale, an Affiliate of Starz; *provided, however*, that cash proceeds therefrom equal to not less than the redemption price of the Notes to be redeemed are received by Starz as a capital contribution prior to such redemption.

" *redeem* " means to redeem, repurchase, purchase, defease, retire, discharge or otherwise acquire or retire for value; and " *redemption* " shall have a correlative meaning; *provided* that this definition shall not apply for purposes of "—Optional Redemption."

" *Redesignation* " has the meaning given to such term in the covenant described under "—Certain Covenants—Limitations on Designation of Unrestricted Subsidiaries."

" *refinance* " means to refinance, repay, prepay, replace, renew or refund.

" *Refinancing Indebtedness* " means Indebtedness of Starz or a Restricted Subsidiary incurred in exchange for, or the proceeds of which are used to redeem or refinance in whole or in part, any Indebtedness of Starz or any Restricted Subsidiary (the " *Refinanced Indebtedness* "); *provided* that:

(1) the principal amount (and accreted value, in the case of Indebtedness issued at a discount) of the Refinancing Indebtedness does not exceed the principal amount (and accreted value, as the case may be) of the Refinanced Indebtedness plus the amount of accrued and unpaid interest on the Refinanced Indebtedness, any reasonable premium paid to the holders of the Refinanced Indebtedness and reasonable expenses incurred in connection with the incurrence of the Refinancing Indebtedness;

(2) the obligor of Refinancing Indebtedness does not include any Person (other than Starz or any Restricted Subsidiary) that is not an obligor of the Refinanced Indebtedness;

(3) if the Refinanced Indebtedness was subordinated in right of payment to the Notes or the Note Guarantees, as the case may be, then such Refinancing Indebtedness, by its terms, is subordinate in right of payment to the Notes or the Note Guarantees, as the case may be, at least to the same extent as the Refinanced Indebtedness;

(4) the Refinancing Indebtedness has a final stated maturity either (a) no earlier than the Refinanced Indebtedness being repaid or amended or (b) after the maturity date of the Notes; and

(5) the portion, if any, of the Refinancing Indebtedness that is scheduled to mature on or prior to the maturity date of the Notes has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is incurred that is equal to or greater than the Weighted Average Life to Maturity of the portion of the Refinanced Indebtedness being repaid that is scheduled to mature on or prior to the maturity date of the Notes; provided that Refinancing Indebtedness in respect of Refinanced Indebtedness that has no amortization may provide for amortization installments, sinking fund payments, senior maturity dates or other required payments of principal of up to 1% of the aggregate principal amount per annum.

" *Registration Rights Agreement* " means the Registration Rights Agreement dated the Issue Date, among the Issuers, Starz Entertainment and SunTrust Robinson Humphrey, Inc., as representative of the several initial purchasers of the Original Notes.

" *Restricted Payment* " means any of the following:

(1) the declaration or payment of any dividend or any other distribution on Equity Interests of Starz or any Restricted Subsidiary or any payment made to the direct or indirect holders (in their capacities as such) of Equity Interests of Starz or any Restricted Subsidiary, including, without limitation, any such payment in connection with any merger or consolidation involving Starz but excluding (a) dividends or distributions payable solely in Qualified Equity Interests or through accretion or accumulation of such dividends on such Equity Interests and (b) in the case of Restricted Subsidiaries, dividends or distributions payable to Starz or to a Restricted Subsidiary and *pro rata* dividends or distributions payable to minority stockholders of any Restricted Subsidiary;

(2) the redemption of any Equity Interests of Starz or any Restricted Subsidiary, or any equity holder of Starz, including, without limitation, any payment in exchange for such Equity Interests in connection with any merger or consolidation involving Starz but excluding any such Equity Interests held by Starz or any Restricted Subsidiary;

(3) any Investment other than a Permitted Investment.

" *Restricted Subsidiary* " means any Subsidiary of Starz other than an Unrestricted Subsidiary.

" *Sale and Leaseback Transactions* " means with respect to any Person an arrangement with any bank, insurance company or other lender or investor or to which such lender or investor is a party, providing for the leasing by such Person of any asset of such Person which has been or is being sold or transferred by such Person to such lender or investor or to any Person to whom funds have been or are to be advanced by such lender or investor on the security of such asset.

" *SEC* " means the U.S. Securities and Exchange Commission.

" *Secured Leverage Ratio* " means at any date the Consolidated Leverage Ratio at such date, except that in calculating Consolidated Total Debt for such purpose the following shall be excluded: (a) any Indebtedness that is not secured by a Lien on assets of Starz or any Restricted Subsidiary and (b) the Notes.

" *Securities Act* " means the U.S. Securities Act of 1933, as amended.

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" *Significant Subsidiary* " means (1) any Restricted Subsidiary that would be a "significant subsidiary" as defined in Regulation S-X promulgated pursuant to the Securities Act as such Regulation is in effect on the Issue Date and (2) any Restricted Subsidiary that, when aggregated with all other Restricted Subsidiaries that are not otherwise Significant Subsidiaries and as to which any event described in clause (7) or (8) under "—Events of Default" has occurred and is continuing, would constitute a Significant Subsidiary under clause (1) of this definition.

" *Standard & Poor's* " means Standard & Poor's Ratings Services and any successor to its ratings agency business.

" *Starz* " means Starz, LLC and its successors and assigns.

" *Starz Entertainment* " means Starz Entertainment, LLC and its successors and assigns.

" *Starz Finance* " means Starz Finance Corp. and its successors and assigns.

" *Stock Compensation Plans* " means compensation plans in connection with which Starz and their Subsidiaries make payments to Parent and its Affiliates in consideration for securities of Parent issued to employees of Starz and their Subsidiaries.

" *Subordinated Indebtedness* " means Indebtedness of Starz or any Restricted Subsidiary that is expressly subordinated in right of payment to the Notes or the Note Guarantees.

" *Subsidiary* " means, with respect to any Person:

(1) any corporation, limited liability company, association or other business entity of which more than 50% of the total voting power of the Equity Interests entitled (without regard to the occurrence of any contingency) to vote in the election of the Board of Directors thereof is at the time owned or Controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof).

Unless otherwise specified, "Subsidiary" refers to a Subsidiary of Starz.

" *Swap Agreement* " means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; *provided* that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of Starz or any of its Subsidiaries shall be a Swap Agreement.

" *Trust Indenture Act* " means the Trust Indenture Act of 1939, as amended.

" *Unrestricted Subsidiary* " means (1) initially, SEG Investments, Inc., Aries Pictures LLC, Chalk Line Productions, LLC, Film Roman, LLC, Namor Productions, LLC, Starz Media Group, LLC, Starz Independent, LLC and Starz Canada Holdco, LLC (2) any Subsidiary that after the Issue Date shall be designated an Unrestricted Subsidiary by the Board of Directors of Starz in accordance with the covenant described under "—Certain Covenants—Limitations on Designation of Unrestricted Subsidiaries" and (3) any Subsidiary of an Unrestricted Subsidiary.

" *U.S. Government Obligations* " means direct non-callable obligations of, or guaranteed by, the United States of America for the payment of which guarantee or obligations the full faith and credit of the United States is pledged.

" *Weighted Average Life to Maturity* " when applied to any Indebtedness at any date, means the number of years obtained by dividing (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment by (2) the then outstanding principal amount of such Indebtedness.

" *Wholly-Owned Restricted Subsidiary* " means a Restricted Subsidiary of which 100% of the Equity Interests (except for directors' qualifying shares or certain minority interests owned by other Persons solely due to local law requirements that there be more than one stockholder, but which interest is not in excess of what is required for such purpose) are owned directly by Starz or through one or more Wholly-Owned Restricted Subsidiaries.

UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) THE DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"); (B) THE DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION AND MARKETING OF THE NOTES; AND (C) HOLDERS OF NOTES SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is the opinion of Sherman & Howard L.L.C. as to the material U.S. federal income tax consequences of the exchange of original notes for exchange notes pursuant to the exchange offer and the ownership and the disposition of the exchange notes. This summary is based upon the provisions of the Code, applicable U.S. Treasury Regulations promulgated thereunder, judicial authorities and administrative interpretations, in each case as of the date of this prospectus, all of which are subject to change and different interpretations, possibly with retroactive effect. We cannot assure you that the U.S. Internal Revenue Service (the "IRS") will not challenge one or more of the tax consequences described in this discussion, and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to the U.S. federal income tax consequences of acquiring, holding or disposing of the notes.

This discussion does not purport to address all U.S. federal income tax consequences that may be relevant to a holder in light of the holder's particular circumstances or status, nor does it discuss the U.S. federal income tax consequences to certain types of holders subject to special treatment under the U.S. federal income tax laws, such as financial institutions, insurance companies, regulated investment companies, tax-exempt organizations, dealers in securities, partnerships or other pass-through entities (or investors in such entities), U.S. holders (as defined below) whose "functional currency" is not the U.S. dollar, non-U.S. trusts and estates that have U.S. beneficiaries, persons subject to the alternative minimum tax, U.S. expatriates and former long-term residents of the U.S., or persons that hold the notes as part of a hedge, wash sale, conversion transaction, straddle or other risk reduction transaction. This discussion is limited to those holders that purchased the original notes for cash at their "issue price" (which is the first price at which a substantial amount of the notes was sold for cash to investors other than to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and that hold the notes as capital assets (generally, property held for investment). Moreover, this discussion does not address the tax consequences arising under any applicable state, local or foreign tax laws or the application of any U.S. federal taxes other than U.S. federal income taxes (such as the federal estate or gift tax or the recently enacted Medicare tax on certain investment income).

If any entity treated as a partnership for U.S. federal income tax purposes holds notes, the U.S. federal income tax treatment of a partner of the partnership generally will depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership that holds the notes, you are urged to consult your own tax advisor about the tax consequences of acquiring, owning, exchanging and disposing of the notes.

Holders of notes are urged to consult their own tax advisors regarding the application of the U.S. federal tax laws to their particular situations and the applicability and effect of state, local or foreign tax laws and tax treaties.

TAX CONSEQUENCES TO U.S. HOLDERS

You are a "U.S. holder" for purposes of this discussion if you are a beneficial owner of a note and, for U.S. federal income tax purposes, you are:

- an individual who is a citizen or a resident of the U.S.;
- a corporation that is organized under the laws of the U.S., any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if (1) a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (2) such trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

Effect of certain contingent payments

In certain circumstances, we may be obligated to pay amounts on the notes that are in excess of the stated interest on, or principal amount of, the notes and/or the timing of payments on the notes may be affected. See, for example, "Description of Notes—Change of Control." This may cause the notes to be subject to special rules for debt instruments with contingent payments unless, as of the issue date of the notes, the likelihood of the events that would result in any of such contingencies occurring is "remote" and/or such contingencies, in the aggregate, are considered "incidental." We intend to take the position that such contingencies should be treated as remote and/or incidental, as of the issue date of the notes, within the meaning of the applicable U.S. Treasury Regulations and, accordingly, we do not intend to treat the notes as contingent payment debt instruments. Under applicable U.S. Treasury Regulations, our determination that such contingencies are remote and/or incidental is binding on all U.S. holders of the notes (other than holders that properly disclose to the IRS that they are taking a different position) but is not binding on the IRS. The IRS may take a contrary position, which, if sustained, could require U.S. holders to accrue ordinary interest income on the notes at a rate in excess of the stated interest rate and to treat any gain recognized on a sale or other taxable disposition of a note as ordinary interest income rather than as capital gain. The remainder of this discussion assumes that the notes are not contingent payment debt instruments.

Exchange offer

The exchange of original notes for exchange notes pursuant to the exchange offer will not be treated as an "exchange" for U.S. federal income tax purposes because the exchange notes will not be considered to differ materially in kind from the original notes. Accordingly, if you participate in this exchange:

- you will not recognize gain or loss upon receipt of an exchange note;
- the adjusted tax basis of the exchange note you receive will be the same as your adjusted tax basis in the original note (determined immediately prior to the exchange) that is exchanged therefor; and
- the holding period of the exchange note you receive will include your holding period of the original note exchanged therefor.

Stated interest on the notes

Except as noted below with respect to "preissuance accrued stated interest," payments of stated interest on the notes will generally be taxable to you as ordinary interest income at the time such stated interest is received or accrued in accordance with your regular method of accounting for U.S. federal income tax purposes.

Preissuance accrued stated interest

A portion of the price paid for a note will be allocable to unpaid stated interest that "accrued" prior to the date the new note is purchased ("preissuance accrued stated interest"). We intend to treat a portion of the first stated interest payment on the notes (in an amount equal to the pre-issuance accrued stated interest) as a nontaxable return of such preissuance accrued stated interest to a U.S. holder. Amounts treated as a return of preissuance accrued stated interest should reduce your adjusted tax basis in the new note by a corresponding amount.

Amortizable bond premium

If you purchase a note for an amount (excluding any amounts attributable to preissuance accrued stated interest, as discussed above) in excess of the sum of all amounts payable on the note (other than in respect of stated interest), such excess will be considered "amortizable bond premium." For this purpose, in determining the sum of all amounts payable on the new note, it will initially be assumed that we will exercise our rights to call the new notes at a premium, and subsequent adjustments may be made if we do not in fact exercise our call rights. This assumption may eliminate, reduce or defer any amortization deductions.

A U.S. holder may elect to reduce the amount required to be included in income each year with respect to stated interest on a note by the amount of amortizable bond premium allocable to that year, based on the note's yield to maturity (and taking into account the foregoing assumptions). U.S. holders should consult their own tax advisors about these rules. If a U.S. holder makes the election to amortize bond premium, it will apply to all debt instruments (other than debt instruments the interest on which is excludible from gross income) that the U.S. holder holds at the beginning of the first taxable year to which the election applies or thereafter acquires, and the election may not be revoked without the consent of the IRS.

Disposition of the notes

You will generally recognize capital gain or loss on the sale, redemption, exchange (other than in connection with this exchange offer), retirement or other taxable disposition of a note equal to the difference between (i) the amount realized on such disposition (excluding amounts attributable to any accrued but unpaid stated interest (other than pre-issuance accrued stated interest), which will be taxable as ordinary income to the extent you have not previously included the accrued interest in income) and (ii) your adjusted tax basis in the note. The amount realized will equal the sum of any cash and fair market value of any other property received on the disposition. Your adjusted tax basis in a note will generally equal the amount you paid for the note, reduced by any amount attributable to preissuance accrued stated interest previously received and any amortizable bond premium previously amortized. Such gain or loss will be long-term capital gain or loss if you held the note for more than one year at the time of the disposition. Long-term capital gains of non-corporate holders are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Information reporting and backup withholding

Information reporting requirements may apply to payments of interest and the proceeds of the disposition (including a retirement or redemption) of notes. These requirements, however, do not apply with respect to certain exempt U.S. holders, such as corporations.

Backup withholding (currently at a rate of 28% and scheduled to increase to 31% in 2013) may apply to payments of the foregoing amounts, unless you provide the paying agent with a taxpayer identification number, certified under penalties of perjury, as well as certain other information, or otherwise establish an exemption from backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided the required information is timely furnished to the IRS.

Foreign account tax compliance act

Legislation enacted in 2010 imposes a U.S. federal withholding tax of 30% on payments of interest or the gross proceeds from a disposition of a debt instrument paid to certain non-U.S. entities, including certain foreign financial institutions and investment funds (including, in some instances, where such an entity is acting as an intermediary), unless such non-U.S. entity complies with certain reporting requirements regarding U.S. account holders and U.S. owners. This withholding tax generally will apply to payments of interest after December 31, 2013 and payments of gross disposition proceeds after December 31, 2014. However, final Treasury regulations exempt from the application of this new withholding tax any debt instrument outstanding prior to January 1, 2014. Prospective purchasers of the notes should consult their own tax advisors regarding the new withholding and reporting provisions.

