Hart Leland
Form 4
October 07, 2011

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Hart Leland

(Last) (First) (Middle)

55 EAST 52ND STREET

(Street)

NEW YORK, NY 10055

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
BLACKROCK FLOATING RATE INCOME STRATEGIES FUND INC [FRA]

3. Date of Earliest Transaction (Month/Day/Year)
10/06/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
_____ Officer (give title below) __X__ Other (specify below)
Portfolio Manager

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	10/06/2011		P		2,713	A	$ 12.68 (1)	2,713	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Hart Leland 55 EAST 52ND STREET NEW YORK, NY 10055				Portfolio Manager

Signatures

/s/ Noah Gellner as Attorney-in-Fact	10/07/2011
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The shares were purchased in multiple transactions. The range of prices for the transactions reported on this line were 12.62 to 12.774. The Reporting Person undertakes to provide upon request by the Commission staff, the issuer, or a security holder of the issuer, full information regarding the number of shares purchased or sold at each separate price.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. by letters of credit ("LOC") issued under the facility reduces the amount available to us. As of December 31, 2008 and 2007, there were $58 million and $52 million of outstanding stand-by LOCs issued under the facility.

On February 18, 2009, we amended our credit facility to replace our tangible net worth covenant with a minimum interest coverage covenant, among other changes. As part of this amendment our leverage ratio was tightened, pricing on our borrowings increased by 200 basis points and we paid approximately $6 million in fees, which will be amortized over the remaining term of the credit facility.

NOTE 7 Derivative Instruments

The fair values of the derivative financial instruments generally represent the estimated amounts we would expect to receive or pay upon termination of the contracts as of the reporting date.

Ask Jeeves Notes

As a result of the Spin-Off, we assumed certain obligations of IAC related to IAC's Ask Jeeves Notes. When holders of the Ask Jeeves Notes convert their notes, they received shares of both IAC and Expedia common stock. Under the terms of the Spin-Off, we were obligated to issue shares of our common stock to IAC for delivery to the holders of the Ask Jeeves Notes, or pay cash in equal value, in lieu of issuing such shares, at our option. This obligation represented a derivative liability on our consolidated balance sheet because it was not indexed solely to shares of our common stock. We recorded the fair value of this derivative obligation on our consolidated balance sheets with any changes in fair value recorded in our consolidated statements of operations in Other, net. The estimated fair value of this liability fluctuated primarily based on changes in the price of our common stock.

In 2008, the remainder of these notes converted and we released approximately 0.5 million shares of our common stock with a fair value of $11 million to satisfy the final conversion requirements. In

Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

2008, 2007 and 2006, we recognized net gains (losses) of $4 million, $(5) million and $8 million related to these Ask Jeeves Notes. As of June 1, 2008, we had no further obligations related to the Ask Jeeves Notes. As of December 31, 2007, the related derivative liability balance was $15 million and was included in accrued expenses and other current liabilities.

Cross-Currency Swaps

We entered into cross-currency swaps to hedge against the change in value of certain intercompany loans denominated in currencies other than the lending subsidiaries' functional currency.

In November 2003, we entered into a swap with a notional amount of Euro 39 million that matures in October 2013. Under the terms of this swap, we paid euro at a rate of the three-month EURIBOR plus 0.50% on euro 39 million and we received 4.90% interest on $46 million in U.S. dollars.

In April 2004, we entered into a swap with a notional amount of Euro 38 million that matures in April 2014. Under the terms of this swap, we paid euro at a rate of the six-month EURIBOR plus 0.90% on euro 38 million and we received 5.47% interest on $46 million in U.S. dollars.

These swaps were designated as cash flow hedges and were re-measured at fair value each reporting period. The fair values of our cross-currency swaps were determined using Level 2 valuation techniques, as defined in SFAS 157, and were based on the present value of net future cash payments and receipts, which fluctuate based on changes in market interest rates and the euro/U.S. dollar exchange rate.

During the third quarter of 2008, we terminated our cross-currency swap agreements for a cost of $17 million and concurrently capitalized the underlying intercompany loans. As a result of these transactions, we recognized a net gain of less than $1 million. At the time of termination, $13 million of cash collateral was held by the counterparty resulting in a net liability of $4 million that was unpaid as of December 31, 2008 and was classified in accrued expenses and other current liabilities. As of December 31, 2007, we had a $21 million cross-currency swap liability included in other long-term liabilities and a corresponding $21 million asset for cash collateral held by our counterparty included in long-term investments and other assets.

