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LIBERTY MEDIA CORP /DE/
Form 11-K
June 27, 2002

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 [FEE REQUIRED] For the fiscal year ended December 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from _____ to _____

Commission file number 0-20421

LIBERTY MEDIA 401(k) SAVINGS PLAN

(Full title of the Plan)

LIBERTY MEDIA CORPORATION

(Issuer of the securities held pursuant to the Plan)

12300 Liberty Boulevard
Englewood, Colorado 80112

(Address of its principal executive office)

REQUIRED INFORMATION

FINANCIAL STATEMENTS:

PAGE NO.

Independent Auditors' Report

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Statements of Net Assets Available
for Participant Benefits,

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the members of the Plan Committee have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

LIBERTY MEDIA 401(k) SAVINGS PLAN
(Name of Plan)

By /s/ Robert R. Bennett

Robert R. Bennett
Member of Plan Committee

June 27, 2002

INDEPENDENT AUDITORS' REPORT

The Plan Committee
Liberty Media 401(k) Savings Plan:

We have audited the accompanying statements of net assets available for

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participant benefits of the Liberty Media 401(k) Savings Plan (the "Plan") as of December 31, 2001 and 2000, and the related statements of changes in net assets available for participant benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 financial statements referred to above present fairly, in all material respects, the net assets available for participant benefits of the Plan as of December 31, 2001 and 2000, and the changes in net assets available for participant benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets held at end of year, nonexempt transactions, and reportable transactions are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

Denver, Colorado
June 1, 2002

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LIBERTY MEDIA 401(k) SAVINGS PLAN

Statements of Net Assets Available
for Participant Benefits

December 31, 2001 and 2000

ASSETS

2001

amounts in th

Investments, at fair value (note 3):

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| | | |
|--|----|---------|
| Liberty Media Stock Fund | \$ | 46,625 |
| Liberty Livewire Corporation ("Liberty Livewire") Stock Fund | | 100 |
| AT&T Corp. common stock (note 5): | | |
| AT&T Common Stock Fund | | -- |
| AT&T Liberty Media Stock Fund | | -- |
| | | ----- |
| | | 46,725 |
| | | ----- |
| Mutual Funds: | | |
| Janus Worldwide | | 5,958 |
| Fidelity Magellan | | 26,052 |
| Fidelity Equity Income | | 6,187 |
| Fidelity Investment Grade Bond | | 4,997 |
| Fidelity Retirement Money Market | | 12,087 |
| | | ----- |
| | | 55,281 |
| | | ----- |
| Participant loans (note 2) | | 2,038 |
| | | ----- |
| Net assets available for participant benefits | \$ | 104,044 |
| | | ===== |

See accompanying notes to financial statements.

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LIBERTY MEDIA 401(k) SAVINGS PLAN

Statement of Changes in Net Assets Available
for Participant Benefits

Year ended December 31, 2001

| | Participant Directed Funds | Liberty Media Stock Fund |
|-------------------------------------|-------------------------------|-----------------------------------|
| | ----- | ----- |
| | | amounts in thous |
| Contributions: | | |
| Employer | \$ -- | 2,579 |
| Participant | 9,035 | 585 |
| Rollovers | 3,449 | 1,425 |
| Transfers from other plans (note 4) | 43,717 | -- |
| | ----- | ----- |
| | 56,201 | 4,589 |
| | ----- | ----- |
| Repayments of participant loans | (45) | 31 |
| Investment income (loss): | | |

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| | | |
|--|-----------|---------|
| Net appreciation (depreciation) of fair value of investments | (2,077) | (5,287) |
| Interest and dividend income | 775 | 6 |
| | ----- | ----- |
| | (1,302) | (5,281) |
| | ----- | ----- |
| Total contributions and net investment income (loss) | 54,854 | (661) |
| Interfund transfers | (8,284) | 48,163 |
| Administrative expenses | (16) | (21) |
| Loans to participants | 447 | (144) |
| Distributions to participants | (4,749) | (712) |
| | ----- | ----- |
| Increase (decrease) in net assets available for participant benefits | 42,252 | 46,625 |
| Net assets available for participant benefits: | | |
| Beginning of year | 15,167 | -- |
| | ----- | ----- |
| End of year | \$ 57,419 | 46,625 |
| | ===== | ===== |

See accompanying notes to financial statements.