PLAN OF DISTRIBUTION

Based on interpretations of the staff of the SEC in no-action letters issued to third parties, we believe the exchange notes may be offered for resale, resold and otherwise transferred by any holder without compliance with the registration and prospectus delivery requirements of the Securities Act provided such holder meets the following conditions:

- such holder is not a broker-dealer who purchased original notes directly from us for resale pursuant to Rule 144A or any other available exemption under the Securities Act;
- such holder is not our "affiliate" within the meaning of Rule 405 under the Securities Act; and
- such holder acquires exchange notes in the ordinary course of its business and has no arrangement or understanding with any person to participate in the distribution of the exchange notes.

If you do not satisfy all of the above conditions, you cannot participate in the exchange offer.

If you wish to receive exchange notes for your outstanding notes in the exchange offer, you will be required to make representations to us as described in "The Exchange Offer—Procedures for Tendering Original Notes—Your Representations to Us" in this prospectus. As indicated in the letter of transmittal, you will be deemed to have made these representations by tendering your outstanding notes in the exchange offer.

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of exchange notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for original notes where such original notes were acquired as a result of market-making activities or other trading activities. We have agreed that we will make this prospectus available to any broker-dealer for use in connection with any such resale for a period ending on the earlier of 180 days from the effective date of the registration statement of which this prospectus forms a part and the date on which a broker-dealer is no longer required to deliver a prospectus in connection with market-making or other trading actions. In addition, until July 24, 2013 (90 days after the date of this prospectus), all dealers effecting transactions in the exchange notes may be required to deliver a prospectus.

We will not receive any proceeds from the exchange of original notes for exchange notes or from any sale of exchange notes by broker-dealers. Exchange notes received by broker-dealers for their own account pursuant to the exchange offer may be sold from time to time in one or more transactions:

- in the over-the-counter market,
- in negotiated transactions,
- through the writing of options on the exchange notes or a combination of such methods of resale,
- at market prices prevailing at the time of resale,
- at prices related to such prevailing market prices, or
- at negotiated prices.

Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any such exchange notes.

Any broker-dealer that resells exchange notes received for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of such exchange notes may

be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of exchange notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that, by acknowledging that it will deliver a prospectus and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period described in Section 4(3) and Rule 174 under the Securities Act that is applicable to transactions by broker-dealers with respect to the exchange notes, we will promptly send additional copies of this prospectus at no charge and any amendment or supplement to this prospectus to any broker-dealer that requests such documents. We have agreed to pay all expenses incident to the exchange offer (including the reasonable fees and expenses of one counsel for the holders of the original notes) other than commissions or concessions of any brokers or dealers and will indemnify the holders of the original notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

The certificates representing the exchange notes will be issued in fully registered form without interest coupons. The exchange notes initially will be represented by permanent global notes in fully registered form without interest coupons (each, a "Global Note") and will be deposited upon issuance with the trustee as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below.

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for definitive notes in registered certificated form ("Certificated Notes") except in the limited circumstances described below. Please see the section entitled "—Exchange of Global Notes for Certificated Notes." Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of notes in certificated form.

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants, which may change from time-to-time.

Depository Procedures

The following description of the operations and procedures of DTC is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited-purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participating organizations, or collectively, the "Participants," and to facilitate the clearance and settlement of transactions in those securities between the Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers of the original notes), banks, trust companies, clearing corporations, and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers, and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "Indirect Participants"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised us that, pursuant to procedures established by it:

- (1) upon deposit of the Global Notes, DTC initially credited the accounts of the Participants designated by the initial purchasers of the original notes with portions of the principal amount of the Global Notes; and
- (2) ownership of these interests in the Global Notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Notes).

Investors in the Global Notes who are Participants may hold their interests therein directly through DTC. Investors in the Global Notes who are not Participants may hold their interests therein indirectly through organizations which are Participants. All interests in a Global Note may be subject to the procedures and requirements of DTC. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such Persons will be limited to that extent. Because DTC can act only on behalf of the Participants, which in turn act on behalf of the Indirect Participants, the ability of a Person having beneficial interests in a Global Note to pledge such interests to Persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the Global Notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form, and will not be considered the registered owners or "holders" thereof under the indenture for any purpose.

Payments in respect of the principal of, and interest and premium, if any, on, a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture. Under the terms of the indenture, we, the trustee, the registrar, the paying agent, and any transfer agent (together with the registrar and the paying agent, the "agents") will treat the Persons in whose names the notes, including the Global Notes, are registered as the owners of the notes for the purpose of receiving payments and for all other purposes. Consequently, neither we, the trustee, the agents, nor any agent of ours or theirs has or will have any responsibility or liability for:

- (1) any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interest in the Global Notes or for maintaining, supervising, or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes; or
- (2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe that it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be our responsibility or the responsibility of DTC, the trustee, or us. Neither we, the trustee, nor the agents will be liable for any delay by DTC or any of the Participants or the Indirect Participants in identifying the beneficial owners of the notes, and we, the trustee, and the agents may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Transfers between the Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds.

DTC has advised us that it will take any action permitted to be taken by a holder of notes only at the direction of one or more Participants to whose account DTC has credited the interests in the Global Notes and only in respect of such portion of the aggregate principal amount of the notes as to which such Participant or Participants has or have given such direction. However, if there is an event of default under the notes, DTC reserves the right to exchange the Global Notes for legended notes in certificated form, and to distribute such notes to its Participants.

Although DTC has agreed to the foregoing procedures to facilitate transfers of interests in the Global Notes among participants in DTC, it is under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither we, the trustee, nor any of our or its agents will have any responsibility for the performance by DTC or its respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A Global Note is exchangeable for Certificated Notes if:

- (1) DTC (a) notifies us that it is unwilling or unable to continue as depository for the Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act, and, in either case, we fail to appoint a successor depository;
- (2) we, at our option, notify the trustee in writing that we elect to cause the issuance of the Certificated Notes; or
- (3) there has occurred and is continuing a default or event of default with respect to the notes.

In addition, any notes transferred to an affiliate (as defined in Rule 405 under the Securities Act) of the Issuers or evidencing a note that has been acquired by an affiliate in a transaction or chain of transactions not involving any public offering must, until one year after the last date on which either the Issuers or any affiliate of the Issuers was an owner of the note, be in the form of a Certificated Note and bear an applicable restrictive legend.

Beneficial interests in a Global Note may also be exchanged for Certificated Notes upon prior written notice given to the trustee by or on behalf of DTC in accordance with the indenture. In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures) and will bear the applicable restrictive legend, unless that legend is not required by applicable law.

Exchange of Certificated Notes for Global Notes

Certificated Notes may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the registrar a written certificate (in the form provided in the indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes.

Same Day Settlement and Payment

We will make payments in respect of the notes represented by the Global Notes (including principal, interest, and premium, if any) by wire transfer of immediately available funds to the accounts specified by the Global Note holder. We will make all payments of principal, interest, and premium, if any, with respect to Certificated Notes by wire transfer of immediately available funds to the accounts specified by the holders of the Certificated Notes or, if no such account is specified, by mailing a check to each such holder's registered address. The notes represented by the Global Notes are expected to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such notes will, therefore, be required by DTC to be settled in immediately available funds. We expect that secondary trading in any Certificated Notes will also be settled in immediately available funds.

LEGAL MATTERS

The validity of notes and the guarantees will be passed upon for us by Sherman & Howard L.L.C., Denver, Colorado.

EXPERTS

The consolidated financial statements of Starz, LLC and subsidiaries as of December 31, 2012 and 2011, and for each of the years in the three-year period ended December 31, 2012 have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We and our subsidiary guarantor have filed with the SEC, a registration statement on Form S-4, including all required exhibits and schedules, under the Securities Act to register the offer and exchange of the exchange notes for the original notes. As is permitted by the rules and regulations of the SEC, this prospectus, which is part of the registration statement, omits some information, exhibits, schedules and undertakings set forth in the registration statement. For further information with respect to us, our subsidiary guarantor and the exchange offer, please refer to the registration statement.

Following effectiveness of the registration statement, we will be required for some time period to file certain reports and documents with the SEC. In addition, the indenture relating to the notes also requires us to transmit to the holders of the notes and the Trustee, for so long as the notes are outstanding, the annual reports, quarterly reports and current reports that we are or would be required to file with the SEC under Section 13(a) or 15(d) of the Securities Exchange Act of 1934 within the time period on which we are required to file or would be required to file if we were so subject. However, the reports filed with the Trustee are not required to comply with all of the same securities requirements as those filed with the SEC.

You may read and, at prescribed rates, copy the registration statement at the public reference room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the public reference room may be obtained by calling the SEC at (800) 732-0330. The SEC also maintains a website at <http://www.sec.gov> that contains reports and other information regarding registrants that make electronic filings with the SEC using its EDGAR system, and you may access the registration statement by means of the SEC website. You may also obtain a copy of the registration statement of which this prospectus forms a part, and other information that we file with the SEC, as well as certain agreements that we have entered into, such as the indenture and the senior secured credit facility without charge to you by making a written request to us at Starz, LLC, 8900 Liberty Circle, Englewood, Colorado 80112, (720) 852-7700.

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Report of Independent Registered Public Accounting Firm

The Member
Starz, LLC:

We have audited the accompanying consolidated balance sheets of Starz, LLC and subsidiaries (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, cash flows, and member's interest and noncontrolling interests for each of the years in the three-year period ended December 31, 2012. 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 Starz, LLC and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Denver, Colorado
February 27, 2013

Starz, LLC and Subsidiaries

Consolidated Balance Sheets

December 31, 2012 and 2011

(in thousands)

	<u>2012</u>	<u>2011</u>
Assets		
Current assets:		
Cash and cash equivalents (Note 12)	\$ 749,774	\$ 1,099,887
Restricted cash	—	4,896
Trade accounts receivable, net of allowances of \$35,045 and \$38,355 (Note 12)	241,415	241,026
Program rights	340,005	388,298
Deferred income taxes (Note 10)	990	10,114
Other current assets	44,727	31,336
Total current assets	<u>1,376,911</u>	<u>1,775,557</u>
Program rights	338,684	373,552
Investment in films and television programs, net (Note 4)	181,673	183,942
Property and equipment, net (Note 5)	96,280	98,531
Deferred income taxes (Note 10)	12,222	—
Goodwill (Note 12)	131,760	131,760
Other assets, net	38,520	39,833
Total assets	<u>\$ 2,176,050</u>	<u>\$ 2,603,175</u>
Liabilities and Member's Interest and Noncontrolling Interests		
Current liabilities:		
Current portion of debt (Note 6)	\$ 4,134	\$ 4,129
Trade accounts payable	6,162	8,690
Accrued liabilities (Notes 7, 8, 9 and 11)	256,062	304,150
Due to affiliates (Note 8)	39,519	53,836
Deferred revenue	24,574	26,734
Total current liabilities	<u>330,451</u>	<u>397,539</u>
Debt (Note 6)	535,671	540,915
Deferred income taxes (Note 10)	—	10,308
Other liabilities (Note 11)	7,784	11,312
Total liabilities	<u>873,906</u>	<u>960,074</u>
Member's interest	1,311,951	1,651,484
Noncontrolling interests in subsidiaries	(9,807)	(8,383)
Total member's interest and noncontrolling interests	<u>1,302,144</u>	<u>1,643,101</u>
Commitments and contingencies (Note 11)		
Total liabilities and member's interest and noncontrolling interests	<u>\$ 2,176,050</u>	<u>\$ 2,603,175</u>

See accompanying notes to consolidated financial statements.

Starz, LLC and Subsidiaries
Consolidated Statements of Operations
Years Ended December 31, 2012, 2011 and 2010
(in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenue:			
Programming networks and other services	\$ 1,419,074	\$ 1,372,141	\$ 1,380,349
Home video net sales	211,622	241,892	224,988
Total revenue	<u>1,630,696</u>	<u>1,614,033</u>	<u>1,605,337</u>
Costs and expenses:			
Programming costs (including amortization) (Note 11)	661,157	651,249	647,817
Production and acquisition costs (including amortization)	192,340	158,789	177,954
Home video cost of sales	63,880	62,440	69,815
Operating expenses	53,410	53,703	73,260
Advertising and marketing (Note 12)	105,674	132,183	175,417
General and administrative (Notes 8 and 11)	109,403	106,081	125,421
Stock compensation, long term incentive plan and phantom stock appreciation rights (Note 9)	20,022	7,078	39,468
Depreciation and amortization	19,406	17,907	20,468
Total costs and expenses	<u>1,225,292</u>	<u>1,189,430</u>	<u>1,329,620</u>
Operating income	405,404	424,603	275,717
Other income (expense):			
Interest expense, including amounts due to affiliate of none, none, and \$16,054, net of amounts capitalized (Notes 6 and 8)	(25,688)	(5,012)	(20,932)
Other income (expense), net	3,023	(3,505)	(542)
Income from continuing operations before income taxes	<u>382,739</u>	<u>416,086</u>	<u>254,243</u>
Income tax expense (Note 10)	(130,465)	(172,189)	(98,764)
Income from continuing operations	<u>252,274</u>	<u>243,897</u>	<u>155,479</u>
Income (loss) from discontinued operations (including loss on sale of \$12,114 in 2011), net of income taxes (Note 3)	<u>—</u>	<u>(7,486)</u>	<u>3,315</u>
Net income	<u>252,274</u>	<u>236,411</u>	<u>158,794</u>
Net loss attributable to noncontrolling interests	2,210	3,273	—
Net income attributable to member	<u>\$ 254,484</u>	<u>\$ 239,684</u>	<u>\$ 158,794</u>

See accompanying notes to consolidated financial statements.

Starz, LLC and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2012, 2011 and 2010
(in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net income	\$ 252,274	\$ 236,411	\$ 158,794
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments from continuing operations	(73)	(529)	1,167
Foreign currency translation adjustments from discontinued operations	—	(5,946)	(1,172)
Other comprehensive loss	<u>(73)</u>	<u>(6,475)</u>	<u>(5)</u>
Comprehensive income	252,201	229,936	158,789
Comprehensive loss attributable to noncontrolling interests	2,167	3,447	—
Comprehensive income attributable to member	<u>\$ 254,368</u>	<u>\$ 233,383</u>	<u>\$ 158,789</u>

See accompanying notes to consolidated financial statements.

Starz, LLC and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2012, 2011 and 2010
(in thousands)

	2012	2011	2010
Operating activities:			
Net income	\$ 252,274	\$ 236,411	\$ 158,794
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss (income) from discontinued operations	—	7,486	(3,315)
Depreciation and amortization	19,406	17,907	20,468
Amortization of program rights	617,789	611,041	611,615
Program rights payments	(456,558)	(554,341)	(532,566)
Amortization of investment in films and television programs	141,553	126,102	116,928
Investment in films and television programs	(284,063)	(213,655)	(117,035)
Stock compensation, long term incentive plan and phantom stock appreciation rights	20,022	7,078	39,468
Payments of long term incentive plan and phantom stock appreciation rights	(33,410)	(7,696)	(196,232)
Noncash interest on debt due to affiliate	—	—	16,313
Deferred income taxes	(17,410)	37,023	52,954
Other non-cash items	4,533	11,014	2,808
Changes in assets and liabilities:			
Current and other assets	1,759	(29,101)	9,510
Due to affiliates	(5,637)	89,271	(1,554)
Payables and other liabilities	31,819	9,433	12,983
Net cash provided by operating activities	<u>292,077</u>	<u>347,973</u>	<u>191,139</u>
Investing activities—purchases of property and equipment	<u>(16,214)</u>	<u>(7,723)</u>	<u>(7,099)</u>
Financing activities:			
Borrowings of debt	500,000	505,000	129,343
Payments of debt	(504,029)	(59,170)	(202,035)
Debt issuance costs	(8,514)	(10,191)	—
Distributions to parent	(600,000)	—	(75,221)
Distributions to parent related to stock compensation	(4,689)	—	—
Minimum withholding of taxes related to stock compensation	(13,273)	—	—
Excess tax benefit from stock compensation	4,401	—	—
Contribution from parent	—	—	15,000
Contribution from noncontrolling owner of subsidiary	—	3,000	500
Settlement of derivative instruments	3	(2,863)	(6,301)
Restricted cash	—	8,226	10,300
Net cash provided by (used in) financing activities	<u>(626,101)</u>	<u>444,002</u>	<u>(128,414)</u>
Effect of exchange rate changes on cash and cash equivalents	125	(17)	59
Net cash provided by discontinued operations	<u>—</u>	<u>—</u>	<u>1,072</u>
Net increase (decrease) in cash and cash equivalents	(350,113)	784,235	56,757
Cash and cash equivalents:			
Beginning of year	1,099,887	315,652	258,895
End of year	<u>\$ 749,774</u>	<u>\$ 1,099,887</u>	<u>\$ 315,652</u>

See accompanying notes to consolidated financial statements.