Stock Warrants

In connection with prior transactions, IAC assumed a number of stock warrants that were adjusted to become exercisable into IAC common stock and subsequent to the Spin-Off, also into our common stock. As of December 31, 2008, there are approximately 42,700 of these stock warrants outstanding with expiration dates through May 2010. Each stock warrant represents the right to receive the number of shares of IAC common stock and Expedia common stock that the stock warrant holder would have received had the holder exercised the stock warrant immediately prior to the Spin-Off. Under the terms of the Spin-Off between IAC and Expedia, we assumed the obligation to deliver our common stock to the stock warrant holders upon exercise and will receive a portion of the proceeds from exercise. This obligation represents a derivative instrument that we record at fair value on our consolidated balance sheets with any changes in value recorded in our consolidated statements of operations in Other, net. The estimated fair value of this liability fluctuates based on changes in the price of our common stock.

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Notes to Consolidated Financial Statements (Continued)

NOTE 8 Employee Benefit Plans

Our U.S. employees are generally eligible to participate in a retirement and savings plan that qualifies under Section 401(k) of the Internal Revenue Code. Participating employees may contribute up to 16% of their pretax salary, but not more than statutory limits. We contribute fifty cents for each dollar a participant contributes in this plan, with a maximum contribution of 3% of a participant's earnings. Our contribution vests with the employee after the employee completes two years of service. Participating employees have the option to invest in our common stock, but there is no requirement for participating employees to invest their contribution or our matching contribution in our common stock. We also have various defined contribution plans for our international employees. Our contributions to these benefit plans were $12 million, $9 million and $8 million for the years ended December 31, 2008, 2007 and 2006.

NOTE 9 Stock-Based Awards and Other Equity Instruments

Pursuant to the 2005 Expedia, Inc. Stock and Annual Incentive Plan, we may grant restricted stock, restricted stock awards, RSUs, stock options and other stock-based awards to directors, officers, employees and consultants. As of December 31, 2008, we had approximately 8 million shares of common stock reserved for new stock-based awards under the 2005 Stock and Annual Incentive Plan. We issue new shares to satisfy the exercise or release of stock-based awards.

RSUs, which are stock awards that are granted to employees entitling the holder to shares of our common stock as the award vests, have been our primary form of stock-based award. We record RSUs that will settle in cash as a liability and we remeasure them to fair value at the end of each reporting period. These awards that settle in cash and the resulting liability are insignificant. Our RSUs generally vest over five years, but may accelerate in certain circumstances, including certain changes in control.

The following table presents a summary of RSU activity:

	RSU's	Weighted Average Grant-Date Fair Value
	(In thousands)	
Balance as of January 1, 2006	5,765	$ 24.08
Granted	5,016	18.59
Vested and released	(1,337)	23.94
Cancelled	(1,923)	23.09
Balance as of December 31, 2006	7,521	20.72
Granted	3,768	22.92
Vested and released	(1,538)	21.72
Cancelled	(1,489)	21.20
Balance as of December 31, 2007	8,262	21.43
Granted	4,123	21.78
Vested and released	(1,846)	21.76
Cancelled	(1,493)	22.20
Balance as of December 31, 2008	9,046	21.41

The total fair value of shares vested and released during the years ended December 31, 2008, 2007 and 2006 was $40 million, $33 million and $32 million. Included in RSUs outstanding at December 31,

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2008 are approximately 1 million RSUs awarded to certain senior executives, for which vesting is tied to achievement of performance targets.

We have fully vested stock warrants with expiration dates through May 2012 outstanding, certain of which were traded on the NASDAQ under the symbols "EXPEW" and "EXPEZ" until their expiration on February 4, 2009. Each stock warrant is exercisable for a certain number of shares of our common stock or a fraction thereof.

The following table presents a summary of our stock warrants (equivalent shares) from December 31, 2007 through December 31, 2008:

Expiration Date	Weighted Average Exercise Price	Outstanding Warrants at December 31, 2007	Exercised	Cancelled	Outstanding Warrants at December 31, 2008
		(In thousands, except per warrant data)			
May 2012	$ 25.56	16,094			16,094
February 2009	31.22	7,295			7,295
February 2009	11.93	11,085	(5)		11,080
November 2009 to May 2010	13.23	163			163
		34,637	(5)		34,632

The following table presents a summary of our stock option activity:

	Options (In thousands)	Weighted Average Exercise Price	Remaining Contractual Life (In years)	Aggregate Intrinsic Value (In thousands)
Balance as of January 1, 2006	27,706	$ 15.71		
Exercised	(3,657)	9.41		
Cancelled	(916)	20.38		
Balance as of December 31, 2006	23,133	16.52		
Exercised	(13,242)	10.30		
Cancelled	(216)	29.61		
Balance as of December 31, 2007	9,675	24.74		
Granted	1,275	8.14		
Exercised	(618)	10.14		
Cancelled	(498)	29.14		
Balance as of December 31, 2008	9,834	23.29	4.8	$ 1,273
Exercisable as of December 31, 2008	4,759	20.29	2.2	858
Vested and expected to vest after December 31, 2008	9,427	23.94	4.6	1,136