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LIBERTY MEDIA 401(k) SAVINGS PLAN

Statement of Changes in Net Assets Available for Participant Benefits

Year ended December 31, 2000

| | Participant Directed Funds | AT&T Liberty Media Stock Fund |
|-----------------------------------|----------------------------|-------------------------------|
| | ----- | ----- |
| | | amounts in thousands |
| Contributions: | | |
| Employer | \$ -- | 5,395 |
| Participant | 3,428 | 1,991 |
| Rollovers | 746 | -- |
| | ----- | ----- |
| | 4,174 | 7,386 |
| | ----- | ----- |
| Investment income (loss): | | |
| Net depreciation of fair value of | | |

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| | | |
|--|-----------|----------|
| investments | (12,618) | (30,394) |
| Interest and dividend income | 544 | -- |
| | ----- | ----- |
| | (12,074) | (30,394) |
| | ----- | ----- |
| Total contributions and net investment loss | (7,900) | (23,008) |
| Interfund transfers | 150 | (150) |
| Administrative expenses | -- | (202) |
| Distributions to participants | (2,145) | (3,632) |
| | ----- | ----- |
| Decrease in net assets available for participant benefits | (9,895) | (26,992) |
| Net assets available for participant benefits: | | |
| Beginning of year | 25,062 | 56,653 |
| | ----- | ----- |
| End of year | \$ 15,167 | 29,661 |
| | ===== | ===== |

See accompanying notes to financial statements.

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LIBERTY MEDIA 401(k) SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements of the Liberty Media 401(k) Savings Plan (the "Liberty Plan") have been prepared on the accrual basis and present the net assets available for participant benefits and the changes in those net assets. The sponsor of the Liberty Plan is Liberty Media Corporation ("Liberty"). From March 9, 1999 through August 9, 2001, Liberty was a wholly-owned subsidiary of AT&T Corp. ("AT&T"). Effective August 10, 2001, AT&T effected the split-off (the "Split Off") of Liberty pursuant to which Liberty's common stock was recapitalized, and each outstanding share of AT&T Class A Liberty Media Group common stock and AT&T Class B Liberty Media Group common stock was redeemed for one share of Liberty Series A common stock and Liberty Series B common stock, respectively. In connection with the Split Off, participants' balances in the AT&T Liberty Media Stock Fund were transferred to the Liberty Media Stock Fund.

TRUST FUND MANAGED BY FIDELITY MANAGEMENT TRUST COMPANY ("TRUSTEE")

Under the terms of a trust agreement between the Trustee and the Liberty Plan, the Trustee manages a trust fund on behalf of the Liberty

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Plan and has been granted authority concerning purchases and sales of investments for the trust fund. The Trustee may invest up to 100% of the assets of the Liberty Plan in employer securities without regard to any fiduciary requirement to diversify Liberty Plan assets. Additionally, the Liberty Plan is allowed to invest in non-employer securities.

INVESTMENTS

Investments are reflected in the accompanying financial statements at fair value. Fair value represents the closing prices for those securities having readily available market quotations and fair value as determined by the Trustee with respect to other securities. The stock funds are unitized funds that are measured in units rather than shares. The unitized stock funds consist mostly of stock with an insignificant amount of cash or cash equivalents. The per share fair values used for investments in common stock are as follows:

| | December |
|---|------------------------|
| | ----- 2001 ----- |
| Liberty Series A common stock | \$ 14.00 |
| Liberty Livewire Class A common stock | \$ 6.94 |
| AT&T common stock | N/A |
| AT&T Class A Liberty Media Group common stock | N/A |

The foregoing prices are the closing market prices of the common stocks on those dates. Changes in market values after the Liberty Plan's year end are not reflected in the accompanying financial statements.

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LIBERTY MEDIA 401(k) SAVINGS PLAN

Notes to Financial Statements

Securities and investment transactions are accounted for on the trade date. Distributions are priced at fair value and are accounted for when shares are transferred by the Trustee to participants. The cost basis of such shares distributed is determined using the "first-in, first-out" method. Dividend income is recorded on the ex-dividend date. Income from other investments is recorded as earned on an accrual basis.

INCOME TAXES

The Internal Revenue Service has determined and informed Liberty by a letter dated March 1, 2001, that the Liberty Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code ("IRC"). Once qualified, the Liberty Plan is required to operate in conformity with the IRC to maintain its qualification. The Liberty Plan administrator is not aware of any course of action or series of events that have occurred that might adversely affect the Liberty Plan's qualified status.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ significantly from those estimates.

PLAN EXPENSES

Any employer contribution amounts forfeited may be used to pay plan expenses except for loan origination fees, which are paid by participants. Any additional administrative expenses of the Liberty Plan are paid by Liberty.

(2) DESCRIPTION OF THE LIBERTY PLAN

The following description of the Liberty Plan is provided for general information purposes only. Participants should refer to the plan document for more complete information.