Starz, LLC and Subsidiaries
Consolidated Statements of Member's Interest and Noncontrolling Interests
Years Ended December 31, 2012, 2011 and 2010

(in thousands)

	Member's Interest	Notes Receivable from Affiliate	Noncontrolling Interests	Total
Balance at January 1, 2010	\$ 1,469,898	\$ (489,134)	\$ —	\$ 980,764
Net income	158,794	—	—	158,794
Other comprehensive loss	(5)	—	—	(5)
Distributions to parent (Note 8)	(75,221)	—	—	(75,221)
Contribution of notes receivable from affiliate (Note 8)	426,254	—	—	426,254
Distribution of notes receivable to affiliate (Note 8)	(489,134)	489,134	—	—
Contribution from parent	15,000	—	—	15,000
Stock compensation	3,095	—	—	3,095
Contribution from noncontrolling owner of subsidiary	—	—	500	500
Balance at December 31, 2010	1,508,681	—	500	1,509,181
Net income (loss)	239,684	—	(3,273)	236,411
Other comprehensive loss	(6,301)	—	(174)	(6,475)
Contribution from parent (Note 8)	36,617	—	—	36,617
Change in deferred tax assets due to sale of noncontrolling interest (Note 10)	(141,135)	—	—	(141,135)
Stock compensation	5,352	—	150	5,502
Contribution from noncontrolling owner of subsidiary	—	—	3,000	3,000
Allocate member's interest in deficit to noncontrolling interest	8,586	—	(8,586)	—
Balance at December 31, 2011	1,651,484	—	(8,383)	1,643,101
Net income (loss)	254,484	—	(2,210)	252,274
Other comprehensive income (loss)	(116)	—	43	(73)
Distributions to parent (Note 1)	(600,000)	—	—	(600,000)
Distributions to parent related to stock compensation	(4,689)	—	—	(4,689)
Change in deferred tax assets due to sale of noncontrolling interest	(1,855)	—	(354)	(2,209)
Stock compensation	25,916	—	1,097	27,013
Minimum withholding of taxes related to stock compensation	(13,273)	—	—	(13,273)
Balance at December 31, 2012	<u>\$ 1,311,951</u>	<u>\$ —</u>	<u>\$ (9,807)</u>	<u>\$ 1,302,144</u>

See accompanying notes to consolidated financial statements.

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012, 2011 and 2010

Note 1—Basis of Presentation and Description of Business

Starz, LLC provides premium subscription video programming to United States ("U.S.") multichannel video programming distributors ("MVPDs"), including cable operators, satellite television providers and telecommunications companies. Starz, LLC also develops, produces and acquires entertainment content and distributes this content to consumers in the U.S. and throughout the world.

During August 2012, the board of directors of our parent company (f/k/a Liberty Media Corporation ("Old LMC")) authorized a plan to spin off wholly-owned subsidiary Liberty Spinco, Inc. ("Liberty Spinco") (the "Spin-Off"), which, at the time of the Spin-Off, would hold all of the businesses, assets and liabilities of Old LMC not associated with the businesses of Starz, LLC (with the exception of Starz, LLC's Englewood, Colorado corporate office building). On January 11, 2013, the Spin-Off was effected in a tax-free manner through the distribution, by means of a pro-rata dividend, of shares of Liberty Spinco to the stockholders of Old LMC. As a result, Liberty Spinco became a separate public company on January 11, 2013 and was renamed "Liberty Media Corporation" ("New LMC"). In connection with the Spin-Off, the parent company of Starz, LLC was renamed "Starz." Unless the context otherwise requires, Old LMC is used to refer to Starz, LLC's parent company when events or circumstances being described occurred prior to the Spin-Off and Starz is used to refer to Starz, LLC's parent company when events or circumstances being described occurred following the Spin-Off.

In connection with the Spin-Off, Starz, LLC distributed \$1.8 billion in cash to Old LMC (paid as follows: \$100.0 million on July 9, 2012, \$250.0 million on August 17, 2012, \$50.0 million on September 4, 2012, \$200.0 million on November 16, 2012 and \$1.2 billion on January 10, 2013) funded by a combination of cash on hand and \$550.0 million of borrowings under Starz, LLC's senior secured revolving credit facility. Such distributed cash was contributed to New LMC prior to the Spin-Off. Additionally, in connection with the Spin-Off, Starz, LLC distributed its Englewood, Colorado corporate office building and related building improvements to Old LMC (and Old LMC transferred such building and related improvements to a subsidiary of New LMC) and then leased back the use of such facilities from this New LMC subsidiary. Following the Spin-Off, New LMC and Starz operate independently, and neither have any stock ownership, beneficial or otherwise, in the other. See Note 15—Subsequent Events for additional information regarding agreements entered into in connection with the Spin-Off.

On September 13, 2012, Starz, LLC and Starz Finance Corp. co-issued \$500.0 million of 5% Senior Notes due September 15, 2019 (the "Senior Notes"). Starz Finance Corp. is a wholly-owned subsidiary of Starz, LLC and was formed for the sole purpose of co-issuing the Senior Notes. Starz Finance Corp. does not have and will not have any operations, assets or subsidiaries of its own. The Senior Notes pay interest semi-annually on September 15 and March 15 of each year. The Senior Notes are guaranteed by Starz Entertainment, LLC ("Starz Entertainment"). Starz, LLC used the net proceeds as well as cash on hand to repay and terminate the \$500.0 million term loan under its senior secured credit facilities. See Note 15—Subsequent Events for additional information regarding the Senior Notes.

On January 28, 2011, Starz, LLC sold a 25% interest in Starz Media Group, LLC ("Starz Media"), a previously wholly-owned subsidiary, to The Weinstein Company LLC ("TWC") for cash consideration of \$3.0 million.

Starz, LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

Note 1—Basis of Presentation and Description of Business (Continued)

In July 2010, Starz, LLC elected to shut down its majority-owned subsidiary Overture Films, LLC ("Overture Films"). Prior to its shut down, Overture Films produced, acquired and distributed motion pictures in theaters in the U.S. Overture Films used third party distributors to distribute its films outside the U.S. to the extent it held rights to such films in international territories. Overture Films' final three films were released theatrically during the fourth quarter of 2010. The Overture Films' library of films was retained by Starz, LLC and will continue to be exploited.

Following the Spin-Off, Starz, LLC is a wholly-owned subsidiary of Starz. Starz, LLC's business operations are conducted by our wholly-owned subsidiaries Starz Entertainment, Film Roman, LLC ("Film Roman") and certain other immaterial subsidiaries, and our majority-owned subsidiary Starz Media. Starz, LLC is managed by and organized around the following operating segments:

Starz Networks

Starz Networks' (previously referred to as Starz Channels) flagship premium networks are *Starz* and *Encore*. *Starz*, a first-run movie service, exhibits contemporary hit movies, original series, and documentaries. *Encore* airs first-run movies and classic contemporary movies. Starz Network's third network, *MoviePlex*, offers a variety of art house, independent films and classic movie library content. *Starz* and *Encore*, along with *MoviePlex*, air across 17 linear networks complemented by on-demand and Internet services. Starz Networks' premium networks are offered by MVPDs to their subscribers either on a fixed monthly price as part of a programming tier or package or on an a-la-carte basis.

Starz Distribution

Starz Distribution includes Starz, LLC's Home Video, Digital Media and Worldwide Distribution businesses.

Home Video

Starz, LLC, through its majority-owned subsidiary Anchor Bay Entertainment, LLC ("Anchor Bay Entertainment"), sells or rents DVDs (standard definition and Blu-ray™) under the Anchor Bay and Manga brands, in the U.S., Canada, the United Kingdom, Australia and other international territories to the extent it has rights to such content in international territories. Anchor Bay Entertainment develops and produces certain of its content and also acquires and licenses various titles from third parties. Certain of the titles produced or acquired by Anchor Bay Entertainment air on Starz Networks' *Starz* and *Encore* networks. Anchor Bay Entertainment also distributes other titles acquired or produced by Starz, LLC (including Overture Films' titles and Starz Networks' original programming content) and TWC's titles. These titles are sold to and distributed by regional and national retailers and other distributors, including Wal-Mart, Target, Best Buy, Ingram Entertainment, Amazon and Netflix.

Digital Media

Digital Media distributes digital and on-demand content for Starz, LLC's owned content and content for which it has licensed digital ancillary rights (including Overture Films' titles) in the U.S. and throughout the world to the extent it has rights to such content in international territories. Digital

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 1—Basis of Presentation and Description of Business (Continued)

Media receives fees for such services from a wide array of partners and distributors. These range from traditional MVPDs, Internet/mobile distributors, game developers/publishers and consumer electronics companies. Digital Media also distributes Starz Networks' original programming content and TWC's titles.

Worldwide Distribution

Worldwide Distribution (previously referred to as Television) distributes movies, television series, documentaries, children's programming and other video content. Worldwide Distribution exploits Starz, LLC's owned content and content for which it has licensed ancillary rights (including Overture Films' titles) on free or pay television in the U.S. and throughout the world on free or pay television and other media to the extent it has rights to such content in international territories. It also distributes Starz Networks' original programming content.

Starz Animation

Starz, LLC, through its wholly-owned subsidiary Film Roman, develops and produces two-dimensional animated content on a for-hire basis for distribution theatrically and on television for various third party entertainment companies. See also Note 3—Discontinued Operations.

Note 2—Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Starz, LLC and its majority-owned and controlled subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Starz, LLC considers amortization of program rights, the fair value of goodwill and any related impairment, the development of ultimate revenue estimates (as defined below under "Investment in Films and Television Programs") associated with released films, the assessment of investment in films and television programs for impairment, valuation allowances associated with deferred income taxes and allowances for sales returns to be its most significant estimates. Actual results may differ from those estimates.

Prior Period Reclassifications

Certain prior period amounts have been reclassified for comparability with the 2012 presentation. In addition, Starz reclassified \$53.6 million of program rights from current to long-term in the accompanying consolidated balance sheet as of December 31, 2011 to correctly reflect the estimated usage of program rights that extended beyond a year from that date. The revisions were not material to Starz's financial statements taken as a whole.

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 2—Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased. Cash and cash equivalents are invested at high credit quality financial institutions. Deposits generally exceed the Federal Deposit Insurance Corporation insurance limit.

Restricted Cash

Restricted cash includes amounts owed under the distribution agreement entered into with TWC (see Note 8).

Allowance for Trade Receivables

The allowance for trade receivables represents estimated losses which may result from the inability of customers to make required payments on trade accounts receivable and for sales returns. Allowances for sales returns are based on past experience and current trends that are expected to continue.

Program Rights

The cost of program rights for films and television programs exhibited by Starz Networks are generally amortized on a film-by-film basis over the anticipated number of exhibitions. Starz Networks estimates the number of exhibitions based on the number of exhibitions allowed in the agreement and the expected usage of the content. Certain other program rights are amortized to expense using the straight-line method over the respective lives of the agreements. Starz Networks generally has rights to two or three separate windows under its output agreements. For films with multiple windows, the license fee is allocated between the windows based upon the proportionate estimated fair value of each window with the majority of the cost allocated to the first window. Considerable management judgment is necessary to estimate the fair value of each window.

Investment in Films and Television Programs

Investment in films and television programs generally includes the cost of completed films, television programs and original productions which have been produced by Starz or for which Starz has acquired distribution rights, as well as the cost of films, television programs or original productions in production, pre-production and development. Capitalized costs include production costs, including labor, goods and services, interest and allocable overhead, acquisition of distribution rights (including cash advances paid to TWC for theatrical releases under the distribution agreement entered into with TWC—see Note 8), acquisition of story rights and the development of stories less the license fee for original productions, which have aired on the Starz linear channels, on-demand or on the Internet.

Starz allocates the cost of its original productions between the pay television window and the ancillary revenue markets (e.g. home video, digital platforms, international television, etc.) based on the estimated relative fair values of these markets. The amount associated with original productions is reclassified to program rights when the program is aired. Investment in films and television programs is amortized using the individual-film-forecast method, whereby the costs are charged to expense and royalty, participation and residual costs are accrued based on the proportion that current revenue from the films, television programs and original productions bears to an estimate of the remaining

Starz, LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

Note 2—Significant Accounting Policies (Continued)

unrecognized ultimate revenue. Ultimate revenue estimates do not exceed ten years following the date of initial release or from the date of delivery of the first episode for episodic television series. Estimates of ultimate revenue involve uncertainty and it is therefore possible that reductions in the carrying value of investment in films and television programs may be required as a consequence of changes in management's future revenue estimates.

Investment in films and television programs in development or pre-production is periodically reviewed to determine whether they will ultimately be used in the production of a film or television program. Costs of films, television programs and original productions in development or pre-production are charged to expense when a project is abandoned, or generally if the film, television program or original production has not been set for production within three years from the time of the first capitalized transaction.

Investment in films and television programs is reviewed for impairment on a title-by-title basis when an event or change in circumstances indicates that a film, television program or original production may be impaired. The estimated fair value for each title is determined using the discounted estimated future cash flow of each title. If the estimated fair value of a film, television program or original production is less than its unamortized cost, the excess of unamortized cost over the estimated fair value is charged to expense. Considerable management judgment is necessary to estimate the fair value of investment in films and television programs.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 15 years for support and distribution equipment, 3 to 7 years for furniture, fixtures and other assets and 40 years for the corporate office building. See Note 15—Subsequent Events for additional information regarding the distribution, and related lease-back, of the corporate office building to a subsidiary of New LMC.

Property and equipment is reviewed for impairment when an event or change in circumstances indicates that the asset may be impaired. If the carrying value of the asset is determined to not be recoverable and is greater than its fair value, then an impairment charge is recognized. The charge consists of the amount by which the carrying value of the asset exceeds its fair value. Fair value is estimated by considering sale prices for similar assets or by discounting estimated future cash flows from such asset using an appropriate discount rate. Considerable management judgment is necessary to determine recoverability and to estimate the fair value of property and equipment.

Goodwill

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified assets acquired. Goodwill is reviewed for impairment annually, at December 31, or more frequently if indicators of potential impairment exist. Starz, LLC utilizes a qualitative assessment for determining whether step one of the goodwill impairment analysis is necessary. In evaluating goodwill on a qualitative basis, Starz, LLC considers whether there were any negative macroeconomic conditions, industry specific conditions, market changes, increased

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 2—Significant Accounting Policies (Continued)

competition, increased costs in doing business, management challenges, the legal environment and how these factors might impact the company specific performance in future periods.

If step one is necessary, the fair value of each reporting unit in which goodwill resides is compared to its carrying value. Fair value is estimated by considering sale prices for similar assets or by discounting estimated future cash flows from such asset using an appropriate discount rate. For reporting units whose carrying value exceeds the fair value, a second test is required to measure the impairment loss. In the second 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. Considerable management judgment is necessary to estimate the fair value of each reporting unit.

Revenue Recognition

Programming revenue is recognized in the period during which programming is provided, pursuant to affiliation agreements. If an affiliation agreement has expired, revenue is recognized based on the terms of the expired agreement or the actual payment from the distributor, whichever is less. Payments to distributors for marketing support costs for which Starz, LLC does not receive a direct benefit are recorded as a reduction of the corresponding revenue. Certain sales incentives, including discounts and rebates, provided to distributors are accounted for as a reduction of revenue and are not significant.

Revenue generated from the sale of DVDs is recognized, net of an allowance for estimated sales returns, on the later of the estimated receipt of the product by the customer or after any restrictions on sale lapse. At the time of the initial sale, Starz, LLC also records a provision, based on historical trends and practices, to reduce revenue for discounts and rebates provided to customers related to the sale of DVDs.

Revenue from digital and television licensing is recognized when the film or program is complete in accordance with the terms of the arrangement, is available for exploitation and when certain other conditions are met. In the event that a licensee pays Starz, LLC a nonrefundable minimum guarantee at or prior to the beginning of a license term, Starz, LLC records this amount as deferred revenue until all of the criteria for recognition are met.

Starz, LLC recognizes revenue and related production costs related to animation services provided to customers under contract generally based on the percentage that costs incurred-to-date bear to estimated total costs to complete based upon the most recent information. Revenue recognized is proportional to the work performed-to-date under the contracts.

Revenue from the theatrical release of feature films is recognized at the time of exhibition based on Starz, LLC's participation in box office receipts.

Advertising and Marketing

Advertising and marketing costs are expensed as incurred. Certain of Starz, LLC's affiliation agreements require Starz, LLC to provide marketing support to the distributor based upon certain criteria, which are dependent on future events. Marketing support is mutually beneficial and generally

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 2—Significant Accounting Policies (Continued)

cooperative advertising and marketing between Starz, LLC and its distributors. Marketing support is recorded as an expense and not a reduction of revenue when Starz, LLC has received a direct benefit and the fair value of such benefit is determinable.

Stock-Based and Other Long-term Compensation

Starz, LLC 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). Starz, LLC measures the cost of employee services received in exchange for an award of liability instruments based on the current fair value of the award and re-measures the fair value of the award at each reporting date.

Certain current and former employees of Starz, LLC held awards granted under the Overture Films, LLC 2006 Long-term Incentive Plan (the "Overture LTIP"). Because Overture is a privately held enterprise, Starz, LLC utilized a probability-weighted expected return method to determine the fair value of the awards and corresponding compensation expense under the Overture LTIP. The estimated value per unit was estimated based upon an analysis of probability-weighted net present values of future returns, considering each of the various future outcomes.

Income Taxes

Starz, LLC and the majority of its wholly-owned subsidiaries are limited liability companies that are classified for U.S. federal income tax purposes as entities which are disregarded as separate from Old LMC/Starz. Starz, LLC is included in Old LMC's/Starz's consolidated federal and state income tax returns.

As a result of the sale of 25% of Starz Media to TWC, Starz Media is no longer consolidated for federal income tax purposes and is no longer consolidated in certain states for state income tax purposes with Old LMC/Starz and is now a separate taxpayer for federal purposes and in certain states. Effective April 1, 2012, Starz Media filed an election to convert itself from a limited liability company ("LLC") treated as a corporation to a partnership for federal and state income tax purposes.

The income tax provision included in these consolidated financial statements has been prepared as if Starz, LLC was a stand-alone federal and state taxpayer. Accordingly, Starz, LLC has applied the asset and liability method to account for income taxes. 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 Starz, LLC 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 Starz, LLC believes it more likely than not that such net deferred tax assets will not be realized.

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 2—Significant Accounting Policies (Continued)

Collaborative Arrangements

As part of its production and acquisition activities, Starz, LLC has entered into collaborative arrangements. A collaborative arrangement is a contractual arrangement that involves a joint operating activity. These arrangements involve two (or more) parties who are both (a) active participants in the activity and (b) exposed to significant risks and rewards dependent on the commercial success of the activity. A collaborative arrangement may provide that one participant has sole or primary responsibility for certain activities or that two or more participants have shared responsibility for certain activities. Starz, LLC records revenue and costs on a gross basis for activities for which it has been determined to be the principal and records revenue and costs on a net basis for activities for which it has been determined to be the agent. Payments made to other participants are recorded as participation expense within production and acquisition costs in the accompanying consolidated statements of operations.

Derivative Instruments and Hedging Activities

All 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 income (loss) 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.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, restricted cash, trade accounts receivable, trade accounts payable, accrued liabilities and due to affiliates approximates fair value, due to their short maturity. See Note 6 for information concerning the fair value of Starz, LLC's debt instruments.

Foreign Currency Translation

The functional currency of Starz, LLC is the U.S. dollar. The functional currency of Starz, LLC's foreign operations 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 related 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 included as a component of accumulated other comprehensive income (loss) in member's interest and noncontrolling interests and the consolidated statements of comprehensive income.

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 gains and losses which are reflected in the accompanying consolidated statements of operations as unrealized (based on the applicable period-end exchange rate) or realized upon settlement of the transactions.

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 2—Significant Accounting Policies (Continued)Recent Accounting Pronouncements

In October 2012, the Financial Accounting Standards Board amended the Accounting Standards Codification as summarized in Accounting Standards Update ("ASU") 2012-07— *Entertainment—Films (Topic 926)*. ASU 2012-07 eliminates the presumption that conditions leading to the write-off of unamortized film costs after the balance sheet date existed as of the balance sheet date. The amendment also eliminates the requirement that an entity incorporate into fair value measurements used in the impairment tests, the effects of any changes in estimates resulting from the consideration of subsequent evidence if the information would not have been considered by market participants at the measurement date. ASU 2012-07 is effective for impairment assessments performed on or after December 15, 2012 and should be applied prospectively. Starz, LLC does not believe that the amendment had any impact on its consolidated financial statements.

Note 3—Discontinued Operations

On March 3, 2011, Starz, LLC completed the sale of 92.5% of Starz Media Canada Co. ("Canada Co."), located in Toronto, Ontario, to a Canadian investor group and recognized a loss on the sale of \$12.1 million, before a tax benefit of \$3.9 million. Subsequent to the sale, Starz, LLC maintains a 7.5% ownership interest, but does not have significant involvement with the ongoing operations of Canada Co. Canada Co. develops and produces three-dimensional animated content on a for-hire basis.

The summarized statements of operations of Canada Co. for the years ended December 31, 2012, 2011 and 2010 included in discontinued operations in the consolidated statements of operations are as follows:

	<u>For the Years Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenue	\$ —	\$ 1,354	\$ 20,623
Operating expenses	—	(1,513)	(12,182)
Advertising and marketing	—	(2)	(103)
General and administrative	—	(114)	(1,102)
Depreciation	—	(447)	(1,773)
Operating income (loss)	—	(722)	5,463
Other expense	—	(61)	(274)
Income (loss) before income taxes	—	(783)	5,189
Income tax benefit (expense)	—	1,500	(1,874)
Net income	<u>\$ —</u>	<u>\$ 717</u>	<u>\$ 3,315</u>

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 4—Investment in Films and Television Programs, Net

Investment in films and television programs, net consists of the following (*in thousands*):

	December 31,	
	2012	2011
Released film costs-theatrical, less amortization	\$ 3,650	\$ 11,876
Film costs—television and DVD:		
Released, less amortization	44,101	67,912
Completed, but not released	343	7,283
In production	128,535	91,570
Development and pre-production	5,044	5,301
	<u>\$ 181,673</u>	<u>\$ 183,942</u>

Approximately 88% of the unamortized film costs (theatrical, television and DVD) for released films of \$47.8 million at December 31, 2012 are expected to be amortized within three years. Approximately \$32.4 million of the costs of Released and Completed, but not released films of \$48.1 million at December 31, 2012 are expected to be amortized during the next twelve months.

As a result of changes in ultimate revenue estimates, Starz Distribution recognized impairments of investment in films and television programs totaling \$17.2 million, \$12.9 million and \$46.6 million for the years ended December 31, 2012, 2011 and 2010, respectively. Such impairments are included in production and acquisition costs in the consolidated statements of operations.

Note 5—Property and Equipment, Net

Property and equipment, net consists of the following (*in thousands*):

	December 31,	
	2012	2011
Building and support equipment	\$ 100,061	\$ 139,368
Distribution equipment	91,824	95,423
Furniture, fixtures and other	15,277	15,115
	<u>207,162</u>	<u>249,906</u>
Less accumulated depreciation	(110,882)	(151,375)
	<u>\$ 96,280</u>	<u>\$ 98,531</u>

The cost of satellite transponders under capital leases included in distribution equipment was \$57.5 million and \$60.5 million as of December 31, 2012, and 2011, respectively. Accumulated depreciation for these transponders was \$30.2 million and \$27.7 million at December 31, 2012 and 2011, respectively. During 2012, Starz, LLC conducted a review of its fixed asset records and wrote-off \$56.0 million of fully depreciated assets that are no longer in service.

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 6—Debt

Debt consists of the following (*in thousands*) :

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Senior Secured Credit Facilities(a)	\$ 5,000	\$ 505,000
Senior Notes(b)	500,000	—
Transponder capital leases(c)	34,805	40,044
Total debt	539,805	545,044
Less current portion of debt	(4,134)	(4,129)
Debt	<u>\$ 535,671</u>	<u>\$ 540,915</u>

- (a) On November 16, 2011, Starz, LLC entered into a credit agreement that provides a \$1,000 million revolving credit facility, with a \$50 million sub-limit for standby letters of credit, and \$500.0 million of term loans (the "Senior Secured Credit Facilities"). At closing, Starz, LLC borrowed \$500 million under the term loan facility and \$5 million under the revolving credit facility. Net proceed from the Senior Notes and cash on hand were used to repay and terminate the term loans in September 2012. Borrowings under the revolving credit facility may be prepaid at any time and from time to time without penalty other than customary breakage costs. Any amounts prepaid on the revolving credit facility may be reborrowed. The revolving credit facility is scheduled to mature on November 16, 2016.

Interest on each loan under the Senior Secured Credit Facilities is payable at either an alternate base rate or LIBOR at Starz, LLC's election. Borrowings that are alternate base rate loans bear interest at a per annum rate equal to the alternate base rate plus a margin that varies between 0.50% and 1.50% depending on the consolidated leverage ratio, as defined in the Senior Secured Credit Facilities. The alternate base rate is the highest of (a) the Prime Rate, (b) the Federal Funds Effective Rate plus $\frac{1}{2}$ of 1% or (c) LIBOR for a one-month interest period plus 1%. Borrowings that are LIBOR loans bear interest at a per annum rate equal to the applicable LIBOR plus a margin that varies between 1.50% and 2.50% depending on the consolidated leverage ratio. The Senior Secured Credit Facilities require Starz, LLC to pay a commitment fee on any unused portion under the revolving credit facility. The commitment fee varies between 0.25% and 0.50%, depending on the consolidated leverage ratio.

As of December 31, 2012, the following borrowings and related LIBOR interest rates were outstanding under the Senior Secured Credit Facilities (*dollars in thousands*) :

	<u>Interest Rate</u>	<u>Loan Amount</u>
LIBOR period:		
December 2012 - January 2013	1.9617%	\$ 5,000

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 6—Debt (Continued)

The Senior Secured Credit Facilities contain certain covenants that include restrictions on, among others, incurring additional debt, paying dividends or making certain distributions, investments and other restricted payments, liens, guarantees and investments. In addition, Starz, LLC must comply with certain financial covenants including a consolidated leverage ratio, as defined in the agreement. As of December 31, 2012, Starz, LLC is in compliance with all covenants under the Senior Secured Credit Facilities.

- (b) On September 13, 2012, Starz, LLC and Starz Finance Corp. co-issued \$500.0 million aggregate principal amount of Senior Notes, due September 15, 2019. The Senior Notes bear interest at a rate of 5.0% payable semi-annually on September 15 and March 15 of each year. The Senior Notes are guaranteed by Starz Entertainment. Starz, LLC used the net proceeds and cash on hand to repay and terminate the \$500.0 million term loan under our Senior Secured Credit Facilities. During the first quarter of 2013, Starz, LLC completed an exchange offer for the Senior Notes and co-issued an additional \$175.0 million 5.0% senior notes (see Note 15—Subsequent Events).

The Senior Notes rank equally in right of payment to all existing and future senior obligations and existing and future subordinated obligations. The Senior Notes are effectively subordinated to any existing and future secured obligations and to all the liabilities of the subsidiaries that do not guarantee the Senior Notes.

The Senior Notes contain certain covenants that include restrictions on, among others, incurring additional debt, paying dividends or making certain distributions, investments and other restricted payments, liens, guarantees and investments. As of December 31, 2012, Starz, LLC is in compliance with all covenants under the Senior Notes.

- (c) Starz Entertainment has entered into capital lease agreements for its transponder capacity. The agreements expire during 2018 to 2021 and have an imputed annual interest rates ranging from 5.5% to 7.0%.

Debt maturities for the next five years and thereafter are as follows (*in thousands*) :

2013	\$ 6,228
2014	6,228
2015	6,228
2016	11,228
2017	6,228
Thereafter	512,346
Total minimum payments	<u>548,486</u>
Less: amounts representing interest	(8,681)
Present value of debt payments	<u>539,805</u>
Less: current portion of debt obligations	(4,134)
Long-term portion of debt obligations	<u><u>\$ 535,671</u></u>

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 6—Debt (Continued)

At December 31, 2012, the fair value of the Senior Notes was \$517.8 million and was based upon quoted prices in active markets. Starz, LLC believes the fair value of the remaining debt approximates its carrying value as of December 31, 2012 due to its variable rate nature and Starz, LLC's stable credit spread.

Amounts totaling \$2.2 million, \$2.0 million and \$2.0 million in interest costs have been capitalized as investment in films and television programs during the years ended December 31, 2012, 2011 and 2010, respectively.

Note 7—Accrued Liabilities

Accrued liabilities consist of the following (*in thousands*) :

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Royalties, residuals and participations	\$ 72,139	\$ 46,692
Participations payable to TWC	23,861	56,201
Program rights payable	57,125	65,600
Advertising and marketing	38,779	39,381
Payroll and related costs	23,657	22,380
Accrued compensation related to long term incentive plan	3,195	33,854
Other	37,306	40,042
	<u>\$ 256,062</u>	<u>\$ 304,150</u>

Approximately 85% of accrued royalties, participations and residuals of \$72.1 million at December 31, 2012 are expected to be paid during the next twelve months.

Note 8—Related Party TransactionsDue to Affiliates

Prior to the Spin-Off, Starz, LLC participated in Old LMC's employee benefit plans (medical, dental, life insurance, etc.) and will participate in Starz's plans following the Spin-off. Charges from Old LMC related to these benefits and other miscellaneous charges are included in general and administrative expenses in the accompanying consolidated statements of operations and aggregated \$12.5 million, \$12.4 million and \$12.8 million for the years ended December 31, 2012, 2011 and 2010, respectively. Such amounts were invoiced by Old LMC on a monthly basis and were due upon receipt of the invoice by Starz, LLC. Amounts due to affiliate for such charges totaled \$1.0 million and \$3.6 million as of December 31, 2012 and 2011, respectively.

Due to affiliates at December 31, 2012 and 2011 also includes \$38.5 million and \$50.2 million respectively for amounts owed to Old LMC for income tax obligations.

Starz, LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

Note 8—Related Party Transactions (Continued)

Contributions from (Distributions to) Affiliate

Starz, LLC is a single member LLC, which is treated as an entity that is disregarded as being separate from Old LMC/Starz for U.S. federal income tax purposes. As such, Starz, LLC is included in the consolidated federal and state income tax returns of Old LMC prior to the Spin-Off. Prior to 2011, Starz, LLC's subsidiary Starz Media was subject to a separate tax sharing agreement with Old LMC. As a result, the tax benefits of losses generated by Starz Media were not included in the calculation of Starz, LLC's tax obligation to Old LMC. Accordingly, Starz, LLC's tax payments to Old LMC prior to 2011 were in excess of what Starz, LLC's consolidated tax obligation would have been if Starz Media was included in the tax calculation. Such excess payments of \$75.2 million are reflected as distributions to parent in the accompanying consolidated statements of cash flows and consolidated statements of member's interest and noncontrolling interests.

As a result of the sale of the 25% interest to TWC in January 2011, Starz Media is now a separate taxpayer for federal purposes and in certain states. During the year ended December 31, 2011, Starz, LLC's tax liability to Old LMC was reduced by \$36.6 million due to the overpayment of 2010 tax sharing obligations which were treated as a distribution to affiliate in 2010. Such reduction is reflected as a contribution from affiliate in the accompanying consolidated statement of member's interest and noncontrolling interests.