GENERAL

Effective March 2, 1999 the Liberty Plan was created as a spin-off of the TCI 401(k) Stock Plan. The Liberty Plan is a defined contribution plan sponsored by Liberty, which enables participating employees of Liberty and its qualifying subsidiaries to receive an interest in Liberty and to receive benefits upon retirement. Employees of Liberty and its 80% owned subsidiaries who are at least 18 years of age and (i) have worked at least three consecutive months or (ii) have completed one year of service (as defined in the Liberty Plan document) are eligible to participate in the Liberty Plan.

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LIBERTY MEDIA 401(k) SAVINGS PLAN

Notes to Financial Statements

CONTRIBUTIONS

Participants, other than employees of Liberty Livewire, may contribute on a pre-tax or after-tax basis up to 10% of their compensation, as defined, to the Liberty Plan. Liberty and its subsidiaries, other than Liberty Livewire, make matching contributions equal to 100% of participant contributions, up to a maximum match of 10% of eligible compensation. Participants who are employees of Liberty Livewire may contribute on a pre-tax or after-tax basis up to 15% of their compensation, as defined, to the Liberty Plan. Liberty Livewire makes matching contributions equal to \$.50 for each \$1.00 contributed by the participant up to 6% of eligible compensation. Employer contributions are made to the Liberty Media Stock Fund. Employee contributions may be made to any investments in the Liberty Plan, including the Liberty Media Stock Fund. Liberty reserves the right to change the matching contribution amount at any time.

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PARTICIPANT LOANS

Participants may borrow from their fund accounts a minimum of \$1,000 up to the lesser of \$50,000 or 50% of their vested account balance. Loans, other than those transferred from other plans, must be repaid within five years and bear interest at a rate equal to prime rate in effect on the first day of the calendar quarter in which the loan is originated plus 1%. Loans transferred from other plans, as described in note 4, retain the repayment terms and interest rates in effect at the time of transfer. Loans are secured by the vested balance in the participant's account, and bear interest at rates ranging from 6.5% to 10.5% at December 31, 2001. Principal and interest are paid ratably through monthly payroll deductions.

FORFEITURES

Forfeitures (due to participants' termination prior to full vesting) are first used to pay Liberty Plan expenses, with any excess used to reduce Liberty's future matching contributions. Forfeitures aggregated \$233,000 and \$285,000 during 2001 and 2000, respectively. Unused forfeitures aggregated \$245,000 and \$140,000 at December 31, 2001 and 2000, respectively. Participant contributions are always fully vested.

INVESTMENT OPTIONS

As of December 31, 2001, the Liberty Plan has six investment options including five mutual funds and one unitized stock fund: a money market mutual fund, a growth and income mutual fund, a diversified growth mutual fund, an income mutual fund, a global growth fund, and the Liberty Media Stock Fund. In addition to the foregoing investment options, the Liberty Plan had assets of \$100,000 invested in Liberty Livewire Corporation Stock Fund at December 31, 2001. The Liberty Livewire common stock was transferred into the Liberty Plan upon completion of the merger of certain Liberty Livewire retirement plans in June 2001 (see note 4). Subsequent to December 31, 2001, the Liberty Livewire common stock was converted to Liberty Series A common stock. Plan participants may change investment options and contribution percentages on a daily basis.

BENEFIT PAYMENTS

Distributions from the Liberty Plan may be made to a participant upon death, total disability, financial hardship or termination of employment. Distributions and other withdrawals are processed on a daily basis.

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LIBERTY MEDIA 401(k) SAVINGS PLAN

Notes to Financial Statements

VESTING

Participants acquire a vested right in employer matching contributions, other than employer contributions transferred from other plans, as follows:

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| Years of Service ----- | Vesting Percentage ----- |
|---------------------------|--------------------------------|
| Less than 1 | 0% |
| 1 year | 33% |
| 2 years | 66% |
| 3 years | 100% |

Employer matching contributions transferred from other plans, as described in note 4, vest according to the terms specified in the Subsidiary Plans.

PLAN TERMINATION

Although Liberty has not expressed any intent to terminate the Liberty Plan, it may do so at any time, subject to the provisions of ERISA. The Liberty Plan provides for full and immediate vesting of all participant rights upon termination of the Liberty Plan.

(3) INVESTMENTS

The fair value of individual investments that represent 5% or more of the Liberty Plan's net assets at December 31, 2001 and 2000 are as follows:

| Investment ----- | Fair value at December 31, ----- | |
|----------------------------------|--|--------|
| | 2001 | 2000 |
| | amounts in thousands | |
| Liberty Media Stock Fund | \$ 46,625 | -- |
| Janus Worldwide | 5,958 | -- |
| Fidelity Magellan | 26,052 | 2,421 |
| Fidelity Equity Income | 6,187 | 2,955 |
| Fidelity Retirement Money Market | 12,087 | -- |
| AT&T Common Stock Fund | -- | 6,497 |
| AT&T Liberty Media Stock Fund | -- | 29,661 |

(4) MERGERS WITH OTHER PLANS

During 2001, the Liberty Plan merged with retirement plans of certain Liberty subsidiaries resulting in aggregate transfers of \$44,092,000.