During 2006, Starz, LLC entered into two notes receivable totaling \$489.1 million with Liberty Media LLC, a wholly-owned subsidiary of Old LMC. Such notes were classified in member's interest. Starz, LLC distributed the notes receivable to Liberty Media LLC on September 30, 2010 in connection with a corporate reorganization. Starz, LLC did not recognize interest on the notes receivable.

Note Payable due to Affiliate

On December 28, 2006, a wholly-owned subsidiary of Starz Media, entered into a note agreement with Liberty Media LLC to fund the operating needs of this subsidiary. Such note bore interest at a rate of LIBOR plus 4.0%. On September 30, 2010, Liberty Media LLC contributed its receivable under the note agreement aggregating \$363.6 million to Starz, LLC in connection with a corporate reorganization. Such note agreement was canceled on October 1, 2011. See Note 6 for interest capitalized as investment in films and television programs.

Mezzanine Debt due to Affiliate

On January 2, 2008, Overture Films entered into a \$50.0 million, six year secured term credit facility (the "Overture Mezzanine Debt") with Liberty Media LLC. The Overture Mezzanine Debt was used to fund certain costs and working capital associated with the production or acquisition of theatrical films. On September 30, 2010, Liberty Media LLC contributed its receivable under the Overture Mezzanine Debt aggregating \$62.7 million to Starz, LLC in connection with a corporate restructuring. Interest on each loan under the Overture Mezzanine Debt was payable at LIBOR plus 10.00% per annum. Such note agreement was canceled in August 2012. See Note 6 for interest capitalized as investment in films and television programs.

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 8—Related Party Transactions (Continued)

Related Party

As discussed previously, on January 28, 2011, Starz, LLC sold a 25% interest in Starz Media to TWC. In December 2010, Anchor Bay Entertainment entered into a five-year license agreement with TWC for the distribution, by the Home Video and Digital Media businesses, of certain of TWC's theatrical releases. Starz, LLC recognized participation expense of \$60.8 million, \$72.1 million and none, which is included in production and acquisition costs in the accompanying statement of operations, for TWC's share of the net proceeds under the license agreement, for the years ended December 31, 2012, 2011 and 2010, respectively. Starz, LLC's accrued advances payable to TWC totaled \$23.9 million and \$56.2 million, which is included in accrued liabilities in the accompanying consolidated balance sheets, at December 31, 2012 and 2011, respectively. Starz Entertainment guarantees Anchor Bay Entertainment's advance payments to TWC under this agreement up to \$50.0 million.

Note 9—Stock Options, Long Term Incentive Plan and Phantom Stock Appreciation Rights

Stock Options —Pursuant to an Old LMC incentive plan, Old LMC granted to certain of Starz, LLC's employees stock options to purchase former Liberty Starz common stock and restricted shares of Liberty Starz common stock. In November 2011, Old LMC exchanged each share of outstanding Series A Liberty Starz common stock for 0.88129 of a share of Old LMC's Series A Liberty Capital common stock ("LMCA"). The outstanding Liberty Starz restricted stock was also exchanged for LMCA restricted stock using the same ratio. An adjustment was made to the strike price of and number of shares (using the same ratio) subject to each outstanding stock option to purchase shares of Liberty Starz common stock. The exchange of stock options and restricted stock was considered a modification of the previous award, however, the impact to compensation expense was not significant.

On December 4, 2012 (the "Grant Date"), pursuant to the approval of the Compensation Committee of its Board of Directors, Old LMC effected the acceleration of each unvested in-the-money option to acquire shares of LMCA held by certain of its and its subsidiaries' officers (collectively, the "Eligible Optionholders"), including one executive officer of Starz, LLC. Following this acceleration, also on the Grant Date, each Eligible Optionholder exercised, on a net settled basis, substantially all of his or her outstanding in-the-money vested and unvested options to acquire LMCA shares (the "Eligible Options") (collectively, the "Exchange"), and:

- with respect to each vested Eligible Option, Old LMC granted the Eligible Optionholder a vested new option with substantially the same terms and conditions as the exercised vested Eligible Option, except that the exercise price for the new option is the closing price per LMCA share, as applicable, on The Nasdaq Global Select Market on the Grant Date; and
- with respect to each unvested Eligible Option:
 - the Eligible Optionholder sold to Old LMC the shares of LMCA received upon exercise of such unvested Eligible Option on the Grant Date for cash equal to the closing price of LMCA on The Nasdaq Global Select Market on the Grant Date;

Starz, LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

Note 9—Stock Options, Long Term Incentive Plan and Phantom Stock Appreciation Rights (Continued)

- Each Eligible Optionholder used the proceeds of that sale to purchase from Old LMC at that price an equal number of restricted LMCA shares, as applicable, which have a vesting schedule identical to that of the exercised unvested Eligible Option; and
- Old LMC granted the Eligible Optionholder an unvested new option, with substantially the same terms and conditions as the exercised unvested Eligible Option, except that (a) the number of shares underlying the new option is equal to the number of shares underlying such exercised unvested Eligible Option less the number of restricted shares purchased from Old LMC as described above and (b) the exercise price of the new option is the closing price of LMCA on The Nasdaq Global Select Market on the Grant Date.

Starz, LLC recognized \$20.0 million (including \$5.8 million of expense related to the Exchange), \$6.9 million and \$4.3 million during the years ended December 31, 2012, 2011 and 2010, respectively of compensation expense related to vested stock options and restricted stock. As of December 31, 2012, the total unrecognized compensation cost related to the unvested stock options and restricted stock was approximately \$44.7 million. Such amount will be recognized in Starz, LLC's consolidated statements of operations over a weighted average period of approximately 2.4 years.

The historical awards granted in 2012, 2011 and 2010 are summarized as follows:

	Options Granted	Weighted Average Grant-Date Fair Value
2012 Awards:		
Stock options—LMCA	688,000	\$ 40.12
Stock options—LMCA issued in the Exchange	482,535	\$ 42.36
Restricted stock—LMCA	58,110	\$ 105.56
2011 Awards:		
Stock options—LMCA	100,000	\$ 32.60
Stock options—Series A Liberty Starz Common Stock	496,000	\$ 21.36
Restricted stock—Series A Liberty Starz Common Stock	11,655	\$ 77.52
2010 Awards:		
Stock options—Series A Liberty Starz Common Stock	208,500	\$ 16.17
Restricted stock—Series A Liberty Starz Common Stock	—	—

The 2012, 2011 and 2010 stock option awards vest quarterly over a 4 year period and have a term of 7 years, except with respect to certain of the Exchange options which have a term of 10 years. Starz, LLC calculates the grant-date fair value for the stock options using the Black-Scholes Model. The expected term used in the Black-Scholes calculation was a range of 4.50 to 7.08 years for the 2012 awards, 4.40 years for the 2011 awards and 4.56 years for the 2010 awards. The expected volatility was a range of 37.5% to 54.2% for the 2012 awards, 31.9% for the Liberty Starz grants and 54.2% for the LMCA grants for the 2011 awards and 33.6% for the 2010 awards. The expected volatility used in the calculation for the awards is based on the historical volatility of Old LMC's LMCA, Starz and Capital tracking stocks and the implied volatility of LMC's publicly traded options. Starz, LLC uses a zero

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

Note 9—Stock Options, Long Term Incentive Plan and Phantom Stock Appreciation Rights (Continued)

dividend rate as Starz, LLC has not historically declared dividends and a range of risk-free rates of 0.5% to 1.0% for the 2012 awards, 0.7% to 1.9% for the 2011 awards and 2.2% to 2.4% for the 2010 awards which are derived from U.S. Treasury Bonds with a term similar to that of the subject options. The grant-date fair value of the 2012 outstanding restricted shares of 58,110 was based on the market value of the Series A Liberty Starz common stock related to the unvested LMCA options which they were exchanged for as follows: 3,100 restricted shares at \$105.56, 43,546 restricted shares at \$105.56 and 11,464 restricted shares at \$105.56 per share. The grant-date fair value of the 2011 outstanding restricted shares of 11,655 was based on the market value of the Series A Liberty Starz common stock at the grant date of \$77.52 per share. Of the 58,110 restricted shares granted in 2012, 46,646 will vest on December 31, 2013 and 11,464 will vest quarterly through December 15, 2015. The 2011 grant of restricted shares vest annually over three years.

The following table presents the number and weighted average exercise price ("WAEP") of the historical Liberty Starz stock options prior to the conversion in November 2011 to LMCA stock options:

	<u>Options</u>	<u>WAEP</u>
Outstanding at January 1, 2010	600,000	\$ 61.53
Granted	208,500	\$ 51.04
Exercised	(3,310)	\$ 51.03
Forfeited	(10,439)	\$ 51.03
Expired/cancelled	—	\$ —
Outstanding at December 31, 2010	<u>794,751</u>	<u>\$ 59.41</u>
Granted	496,000	\$ 72.92
Exercised	(8,683)	\$ 52.63
Forfeited	(31,626)	\$ 64.78
Expired/cancelled	—	\$ —
Liberty Starz conversion to LMCA	<u>(1,250,442)</u>	<u>\$ 57.56</u>
Outstanding at December 31, 2011	<u>—</u>	<u>\$ —</u>

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 9—Stock Options, Long Term Incentive Plan and Phantom Stock Appreciation Rights (Continued)

The following table presents the number and WAEP of LMCA stock options after the conversion from Liberty Starz stock options in November 2011:

	<u>Options</u>	<u>WAEP</u>
Outstanding at December 31, 2010	—	\$ —
Liberty Starz conversion to LMCA	1,101,922	\$ 65.31
Granted	100,000	\$ 73.45
Exercised	(275)	\$ 57.90
Forfeited	—	\$ —
Expired/cancelled	—	\$ —
Outstanding at December 31, 2011	<u>1,201,647</u>	<u>\$ 65.99</u>
Granted	688,000	\$ 90.49
Exercised	(166,316)	\$ 73.13
The Exchange, Granted	482,535	\$ 105.56
The Exchange, Exercised	(540,645)	\$ 63.37
Forfeited	(49,510)	\$ 83.27
Expired/cancelled	—	\$ —
Outstanding at December 31, 2012	<u>1,615,711</u>	<u>\$ 93.14</u>
Exercisable at December 31, 2012	<u>520,540</u>	<u>\$ 95.84</u>

At December 31, 2012 the weighted-average remaining contractual term of the outstanding options is 6.1 years and the exercisable options is 6.2 years.

Long Term Incentive Plan —Starz, LLC granted incentive units to certain officers and key employees ("Plan Participants") under the 2006 long term incentive plan ("2006 LTIP"). Such grants vest over a period of four years. Compensation under the 2006 LTIP is computed based on the vested percentage of units granted and a formula based on a multiple of earnings before interest, taxes, depreciation and amortization, adjusted for certain net assets or liabilities of Starz Entertainment, as defined. During 2010, Starz, LLC amended the LTIP to freeze the value of the 2006 LTIP units at the value calculated as of December 31, 2009. All amounts accrued under the 2006 LTIP are payable in cash, Old LMC common stock or a combination thereof at specified dates through 2013.

Starz, LLC recognized none, \$0.2 million and \$3.1 million during the years ended December 31, 2012, 2011 and 2010, respectively, of compensation expense related to the 2006 LTIP. During the years ended December 31, 2012, 2011 and 2010, Starz, LLC made payments of \$33.4 million, \$7.7 million and \$46.6 million, respectively, to certain Plan Participants under the 2006 LTIP. Starz, LLC has accrued \$3.2 million as of December 31, 2012 related to the 2006 LTIP, which is included in accrued liabilities in the accompanying consolidated balance sheet.

PSARs —Starz, LLC had fully vested outstanding Phantom Stock Appreciations Rights ("PSAR") held by its founder and former chief executive officer. Effective September 30, 2009, the founder and former chief executive officer elected to exercise all of his remaining PSARs. In December 2010, Starz, LLC paid \$149.6 million in cash to settle the PSARs which was determined by a valuation

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 9—Stock Options, Long Term Incentive Plan and Phantom Stock Appreciation Rights (Continued)

process as described in the PSAR agreement. Prior to this valuation process, the value of the PSARs was based on the estimated fair value of Starz Entertainment, as adjusted for certain assets and liabilities as defined, utilizing a discounted cash flow model. Starz, LLC recognized none, none and \$33.7 million of compensation expense during the years ended December 31, 2012, 2011 and 2010, respectively, related to these PSARs.

Overture Long Term Incentive Plan—In November 2006, Starz, LLC established the Overture LTIP to provide long term compensation to secure loyal and continued services and promote profitability and efficiency within Overture Films. As previously noted, Starz, LLC ceased operations at Overture Films in July 2010. Starz, LLC determined that the units have no value due to the valuation of Overture Films at the time it ceased operations and as of the 2012 valuation date provided in the Overture LTIP. Accordingly, during the year ended December 31, 2010, Starz, LLC eliminated the previously recorded liability of \$1.6 million related to 14.24 outstanding units Starz, LLC recognized credits to compensation expense related to the Overture LTIP of none, none and \$1.6 million during the years ended December 31, 2012, 2011 and 2010, respectively. Starz, LLC has no further obligations to grantees under the Overture LTIP.

Note 10—Income Taxes

Starz, LLC is a single member LLC, which is treated as a disregarded entity for U.S. federal income tax purposes. As such, it is included in the consolidated federal and state income tax returns of Old LMC. The income tax accounts and provisions included in these consolidated financial statements have been prepared as if Starz, LLC was a stand-alone federal and state taxpayer.

Income tax expense consists of the following (*in thousands*) :

	Years ended December 31,		
	2012	2011	2010
Current:			
Federal	\$ 141,537	\$ 122,505	\$ 38,117
State and local	4,580	10,018	2,715
Foreign	1,758	2,643	4,978
	<u>147,875</u>	<u>135,166</u>	<u>45,810</u>
Deferred:			
Federal	(21,782)	34,423	48,590
State and local	4,372	2,600	4,364
	<u>(17,410)</u>	<u>37,023</u>	<u>52,954</u>
Income tax expense	<u>\$ 130,465</u>	<u>\$ 172,189</u>	<u>\$ 98,764</u>

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 10—Income Taxes (Continued)

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

	<u>Years ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Computed expected tax expense	\$ 133,959	\$ 145,630	\$ 88,985
State and local income taxes, net of federal income taxes	10,162	8,000	4,168
Foreign taxes, net of foreign tax credit	832	1,024	(563)
Noncontrolling interest—partnership investment	1,297	—	—
Change in valuation allowance affecting tax expense	76,933	(223,992)	5,974
Taxable liquidation of subsidiary	(101,299)	—	—
Change in subsidiary tax status	9,018	—	—
Expiration of capital loss	—	241,934	—
Other, net	(437)	(407)	200
Income tax expense	<u>\$ 130,465</u>	<u>\$ 172,189</u>	<u>\$ 98,764</u>

Effective April 1, 2012, Starz Media filed an election to convert itself from a LLC treated as a corporation to a partnership for U.S. federal and state income tax purposes. As a result of the conversion, Starz, LLC recognized a capital loss on the deemed liquidation of Starz Media. Based on the relevant accounting literature, Starz, LLC had not previously recorded a benefit for the tax basis in the stock of Starz Media. The capital loss of \$101.3 million (as tax effected) is being carried forward and is recorded as a long term deferred tax asset. Starz, LLC does not believe that it is more likely than not that it would be able to generate capital gains to utilize any of this capital loss carryforward as a stand-alone taxpayer and as such, has recorded a full valuation allowance against this capital loss.

In addition, under current U.S. federal and state tax law, LLC's treated as partnerships are not subject to income tax at the entity level. As such, the election to convert Starz Media to partnership treatment for income tax purposes resulted in the reversal of deferred tax assets related to Starz Media's deductible temporary differences of \$16.1 million and the reversal of a valuation allowance offsetting these deferred tax assets of \$16.1 million. Also, a deferred tax asset of \$7.1 million was recorded for the initial difference between the book basis and the tax basis of Starz, LLC's investment in the Starz Media partnership as of April 1, 2012

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 10—Income Taxes (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2012 and 2011 are presented below (*in thousands*) :

	December 31,	
	2012	2011
Deferred tax assets:		
Tax loss and credit carryforwards	\$ 155,861	\$ 56,682
Accrued stock compensation	5,575	19,301
Investments	25,516	6,747
Deferred revenue	—	1,588
Intangible assets	1,163	—
Other future deductible amounts	219	24,752
Deferred tax assets	188,334	109,070
Valuation allowance	(155,861)	(78,141)
Deferred tax assets, net	32,473	30,929
Deferred tax liabilities:		
Property and equipment	(18,807)	(23,070)
Intangible assets	—	(8,053)
Other future taxable amounts	(454)	—
Deferred tax liabilities	(19,261)	(31,123)
Net deferred tax assets (liabilities)	<u>\$ 13,212</u>	<u>\$ (194)</u>

The net increase in the valuation allowance was \$77.8 million in 2012. The gross change in the valuation allowance that affected tax expense was \$76.9 million.

Starz, LLC's ability to utilize its foreign income tax credit carryforwards is dependent on Starz, LLC generating foreign-source taxable income. Based on management's assessment of projected foreign source taxable income and available tax planning strategies, Starz, LLC does not believe that it is more likely than not that it will utilize the foreign income tax credit carryforward deferred tax asset before it expires. As such, Starz, LLC has recorded a valuation allowance of \$17.2 million and \$15.1 million related to those credit carryforwards as of December 31, 2012 and 2011, respectively.

Starz, LLC has generated net operating losses in certain foreign and state jurisdictions in which Starz, LLC operates. Because Starz, LLC's ability to utilize these losses is dependent on it generating future taxable income in these jurisdictions, Starz, LLC does not believe that it is more likely than not that it will utilize these losses. As such, Starz, LLC has recorded a valuation allowance of \$1.7 million and \$5.9 million related to those foreign and state net operating losses as of December 31, 2012 and 2011, respectively.

Starz, LLC has a capital loss carryforward deferred tax asset of \$137.0 million and \$35.7 million as of December 31, 2012 and 2011, respectively, that Starz, LLC does not believe that it is more likely than not that it will utilize. As such, Starz, LLC has recorded a valuation allowance of \$137.0 million

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 10—Income Taxes (Continued)

and \$35.7 million related to these capital loss carryforwards as of December 31, 2012 and 2011, respectively.

The election to convert Starz Media to partnership treatment for income tax purposes resulted in the reversal deductible temporary differences of \$21.4 million as of December 31, 2011, including the \$16.1 million as discussed above, and the reversal of the valuation allowance offsetting these deductible temporary differences.

Note 11—Commitments and Contingencies

Programming Rights

Starz, LLC has entered into an exclusive long-term licensing agreement for theatrically released films from the Walt Disney Company ("Disney") through 2015. The agreement provides Starz, LLC with exclusive pay TV rights to exhibit qualifying theatrically released live-action and animated feature films under the Disney, Touchstone, Pixar and Marvel labels. Theatrically released films produced by DreamWorks are not licensed to Starz, LLC under the agreement. In addition, we are obligated to pay programming fees for all qualifying films that are released theatrically in the U.S. by Sony Pictures Entertainment Inc.'s ("Sony") Columbia Pictures, Screen Gems, Sony Pictures Classics and TriStar labels through 2021, subject to certain limitations. On February 11, 2013, Starz announced a new, multi-year output licensing agreement for theatrically released motion pictures from Sony that extends its relationship with Sony through 2021. The previous agreement had covered motion pictures released theatrically through 2016. The programming fees to be paid to Disney and Sony are based on the quantity and domestic theatrical exhibition receipts of qualifying films. Starz, LLC has also entered into agreements with a number of other motion picture producers and is obligated to pay fees for the rights to exhibit certain films that are released by these producers.

The unpaid balance for film rights related to films that were available at December 31, 2012 is reflected in accrued liabilities and in other liabilities in the accompanying consolidated balance sheets. As of December 31, 2012, such liabilities aggregated approximately \$58.6 million and are payable as follows: \$57.1 million in 2013 and \$1.5 million in 2014.

Under the agreements with Disney and Sony, Starz, LLC is obligated to pay fees for the rights to exhibit films that have been released theatrically, but are not available for exhibition by Starz, LLC until some future date. The estimated amounts payable under Starz, LLC's programming license agreements, including the Disney and Sony agreements, which have not been accrued as of December 31, 2012, are as follows: \$325.0 million in 2013; \$101.4 million in 2014; \$71.7 million in 2015; \$63.8 million in 2016, \$64.0 million in 2017 and \$265.7 million thereafter.

Starz, LLC is also obligated to pay fees for films that have not yet been released in theaters. Starz, LLC is unable to estimate the amounts to be paid under these agreements for films that have not yet been released in theaters; however, such amounts are expected to be significant.

Total amortization of program rights was \$617.8 million, \$611.0 million and \$611.6 million for the years ended December 31, 2012, 2011 and 2010, respectively. These amounts are included in programming costs in the accompanying consolidated statements of operations.

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 11—Commitments and Contingencies (Continued)Operating Leases

Starz, LLC leases office facilities, back-up transponder capacity, and certain other equipment under operating lease arrangements. Rental expense under such arrangements amounted to \$7.1 million, \$6.6 million and \$7.9 million for the years ended December 31, 2012, 2011 and 2010, respectively. Such amounts are included in operating expenses and general and administrative expenses in the accompanying consolidated statements of operations.

The future minimum payments under noncancelable operating leases, net of subleases, at December 31, 2012 are as follows (*in thousands*) :

2013	\$ 6,123
2014	5,595
2015	5,025
2016	3,709
2017	780
Thereafter	1,700
	<u>\$ 22,932</u>

Foreign Currency Hedge Contracts

Starz, LLC has entered into foreign currency hedge contracts to manage its foreign currency risk in connection with certain original programming series produced in South Africa. Starz, LLC has committed to pay US\$14.3 million for ZAR119.6 million during 2013.

Guarantees

Canada Co. entered into an agreement with the Ontario government whereby Canada Co. is eligible to receive funds under the Canadian Next Generation of Jobs Fund Grant ("NGOJF") through the termination date of March 31, 2014. The maximum amount of the grant available and the guarantee is \$23.1 million. Starz Entertainment entered into a guarantee for any amounts owed to the Ontario government under the grant if Canada Co. does not meet its obligations. The Ontario government can demand payment from Starz Entertainment if Canada Co. does not perform any of its obligations. The maximum potential amount payable under the guarantee is \$10.7 million at December 31, 2012 and Starz has accrued \$8.5 million related to this guarantee in accrued liabilities in the accompanying consolidated balance sheet as of December 31, 2012. As discussed in Note 3, Starz sold its controlling interest in Canada Co. on March 3, 2011. The terms of the guarantee have not changed.

Starz Entertainment is the guarantor on two noncancelable operating leases in which an affiliate within each of the Starz Distribution and Starz Animation businesses is the tenant. The maximum potential amount payable under these guarantees is \$13.0 million at December 31, 2012. Starz Entertainment does not currently expect to have to perform under these obligations. The leases expire in 2014 and 2016.

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 11—Commitments and Contingencies (Continued)Legal Proceedings

On March 9, 2011, Starz Entertainment notified DISH Network L.L.C. ("DISH") that DISH breached its affiliation agreement with Starz Entertainment by providing a free preview for one year of eight of the Starz and Encore channels to a substantial number of DISH customers without Starz Entertainment's written approval. On May 3, 2011, Starz Entertainment filed a lawsuit against DISH in Douglas County, Colorado District Court, 18th Judicial District, alleging that DISH breached its affiliation agreement with Starz Entertainment in connection with such free preview and seeking damages for breach of contract. On May 2, 2011, Disney Enterprises, Inc. filed a lawsuit against DISH in connection with the same free preview in U.S. District Court for the Southern District of New York, seeking damages for copyright infringement. In addition, on July 19, 2011, FX Networks filed a separate lawsuit against DISH and Starz Entertainment in connection with the same free preview in Los Angeles County, California Superior Court, seeking damages for tortious interference with its contracts for studio movie content. DISH filed a counterclaim against Starz Entertainment in the first lawsuit, seeking indemnification from Starz Entertainment against Disney Enterprises, Inc. in the second lawsuit and against FX Networks in the third lawsuit. The first lawsuit by Starz Entertainment against DISH is expected to go to trial in April 2013. The third lawsuit by FX Networks is presently stayed and is tentatively set for trial in October 2013. The resolution of these matters and its potential impact on Starz, LLC is uncertain at this time.

In the normal course of business, Starz, LLC is subject to lawsuits and other claims. While it is not possible to predict the outcome of these matters, it is the opinion of management, based upon consultation with legal counsel, that the ultimate disposition of known proceedings, other than as discussed above, will not have a material adverse impact on our consolidated financial position, results of operations or liquidity.

Note 12—Other InformationSupplemental Disclosure of Cash Flow Information

The following table presents the supplemental disclosure of cash flow information (*in thousands*):

	Years ended December 31,		
	2012	2011	2010
Cash paid for interest, net of amounts capitalized	\$ 11,624	\$ 2,679	\$ 3,776
Cash paid for income taxes	\$ 161,404	\$ 44,793	\$ 120,706
Change in deferred tax assets due to sale of noncontrolling interest (Note 10)	\$ 2,209	\$ 141,135	\$ —
Retirement of fully depreciated assets	\$ 55,970	\$ 1,699	\$ 4,296
Contribution of notes receivable from affiliate (Note 8)	\$ —	\$ —	\$ 426,254
Distribution of notes receivable to affiliate (Note 8)	\$ —	\$ —	\$ 489,134

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 12—Other Information (Continued)Assets Measured at Fair Value

For assets 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.

Starz, LLC's assets measured at fair value are as follows (*in thousands*) :

Description	Fair Value Measurements at December 31, 2012				Fair Value Measurements at December 31, 2011			
	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)
Cash equivalents	\$ 662,681	662,681	—	—	\$ 931,433	931,433	—	—

Substantially all of our 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 commercial paper. Such amounts are included in cash and cash equivalents in the consolidated balance sheet.

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 12—Other Information (Continued)*Allowance for Trade Receivables*

The following table presents the changes in the allowance for trade receivables.

<u>Description</u>	<u>Balance at beginning of period</u>	<u>Charged to costs and expenses(1)</u>	<u>Charged to other accounts</u>	<u>Deductions(2)</u>	<u>Balance at end of period</u>
Year ended December 31, 2012:					
Reserves:					
Allowance for doubtful accounts	\$ 2,173	\$ (623)	\$ —	\$ (1,284)	\$ 266
Allowance for sales returns	36,162	83,214	—	(84,597)	34,779
Total	<u>\$ 38,335</u>	<u>\$ 82,591</u>	<u>\$ —</u>	<u>\$ (85,881)</u>	<u>\$ 35,045</u>
Year ended December 31, 2011:					
Reserves:					
Allowance for doubtful accounts	\$ 3,723	\$ 426	\$ —	\$ (1,976)	\$ 2,173
Allowance for sales returns	26,967	101,628	—	(92,433)	36,162
Total	<u>\$ 30,690</u>	<u>\$ 102,054</u>	<u>\$ —</u>	<u>\$ (94,409)</u>	<u>\$ 38,335</u>
Year ended December 31, 2010:					
Reserves:					
Allowance for doubtful accounts	\$ 5,094	\$ 1,954	\$ —	\$ (3,325)	\$ 3,723
Allowance for sales returns	29,134	75,126	—	(77,293)	26,967
Total	<u>\$ 34,228</u>	<u>\$ 77,080</u>	<u>\$ —</u>	<u>\$ (80,618)</u>	<u>\$ 30,690</u>

- (1) Charges for doubtful accounts are included in general and administrative expense and charges for sales returns are recorded against revenue.
- (2) Uncollectible accounts written off, foreign currency exchange rate and actual video returns.

Goodwill

There were no changes in the carrying amount of goodwill, all of which relates to Starz Networks, during the years ended December 31, 2012 and 2011. As of December 31, 2012, the accumulated impairment loss was \$1,722.1 million, of which \$1,396.7 million relates to Starz Networks, \$322.2 million to Starz Distribution and \$3.2 million to Starz Animation.

Advertising and Marketing

Starz, LLC's total advertising costs were \$80.6 million, \$109.2 million and \$147.4 million for the years ended December 31, 2012, 2011 and 2010, respectively. Total marketing costs were \$25.1 million, \$23.0 million and \$28.0 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 12—Other Information (Continued)

Foreign Currency Translation

The balances of accumulated foreign currency translation adjustments, net of income taxes, included in the consolidated statements of member's interest and noncontrolling interests were \$(4.5) million and \$(4.4) million as of December 31, 2012 and 2011, respectively, and represented the total amount of accumulated other comprehensive income as of each date.

Major Customers and Suppliers

Two Starz Networks' distributors accounted for 22% and 15% of Starz, LLC's total revenue for the year ended December 31, 2012. Two Starz Networks' distributors accounted for 21% and 15% of Starz, LLC's total revenue for the year ended December 31, 2011. Two Starz Networks' distributors accounted for 20% and 15% of Starz, LLC's total revenue for the year ended December 31, 2010. There were no other distributors or other customers that accounted for more than 10% of revenue in any year. These two distributors accounted for 42% and 41% of trade accounts receivable as of December 31, 2012 and 2011, respectively. Services are provided to these distributors pursuant to affiliation agreements with varying terms.

As discussed in Note 11, Starz, LLC has entered into agreements to license theatrically released films for our premium movie networks from studios owned by Disney (through 2015) and Sony (through 2021). Films are available to Starz, LLC for exhibition generally 8-13 months after their theatrical release.

In July 2010, Anchor Bay Entertainment outsourced substantially all of its home video distribution services, including DVD manufacturing and distribution to Twentieth Century Fox Home Entertainment LLC. The term of the distribution agreement is from July 1, 2010 through June 30, 2015. Previously, Anchor Bay Entertainment had outsourced substantially all of its home video distribution services, including DVD manufacturing and distribution, to Sony Pictures Home Entertainment, Inc.

Foreign Operations

Revenue generated outside of the U.S. represented 5%, 4% and 4% of consolidated revenue for each of the years ended December 31, 2012, 2011 and 2010, respectively. Net long-lived assets outside the U.S. were less than 1% as of December 31, 2012 and 2011, respectively.

Note 13—Information about Operating Segments

Starz, LLC is primarily engaged in video programming and development, production, acquisition and distribution of entertainment content. Starz, LLC evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as Adjusted OIBDA. Adjusted OIBDA is defined as: revenue less programming costs, production and acquisition costs, home video cost of sales, operating expenses, advertising and marketing costs and general and administrative expenses. Our chief operating decision maker uses this measure of performance in conjunction with other measures to evaluate the operating segments and make decisions about allocating resources among the operating segments. Starz, LLC believes Adjusted OIBDA is an important indicator of the operational strength and performance of its operating segments, including

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

Note 13—Information about Operating Segments (Continued)

each operating segment's ability to assist Starz, LLC in servicing its debt and fund investments in films and television programs. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between operating segments and identify strategies to improve performance. This measure of performance excludes stock compensation, long term incentive plan and phantom stock appreciation rights and depreciation and amortization 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, income from continuing operations before income taxes, net income, net cash provided by operating activities and other measures of financial performance prepared in accordance with GAAP. Starz, LLC generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

Starz, LLC's reportable segments are strategic business units that offer different services. They are managed separately because each segment requires different technologies, content delivery methods and marketing strategies. Starz, LLC identifies its reportable segments as those operating segments that represent 10% or more of its consolidated annual revenue, annual Adjusted OIBDA or total assets. Starz Networks and Starz Distribution have been identified as reportable segments; however as Starz, LLC has only three operating segments, Starz Animation is also reported.