During 2000 and 2001, Liberty Livewire completed several acquisitions. Effective May 1, 2001, employees of Liberty Livewire and certain of the companies acquired by Liberty Livewire were eligible to participate in the Liberty Plan. Effective June 1, 2001, assets from the acquired companies' respective retirement plans ("Subsidiary Plans") were merged into the Liberty Plan. The amount of such assets merged into the Liberty Plan, including participant loan balances of \$1,133,000, aggregated \$38,518,000.

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LIBERTY MEDIA 401(k) SAVINGS PLAN

Notes to Financial Statements

Effective May 24, 2001, the Ascent Entertainment Group 401(k) Plan was merged into the Liberty Plan. Assets merged into the Liberty Plan aggregated \$5,574,000, including \$391,000 of participant loans.

(5) AT&T WIRELESS GROUP STOCK

Effective July 9, 2001, AT&T effected the spin-off of the AT&T Wireless Group ("Wireless") into a separate public company. In connection with the Wireless spin-off, holders of AT&T common stock, including shares held by the AT&T Stock Fund, received .3218 of a share of Wireless stock for each share of AT&T common stock owned. Such Wireless stock was subsequently exchanged for Liberty Series A common stock by the Liberty Plan.

(6) PARTIAL PLAN TERMINATION

Effective May 25, 2001, and as a result of a merger transaction between a subsidiary of Liberty and an unaffiliated third party, a partial plan termination occurred. In connection therewith, employees of such subsidiary, who were active participants in the Liberty Plan on May 25, 2001 (the "Subsidiary Employees"), were terminated from the Liberty Plan. The Subsidiary Employees became fully vested in their employer contributions upon the partial plan termination.

SCHEDULE 1

LIBERTY MEDIA 401(k) SAVINGS PLAN

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

December 31, 2001

| Identity of issuer | Description of investment including par value |
|------------------------------|---|
| Janus | Janus Worldwide |
| Liberty Media Corporation | Series A common stock, par value \$.01 per share (historical cost basis - \$29,369,000) |
| Liberty Livewire Corporation | Class A common stock, par value \$.01 per share |
| Fidelity | Fidelity Magellan |

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| | |
|-------------------|---|
| Fidelity | Fidelity Equity Income |
| Fidelity | Fidelity Investment Grade Bond |
| Fidelity | Fidelity Retirement Money Market |
| Participant loans | Interest rates ranging from 6.5% to 10.5% |

All investments are held by Fidelity Management Trust Company, Inc., which is a party-in-interest. Liberty Media Corporation is the plan sponsor, which is a party-in-interest.

See accompanying independent auditors' report.

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SCHEDULE 2

LIBERTY MEDIA 401(k) SAVINGS PLAN

Schedule H, Line 4a -

Schedule of Nonexempt Transactions

Year Ended December 31, 2001

| Identity of PARTY INVOLVED | Relationship to plan employer OR OTHER PARTY-IN-INTEREST | Descrip includ rate of PAR |
|-----------------------------------|---|-------------------------------------|
| ----- | | |
| Liberty Media 401(k) Savings Plan | Plan Sponsor | |

- (1) An unintentional delay by a subsidiary of Liberty in submitting a certain 2001 employee contribution in the amount of \$2,844 to the trustee resulted in a prohibited transaction. Effectively a loan from the Liberty Plan to a subsidiary of Liberty, this amount was remitted to the trustee later than allowed by Department of Labor regulations. Liberty intends to reimburse the Liberty Plan \$5 for lost earnings and interest thereon in 2002.

See accompanying independent auditors' report.

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LIBERTY MEDIA 401(k) SAVINGS PLAN

Schedule H, Line 4j - Schedule of Reportable Transactions

Year Ended December 31, 2001

(amounts in thousands)

| Identity of party involved | Description of asset | Purchase Price | Selling Price | Cost of Asset |
|-------------------------------|---|-------------------|------------------|------------------|
| Liberty Media Corporation* | Series A Liberty common stock, par value \$.01 per share | \$2,579 | -- | -- |
| AT&T Corp.* | AT&T Class A Liberty Media Group Common Stock, par value \$1.00 per share | \$4,679 | -- | -- |

*Denotes party-in-interest

See accompanying independent auditors' report.

EXHIBIT INDEX

Shown below is the exhibit which is filed as a part of this Report -

23-Consent of KPMG LLP