Performance Measures (*in thousands*):

	For the Years Ended December 31,		
	2012	2011	2010
Revenue:			
Starz Networks	\$ 1,276,815	\$ 1,269,924	\$ 1,224,136
Starz Distribution	320,671	310,927	367,477
Starz Animation	42,436	45,273	50,007
Inter-segment eliminations	(9,226)	(12,091)	(36,283)
Total Revenue	<u>\$ 1,630,696</u>	<u>\$ 1,614,033</u>	<u>\$ 1,605,337</u>
Adjusted OIBDA:			
Starz Networks	\$ 447,368	\$ 427,689	\$ 416,390
Starz Distribution	(4,926)	4,567	(66,182)
Starz Animation	(932)	(850)	(2,419)
Inter-segment eliminations	3,322	18,182	(12,136)
Total Adjusted OIBDA	<u>\$ 444,832</u>	<u>\$ 449,588</u>	<u>\$ 335,653</u>

Starz, LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

Note 13—Information about Operating Segments (Continued)

Other Information (*in thousands*) :

	For the Years Ended December 31,		
	2012	2011	2010
Capitalized production and development spend:			
Starz Networks	\$ 175,085	\$ 144,494	\$ 64,573
Starz Distribution	108,978	69,161	52,462
Starz Animation	—	—	—
Inter-segment eliminations	—	—	—
Total capitalized production and development spend	<u>\$ 284,063</u>	<u>\$ 213,655</u>	<u>\$ 117,035</u>

	December 31,	
	2012	2011
Total assets:		
Starz Networks	\$ 2,066,961	\$ 2,357,580
Starz Distribution	118,134	162,659
Starz Animation	3,225	5,320
Other unallocated assets (primarily cash, deferred taxes and other assets)	33,850	136,753
Inter-segment eliminations	(46,120)	(59,137)
Total assets	<u>\$ 2,176,050</u>	<u>\$ 2,603,175</u>

The following table provides a reconciliation of Adjusted OIBDA to income from continuing operations before income taxes (*in thousands*) :

	For the Years Ended December 31,		
	2012	2011	2010
Consolidated Adjusted OIBDA	\$ 444,832	\$ 449,588	\$ 335,653
Stock compensation, long term incentive plan and phantom stock appreciation rights	(20,022)	(7,078)	(39,468)
Depreciation and amortization	(19,406)	(17,907)	(20,468)
Interest expense, including amounts due to affiliate, net of amounts capitalized	(25,688)	(5,012)	(20,932)
Other expense, net	3,023	(3,505)	(542)
Income from continuing operations before income taxes	<u>\$ 382,739</u>	<u>\$ 416,086</u>	<u>\$ 254,243</u>

Note 14—Supplemental Guarantor Condensed Consolidating Financial Information

As discussed previously, Starz, LLC and Starz Finance Corp. co-issued the Senior Notes which are fully and unconditionally guaranteed by Starz Entertainment. Starz Media, Film Roman and other immaterial subsidiaries of Starz, LLC ("Starz Media and Other Businesses") are not guarantors of the Senior Notes.

Starz, LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

Note 14—Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

The following tables set forth the consolidating financial information of Starz, LLC, which includes the financial information of Starz Entertainment, the guarantor:

Consolidating Balance Sheet Information—As of December 31, 2012
(in thousands)

	Starz Entertainment, LLC (Guarantor)	Starz, LLC Parent Only (Co-Issuer)	Starz Media and Other Businesses (Non-Guarantors)	Eliminations	Consolidated Starz, LLC
Assets					
Current assets:					
Cash and cash equivalents	\$ 735,507	\$ 879	\$ 13,388	\$ —	\$ 749,774
Trade accounts receivable, net	205,261	—	36,204	(50)	241,415
Program rights	341,255	—	—	(1,250)	340,005
Deferred income taxes	164	826	—	—	990
Notes receivable from affiliates	26,067	—	—	(26,067)	—
Other current assets	27,874	—	16,853	—	44,727
Total current assets	1,336,128	1,705	66,445	(27,367)	1,376,911
Program rights	344,042	—	—	(5,358)	338,684
Investment in films and television programs, net	143,583	—	38,090	—	181,673
Property and equipment, net	95,832	—	448	—	96,280
Deferred income taxes	—	12,222	—	—	12,222
Goodwill	131,760	—	—	—	131,760
Other assets, net	15,616	13,395	22,904	(13,395)	38,520
Investment in consolidated subsidiaries	—	1,787,826	—	(1,787,826)	—
Total assets	\$ 2,066,961	\$ 1,815,148	\$ 127,887	\$ (1,833,946)	\$ 2,176,050
Liabilities and Member's Interest (Deficit) and Noncontrolling Interests					
Current liabilities:					
Current portion of debt	\$ 4,134	\$ —	\$ —	\$ —	\$ 4,134
Trade accounts payable	4,817	—	1,345	—	6,162
Accrued liabilities	136,434	8,235	128,059	(16,666)	256,062
Notes payable due to affiliate	—	—	26,067	(26,067)	—
Due to (from)					

affiliates	20,902	20,111	3,694	(5,188)	39,519
Deferred revenue	18,859	—	5,989	(274)	24,574
Total current liabilities	185,146	28,346	165,154	(48,195)	330,451
Debt	535,671	505,000	—	(505,000)	535,671
Deferred income taxes	13,060	(20,342)	—	7,282	—
Other liabilities	4,259	—	8,643	(5,118)	7,784
Total liabilities	738,136	513,004	173,797	(551,031)	873,906
Member's interest (deficit)	1,328,825	1,311,951	(45,789)	(1,283,036)	1,311,951
Noncontrolling interests in subsidiaries	—	(9,807)	(121)	121	(9,807)
Total member's interest (deficit) and noncontrolling interests	1,328,825	1,302,144	(45,910)	(1,282,915)	1,302,144
Total liabilities and member's interest (deficit) and noncontrolling interests	\$ 2,066,961	\$ 1,815,148	\$ 127,887	\$ (1,833,946)	\$ 2,176,050

Starz, LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

Note 14—Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

Consolidating Balance Sheet Information—As of December 31, 2011
(in thousands)

	Starz Entertainment, LLC (Guarantor)	Starz, LLC Parent Only (Co-Issuer)	Starz Media and Other Businesses (Non-Guarantors)	Eliminations	Consolidated Starz, LLC
Assets					
Current assets:					
Cash and cash equivalents	\$ 965,400	\$ 125,261	\$ 9,226	\$ —	\$ 1,099,887
Restricted cash	—	—	4,896	—	4,896
Trade accounts receivable, net	204,457	—	36,865	(296)	241,026
Program rights	393,439	—	—	(5,141)	388,298
Deferred income taxes	8,616	1,498	—	—	10,114
Notes receivable from affiliates	38,352	—	—	(38,352)	—
Other current assets	18,961	—	12,375	—	31,336
Total current assets	1,629,225	126,759	63,362	(43,789)	1,775,557
Program rights	379,029	—	—	(5,477)	373,552
Investment in films and television programs, net	106,720	—	77,222	—	183,942
Property and equipment, net	95,968	—	2,563	—	98,531
Goodwill	131,760	—	—	—	131,760
Other assets, net	14,878	9,938	24,888	(9,871)	39,833
Investment in consolidated subsidiaries	—	1,619,020	—	(1,619,020)	—
Total assets	\$ 2,357,580	\$ 1,755,717	\$ 168,035	\$ (1,678,157)	\$ 2,603,175
Liabilities and Member's Interest (Deficit) and Noncontrolling Interests					
Current liabilities:					
Current portion of debt	\$ 4,129	\$ —	\$ —	\$ —	\$ 4,129
Trade accounts payable	6,509	—	2,181	—	8,690
Accrued liabilities	170,939	938	140,433	(8,160)	304,150
Notes payable due to affiliate	—	—	38,352	(38,352)	—
Due to (from) affiliates	427,650	(377,255)	—	3,441	53,836
Deferred revenue	16,888	—	9,846	—	26,734
Total current					

liabilities	626,115	(376,317)	190,812	(43,071)	397,539
Debt	540,915	505,000	—	(505,000)	540,915
Deferred income taxes	28,473	(16,067)	—	(2,098)	10,308
Other liabilities	7,261	—	9,443	(5,392)	11,312
Total liabilities	1,202,764	112,616	200,255	(555,561)	960,074
Member's interest (deficit)	1,154,816	1,651,484	(32,195)	(1,122,621)	1,651,484
Noncontrolling interests in subsidiaries	—	(8,383)	(25)	25	(8,383)
Total member's interest (deficit) and noncontrolling interests	1,154,816	1,643,101	(32,220)	(1,122,596)	1,643,101
Total liabilities and member's interest (deficit) and noncontrolling interests	\$ 2,357,580	\$ 1,755,717	\$ 168,035	\$ (1,678,157)	\$ 2,603,175

Starz, LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

Note 14—Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

Consolidating Statement of Operations Information—For the Year Ended December 31, 2012
(in thousands)

	Starz Entertainment, LLC (Guarantor)	Starz, LLC Parent Only (Co-Issuer)	Starz Media and Other Businesses (Non-Guarantors)	Eliminations	Consolidated Starz, LLC
Revenue:					
Programming networks and other services	\$ 1,305,052	\$ —	\$ 127,337	\$ (13,315)	\$ 1,419,074
Home video net sales	33,401	—	184,901	(6,680)	211,622
Total revenue	1,338,453	—	312,238	(19,995)	1,630,696
Costs and expenses:					
Programming costs (including amortization)	666,632	—	—	(5,475)	661,157
Production and acquisition costs (including amortization)	34,958	—	157,279	103	192,340
Home video cost of sales	17,780	—	52,780	(6,680)	63,880
Operating expenses	18,887	—	45,788	(11,265)	53,410
Advertising and marketing	81,117	—	24,557	—	105,674
General and administrative	73,744	91	35,568	—	109,403
Stock compensation and long term incentive plan	18,804	—	1,218	—	20,022
Depreciation and amortization	13,068	—	6,338	—	19,406
Total costs and expenses	924,990	91	323,528	(23,317)	1,225,292
Operating income (loss)	413,463	(91)	(11,290)	3,322	405,404
Other income (expense):					
Interest expense, including amounts due to affiliate, net of amounts capitalized	(25,552)	(23,524)	(136)	23,524	(25,688)
Interest income (expense), related party	4,952	—	(4,952)	—	—
Share of earnings of consolidated subsidiaries	—	248,799	—	(248,799)	—
Other income (expense), net	1,440	976	(1,509)	2,116	3,023
Income (loss) from continuing operations before income taxes	394,303	226,160	(17,887)	(219,837)	382,739
Income tax benefit (expense)	(147,424)	26,114	1,187	(10,342)	(130,465)
Net income (loss)	246,879	252,274	(16,700)	(230,179)	252,274
Net loss attributable to noncontrolling interests	—	2,210	96	(96)	2,210
Net income (loss) attributable to member	\$ 246,879	\$ 254,484	\$ (16,604)	\$ (230,275)	\$ 254,484

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 14—Supplemental Guarantor Condensed Consolidating Financial Information (Continued)**Consolidating Statement of Comprehensive Income (Loss) Information—For the Year Ended December 31, 2012**
(in thousands)

	Starz Entertainment, LLC (Guarantor)	Starz, LLC Parent Only (Co-Issuer)	Starz Media and Other Businesses (Non-Guarantors)	Eliminations	Consolidated Starz, LLC
Net income (loss)	\$ 246,879	\$ 252,274	\$ (16,700)	\$ (230,179)	\$ 252,274
Other					
comprehensive					
loss, net of taxes:					
Foreign currency					
translation					
adjustments					
from					
continuing					
operations	—	(73)	(73)	73	(73)
Other					
comprehensive					
loss	—	(73)	(73)	73	(73)
Comprehensive					
income (loss)	246,879	252,201	(16,773)	(230,106)	252,201
Comprehensive					
loss					
attributable to					
noncontrolling					
interests	—	2,167	96	(96)	2,167
Comprehensive					
income (loss)					
attributable to					
member	\$ 246,879	\$ 254,368	\$ (16,677)	\$ (230,202)	\$ 254,368

Starz, LLC and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
December 31, 2012, 2011 and 2010

Note 14—Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

Consolidating Statement of Operations Information—For the Year Ended December 31, 2011
(in thousands)

	Starz Entertainment, LLC (Guarantor)	Starz, LLC Parent Only (Co-Issuer)	Starz Media and Other Businesses (Non-Guarantors)	Eliminations	Consolidated Starz, LLC
Revenue:					
Programming networks and other services	\$ 1,287,826	\$ —	\$ 98,416	\$ (14,101)	\$ 1,372,141
Home video net sales	27,389	—	219,981	(5,478)	241,892
Total revenue	1,315,215	—	318,397	(19,579)	1,614,033
Costs and expenses:					
Programming costs (including amortization)	672,525	—	—	(21,276)	651,249
Production and acquisition costs (including amortization)	23,938	—	136,161	(1,310)	158,789
Home video cost of sales	14,296	—	53,622	(5,478)	62,440
Operating expenses	16,193	—	47,287	(9,777)	53,703
Advertising and marketing	91,314	—	40,869	—	132,183
General and administrative	71,399	338	34,344	—	106,081
Stock compensation and long term incentive plan	6,603	—	475	—	7,078
Depreciation and amortization	12,757	—	5,150	—	17,907
Total costs and expenses	909,025	338	317,908	(37,841)	1,189,430
Operating income (loss)	406,190	(338)	489	18,262	424,603
Other income (expense):					
Interest expense, including amounts due to affiliate, net of amounts capitalized	(2,849)	(2,282)	(2,163)	2,282	(5,012)
Interest income (expense), related party	4,395	—	(4,395)	—	—
Share of earnings of consolidated subsidiaries	—	241,759	—	(241,759)	—
Other income (expense), net	(10,575)	93	546	6,431	(3,505)
Income (loss) from continuing operations before income taxes	397,161	239,232	(5,523)	(214,784)	416,086
Income tax expense	(147,877)	(8,232)	(6,099)	(9,981)	(172,189)
Income (loss) from continuing operations	249,284	231,000	(11,622)	(224,765)	243,897
Loss from discontinued operations (including loss on sale of \$12,114), net of income taxes	—	5,411	(12,897)	—	(7,486)
Net income (loss)	249,284	236,411	(24,519)	(224,765)	236,411
Net loss attributable to noncontrolling interests	—	3,273	525	(525)	3,273
Net income (loss) attributable to member	\$ 249,284	\$ 239,684	\$ (23,994)	\$ (225,290)	\$ 239,684

Starz, LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

Note 14—Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

Consolidating Statement of Comprehensive Income (Loss) Information—For the Year Ended December 31, 2011
(in thousands)

	Starz Entertainment, LLC (Guarantor)	Starz, LLC Parent Only (Co-Issuer)	Starz Media and Other Businesses (Non-Guarantors)	Eliminations	Consolidated Starz, LLC
Net income (loss)	\$ 249,284	\$ 236,411	\$ (24,519)	\$ (224,765)	\$ 236,411
Other comprehensive loss, net of taxes:					
Foreign currency translation adjustments from continuing operations	—	(529)	(529)	529	(529)
Foreign currency translation adjustments from discontinued operations	—	(5,946)	(5,946)	5,946	(5,946)
Other comprehensive loss	—	(6,475)	(6,475)	6,475	(6,475)
Comprehensive income (loss)	249,284	229,936	(30,994)	(218,290)	229,936
Comprehensive loss attributable to noncontrolling interests	—	3,447	681	(681)	3,447
Comprehensive income (loss) attributable to member	\$ 249,284	\$ 233,383	\$ (30,313)	\$ (218,971)	\$ 233,383

Starz, LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

Note 14—Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

Consolidating Statement of Operations and Comprehensive Income (Loss) Information—For the Year Ended December 31, 2010
(in thousands)

	Starz Entertainment, LLC (Guarantor)	Starz, LLC Parent Only (Co-Issuer)	Starz Media and Other Businesses (Non-Guarantors)	Eliminations	Consolidated Starz, LLC
Revenue:					
Programming networks and other services	\$ 1,234,712	\$ —	\$ 176,667	\$ (31,030)	\$ 1,380,349
Home video net sales	12,766	—	214,775	(2,553)	224,988
Total revenue	<u>1,247,478</u>	<u>—</u>	<u>391,442</u>	<u>(33,583)</u>	<u>1,605,337</u>
Costs and expenses:					
Programming costs (including amortization)	665,271	—	—	(17,454)	647,817
Production and acquisition costs (including amortization)	18,760	—	159,194	—	177,954
Home video cost of sales	7,279	—	65,089	(2,553)	69,815
Operating expenses	16,077	—	59,293	(2,110)	73,260
Advertising and marketing	66,682	—	108,735	—	175,417
General and administrative	66,308	—	59,113	—	125,421
Stock compensation, long term incentive plan and phantom stock appreciation rights	40,900	—	(1,432)	—	39,468
Depreciation and amortization	14,007	—	6,461	—	20,468
Total costs and expenses	<u>895,284</u>	<u>—</u>	<u>456,453</u>	<u>(22,117)</u>	<u>1,329,620</u>
Operating income (loss)	352,194	—	(65,011)	(11,466)	275,717
Other income (expense):					
Interest expense, including amounts due to affiliate, net of amounts capitalized	(1,202)	—	(19,730)	—	(20,932)
Share of earnings of consolidated subsidiaries	—	129,269	—	(129,269)	—
Other income (expense), net	1,310	—	(1,852)	—	(542)
Income (loss) from continuing operations before income taxes	352,302	129,269	(86,593)	(140,735)	254,243
Income tax benefit (expense)	(131,416)	31,399	(3,039)	4,292	(98,764)
Income (loss) from continuing operations	220,886	160,668	(89,632)	(136,443)	155,479
Income (loss) from discontinued operations, net of income taxes	—	(1,874)	5,322	(133)	3,315
Net income (loss)	<u>220,886</u>	<u>158,794</u>	<u>(84,310)</u>	<u>(136,576)</u>	<u>158,794</u>
Other comprehensive income (loss), net of taxes:					
Foreign currency translation adjustments from continuing operations	—	1,167	1,167	(1,167)	1,167
Foreign currency translation adjustments from discontinued operations	—	(1,172)	(1,172)	1,172	(1,172)
Comprehensive income (loss)	<u>\$ 220,886</u>	<u>\$ 158,789</u>	<u>\$ (84,315)</u>	<u>\$ (136,571)</u>	<u>\$ 158,789</u>

Starz, LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

Note 14—Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

Consolidating Statement of Cash Flows' Information—For the Year Ended December 31, 2012
(in thousands)

	Starz Entertainment, LLC (Guarantor)	Starz, LLC Parent Only (Co-Issuer)	Starz Media and Other Businesses (Non-Guarantors)	Eliminations	Consolidated Starz, LLC
Operating activities:					
Net income (loss)	\$ 246,879	\$ 252,274	\$ (16,700)	\$ (230,179)	\$ 252,274
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	13,068	—	6,338	—	19,406
Amortization of program rights	623,264	—	—	(5,475)	617,789
Program rights payments	(458,243)	—	—	1,685	(456,558)
Amortization of investment in films and television programs	29,998	—	111,555	—	141,553
Investment in films and television programs	(175,085)	—	(108,978)	—	(284,063)
Stock compensation and long term incentive plan	18,804	—	1,218	—	20,022
Payments of long term incentive plan	(33,410)	—	—	—	(33,410)
Share of earnings of consolidated subsidiaries	—	(248,799)	—	248,799	—
Deferred income taxes	(9,535)	(17,255)	—	9,380	(17,410)
Other non-cash items	12,423	5,057	3,850	(16,797)	4,533
Changes in assets and liabilities:					
Current and other assets	6,480	—	(4,475)	(246)	1,759
Due to / from affiliates	16,311	(29,000)	5,493	1,559	(5,637)
Payables and other liabilities	14,676	7,297	18,572	(8,726)	31,819
Net cash provided by operating activities	305,630	(30,426)	16,873	—	292,077
Investing activities—purchases of property and equipment	(15,972)	—	(242)	—	(16,214)
Financing activities:					
Borrowings of debt	—	500,000	—	—	500,000
Payments of debt	(4,029)	(500,000)	—	—	(504,029)
Debt issuance costs	—	(8,514)	—	—	(8,514)
Distributions to parent	(100,000)	(500,000)	—	—	(600,000)
Distributions to parent related to stock compensation	(4,689)	—	—	—	(4,689)
Borrowings under notes payable to affiliate	(39,892)	—	39,892	—	—
Repayments under notes payable to affiliate	51,987	—	(51,987)	—	—
Net advances to / from affiliate	(414,379)	414,558	(179)	—	—
Minimum withholding of taxes related to stock compensation	(12,953)	—	(320)	—	(13,273)
Excess tax benefit from stock compensation	4,401	—	—	—	4,401
Settlement of derivative instruments	3	—	—	—	3
Net cash provided by (used in) financing activities	(519,551)	(93,956)	(12,594)	—	(626,101)
Effect of exchange rate changes on cash and cash equivalents	—	—	125	—	125
Net increase (decrease) in cash and cash equivalents	(229,893)	(124,382)	4,162	—	(350,113)
Cash and cash equivalents:					
Beginning of year	965,400	125,261	9,226	—	1,099,887
End of year	\$ 735,507	\$ 879	\$ 13,388	\$ —	\$ 749,774
Supplemental disclosure of cash flow information:					
Cash paid for interest, net of					

amounts capitalized	\$	198	\$	11,290	\$	136	\$	—	\$	11,624
Cash paid for income taxes	\$	156,836	\$	—	\$	4,568	\$	—	\$	161,404
Change in deferred tax assets due to sale of noncontrolling interest	\$	—	\$	2,209	\$	—	\$	—	\$	2,209
Retirement of fully depreciated assets	\$	53,608	\$	—	\$	2,362	\$	—	\$	55,970

Starz, LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

Note 14—Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

Consolidating Statement of Cash Flows' Information—For the Year Ended December 31, 2011
(in thousands)

	Starz Entertainment, LLC (Guarantor)	Starz, LLC Parent Only (Co-Issuer)	Starz Media and Other Businesses (Non-Guarantors)	Eliminations	Consolidated Starz, LLC
Operating activities:					
Net income (loss)	\$ 249,284	\$ 236,411	\$ (24,519)	\$ (224,765)	\$ 236,411
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Loss (income) from discontinued operations	—	(5,411)	12,897	—	7,486
Depreciation and amortization	12,757	—	5,150	—	17,907
Amortization of program rights	632,317	—	—	(21,276)	611,041
Program rights payments	(564,375)	—	—	10,034	(554,341)
Amortization of investment in films and television programs	20,145	—	105,957	—	126,102
Investment in films and television programs	(144,494)	—	(69,028)	(133)	(213,655)
Stock compensation and long term incentive plan	6,603	—	475	—	7,078
Payments of long term incentive plan	(7,696)	—	—	—	(7,696)
Share of earnings of consolidated subsidiaries	—	(241,759)	—	241,759	—
Deferred income taxes	25,758	13,363	—	(2,098)	37,023
Other non-cash items	1,382	253	(299)	9,678	11,014
Changes in assets and liabilities:					
Current and other assets	3,482	—	(26,549)	(6,034)	(29,101)
Due to / from affiliates	80,081	(2,228)	9,466	1,952	89,271
Payables and other liabilities	14,711	951	2,888	(9,117)	9,433
Net cash provided by operating activities	329,955	1,580	16,438	—	347,973
Investing activities—purchases of property and equipment	(7,554)	—	(169)	—	(7,723)
Financing activities:					
Borrowings of debt	—	505,000	—	—	505,000
Payments of debt	(3,907)	—	(55,263)	—	(59,170)
Debt issuance costs	—	(10,191)	—	—	(10,191)
Cash advance to / from affiliate	374,128	(374,128)	—	—	—
Borrowings under notes payable to affiliate	(103,236)	—	103,236	—	—
Repayments under notes payable to affiliate	72,359	—	(72,359)	—	—
Net advances to / from affiliate	(2,502)	—	2,502	—	—
Contribution from noncontrolling owner of subsidiary	—	3,000	—	—	3,000
Settlement of derivative instruments	—	—	(2,863)	—	(2,863)
Restricted cash	—	—	8,226	—	8,226
Net cash provided by (used in) financing activities	336,842	123,681	(16,521)	—	444,002
Effect of exchange rate changes on cash and cash equivalents	—	—	(17)	—	(17)
Net cash provided by discontinued operations	—	—	—	—	—
Net increase (decrease) in cash and cash equivalents	659,243	125,261	(269)	—	784,235
Cash and cash equivalents:					
Beginning of year	306,157	—	9,495	—	315,652
End of year	\$ 965,400	\$ 125,261	\$ 9,226	\$ —	\$ 1,099,887
Supplemental disclosure of cash flow information:					

Cash paid for interest, net of amounts capitalized	\$ 683	\$ 1,238	\$ 758	\$ —	\$ 2,679
Cash paid for income taxes	\$ 41,782	\$ —	\$ 3,011	\$ —	\$ 44,793
Change in deferred tax assets due to sale of noncontrolling interest	\$ —	\$ 141,135	\$ —	\$ —	\$ 141,135
Retirement of fully depreciated assets	\$ —	\$ —	\$ 1,699	\$ —	\$ 1,699
Push down of debt from parent	\$ 494,826	\$ (494,826)	\$ —	\$ —	\$ —

Starz, LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

Note 14—Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

Consolidating Statement of Cash Flows' Information—For the Year Ended December 31, 2010
(in thousands)

	Starz Entertainment, LLC (Guarantor)	Starz, LLC Parent Only (Co-Issuer)	Starz Media and Other Businesses (Non-Guarantors)	Eliminations	Consolidated Starz, LLC
Operating activities:					
Net income (loss)	\$ 220,886	\$ 158,794	\$ (84,310)	\$ (136,576)	\$ 158,794
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Loss (income) from discontinued operations	—	1,874	(5,322)	133	(3,315)
Depreciation and amortization	14,007	—	6,461	—	20,468
Amortization of program rights	629,069	—	—	(17,454)	611,615
Program rights payments	(561,276)	—	—	28,710	(532,566)
Amortization of investment in films and television programs	15,688	—	101,240	—	116,928
Investment in films and television programs	(64,573)	—	(52,462)	—	(117,035)
Stock compensation, long term incentive plan and phantom stock appreciation rights	40,900	—	(1,432)	—	39,468
Payments of phantom stock appreciation rights and long term incentive plan	(196,232)	—	—	—	(196,232)
Noncash interest on debt due to affiliate	—	—	16,313	—	16,313
Share of earnings of consolidated subsidiaries	—	(129,269)	—	129,269	—
Deferred income taxes	59,513	(6,559)	—	—	52,954
Other non-cash items	57	—	7,043	(4,292)	2,808
Changes in assets and liabilities:					
Current and other assets	(12,801)	—	18,840	3,471	9,510
Due to / from affiliates	(48,258)	50,381	(3,677)	—	(1,554)
Payables and other liabilities	4,123	—	12,121	(3,261)	12,983
Net cash provided by operating activities	101,103	75,221	14,815	—	191,139
Investing activities—purchases of property and equipment	(6,720)	—	(379)	—	(7,099)
Financing activities:					
Borrowings of debt	—	—	129,343	—	129,343
Payments of debt	(3,700)	—	(198,335)	—	(202,035)
Net advances to / from affiliate	(35,812)	—	35,812	—	—
Distributions to parent	—	(75,221)	—	—	(75,221)
Contribution from parent	—	—	15,000	—	15,000
Contribution from noncontrolling owner of subsidiary	—	—	500	—	500
Settlement of derivative instruments	—	—	(6,301)	—	(6,301)
Restricted cash	—	—	10,300	—	10,300
Net cash used in financing activities	(39,512)	(75,221)	(13,681)	—	(128,414)
Effect of exchange rate changes on cash and cash equivalents	—	—	59	—	59
Net cash provided by discontinued operations	—	—	1,072	—	1,072
Net increase in cash and cash equivalents	54,871	—	1,886	—	56,757
Cash and cash equivalents:					
Beginning of year	251,286	—	7,609	—	258,895
End of year	\$ 306,157	\$ —	\$ 9,495	\$ —	\$ 315,652
Supplemental disclosure of cash flow information:					
Cash paid for interest, net of amounts capitalized	\$ 1,202	\$ —	\$ 2,574	\$ —	\$ 3,776

Cash paid for income taxes	\$ 118,636	\$ —	\$ 2,070	\$ —	\$ 120,706
Retirement of fully depreciated assets	\$ 476	\$ —	\$ 3,820	\$ —	\$ 4,296
Contribution of notes receivable from affiliate	\$ —	\$ —	\$ 426,254	\$ —	\$ 426,254
Distribution of notes receivable to affiliate	\$ —	\$ —	\$ 489,134	\$ —	\$ 489,134
(Distribution)/contribution of due from affiliate	\$ (39,885)	\$ —	\$ 39,885	\$ —	\$ —

Starz, LLC and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2012, 2011 and 2010

Note 15—Subsequent Events

In connection with the Spin-Off, Old LMC, now Starz, entered into several agreements with Liberty Spinco, now New LMC, or New LMC's affiliated companies:

- a Reorganization Agreement, dated as of January 10, 2013, by and between Starz and New LMC, which provides for, among other things, the principal corporate transactions required to effect the Spin-Off, certain conditions to the Spin-Off and provisions governing the relationship between Starz and New LMC with respect to and resulting from the Spin-Off;
- a Tax Sharing Agreement, dated as of January 11, 2013, between Starz and New LMC, which governs the allocation of taxes, tax benefits, tax items and tax-related losses between Starz and New LMC;
- a Services Agreement, dated as of January 11, 2013, by and between Starz and New LMC, which governs the provision by New LMC to Starz and by Starz to New LMC of specified services and benefits following the Spin-Off;
- a Facilities Sharing Agreement, dated as of January 11, 2013, by and between Starz and Liberty Property Holdings, Inc. (a subsidiary of New LMC, "LPH"), pursuant to which Starz shares office facilities with New LMC;
- two Aircraft Time Sharing Agreements, each dated as of January 11, 2013, by and between Starz and New LMC, which govern the lease for each of two aircraft from New LMC to Starz and the provision of fully qualified flight crew for all operations on a periodic, non-exclusive time sharing basis; and
- a Commercial Lease, dated as of January 11, 2013, by and between LPH, Starz, LLC, and, for the limited purposes described therein, Starz Entertainment, pursuant to which Starz, LLC will lease its headquarters building that was distributed to New LMC in connection with the Spin-Off from LPH for a period of ten years, with successive five-year renewal periods at the option of Starz, LLC. Starz, LLC has recorded a \$44.8 million capital lease in connection with this lease agreement.

Although Starz, LLC is not a party to all of these agreements, Starz will have no assets other than those of Starz, LLC and its subsidiaries with which to honor any of its obligations.

During 2013, in accordance with the terms of the Senior Notes, Starz, LLC completed an exchange offer, exchanging the majority of the Senior Notes for new registered Senior Notes. The new registered Senior Notes are substantially identical to the original Senior Notes, except the new registered Senior Notes are registered under the Securities Act of 1933, and the transfer restrictions and registration rights, and related special interest provisions applicable to the original Senior Notes will not apply to the new registered Senior Notes.

On February 8, 2013, Starz, LLC and Starz Finance Corp. completed the issuance of an additional \$175.0 million 5.0% senior notes (the "New Notes"), which were issued as additional notes under the indenture governing the Senior Notes. The net proceeds from the issuance of the New Notes were used to repay indebtedness under Starz, LLC's senior secured revolving credit facility. Starz, LLC and Starz Finance Corp. have agreed to file a registration statement with the Securities and Exchange Commission related to a registered offering to exchange the New Notes for new registered notes having substantially identical terms as the New Notes.

\$175,000,000



**Starz, LLC
Starz Finance Corp.**

**Exchange Offer for
5.00% Senior Notes due 2019**

PROSPECTUS

April 25, 2013

Until July 24, 2013 (90 days after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in the exchange offer, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters with respect to their unsold allotments or subscriptions.