During 2008, we also granted stock options to certain key employees. The fair value of stock options granted during the year ended December 31, 2008 was estimated at the date of grant using the

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Notes to Consolidated Financial Statements (Continued)

Black-Scholes option pricing model, assuming no dividends and the following weighted average assumptions:

Risk-free interest rate	2.18%
Expected volatility	45.63%
Expected life (in years)	4.54
Weighted-average estimated fair value of options granted during the year	$ 3.38

The aggregate intrinsic value of outstanding options shown in the table above represents the total pretax intrinsic value at December 31, 2008, based on our closing stock price of $8.24 as of the last trading date. The total intrinsic value of stock options exercised was $7 million, $299 million and $35 million for the years ended December 31, 2008, 2007 and 2006.

The following table presents a summary of our stock options outstanding and exercisable at December 31, 2008:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares (In thousands)	Weighted-Average Price Per Share	Remaining Contractual Life (In years)	Shares (In thousands)	Weighted-Average Exercise Price
$ 0.01 - $ 5.00	184	$ 3.77	3.8	184	$ 3.77
5.01 - 8.00	668	7.58	9.7	18	6.25
8.01 - 12.00	947	9.06	7.1	322	9.80
12.01 - 18.00	911	14.76	3.1	911	14.76
18.01 - 25.00	2,691	21.40	1.7	2,691	21.40
25.01 - 35.00	2,768	28.39	6.1	368	27.77
35.01 - 45.00	1,632	38.34	5.7	232	38.28
45.01 - 97.00	33	73.49	1.0	33	73.49
0.01 - 97.00	9,834	23.29	4.8	4,759	20.29

In 2008, 2007 and 2006, we recognized stock-based compensation expense of $61 million, $63 million and $80 million. The total income tax benefit related to stock-based compensation expense was $21 million, $22 million and $27 million for 2008, 2007 and 2006.

Cash received from stock-based award exercises for the years ended December 31, 2008 and 2007 was $6 million and $55 million. Our employees that held IAC vested stock options prior to the Spin-Off received vested stock options in both Expedia and IAC. As these stock options are exercised, we receive a tax deduction. Total current income tax benefits during the years ended December 31, 2008 and 2007 associated with the exercise of IAC and Expedia stock-based awards held by our employees were $19 million and $121 million, of which we recorded approximately $2 million and $9 million as a reduction of goodwill.

In the fourth quarter of 2007, our Chairman and Senior Executive exercised options to purchase 9.5 million shares. 2.3 million shares were withheld and concurrently cancelled by the Company to cover the exercise price of $8.59 per share and 3.5 million shares were withheld and concurrently cancelled to cover tax obligations, with a net delivery of 3.7 million shares.

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Notes to Consolidated Financial Statements (Continued)

As of December 31, 2008, there was approximately $131 million of unrecognized stock-based compensation expense, net of estimated forfeitures, related to unvested stock-based awards, which is expected to be recognized in expense over a weighted-average period of 3.21 years.

NOTE 10 Income Taxes

The following table presents a summary of our U.S. and foreign income (loss) before income taxes and minority interest:

	Year Ended December 31,		
	2008	2007	2006
	(In thousands)		
U.S.	$(2,442,297)	$500,624	$388,588
Foreign	(72,407)	(3,640)	(3,690)
Total	$(2,514,704)	$496,984	$384,898

The following table presents a summary of our income tax expense components:

	Year Ended December 31,		
	2008	2007	2006
	(In thousands)		
Current income tax expense:			
Federal	$ 196,072	$182,960	$144,194
State	16,029	16,837	4,581
Foreign	2,907	4,900	1,328
Current income tax expense	215,008	204,697	150,103
Deferred income tax (benefit) expense:			
Federal	(188,901)	(8,041)	(8,803)
State	(7,841)	7,062	(1,572)
Foreign	(12,300)	(604)	(277)
Deferred income tax benefit:	(209,042)	(1,583)	(10,652)
Income tax expense	$ 5,966	$203,114	$139,451

For all periods presented, we have computed current and deferred tax expense using our stand-alone effective tax rate. As of December 31, 2008, our current income tax payable represents amounts that we will pay to the Internal Revenue Service ("IRS") and other tax authorities based on our taxable income.

We reduced our current income tax payable by $19 million, $121 million and $34 million for the years ended December 31, 2008, 2007 and 2006, for tax deductions attributable to stock-based compensation. For 2008, 2007 and 2006, we recorded $2 million, $9 million and $17 million of the related income tax benefits of this stock-based compensation as a reduction of goodwill.

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Notes to Consolidated Financial Statements (Continued)

The tax effect of cumulative temporary differences and net operating losses that give rise to our deferred tax assets and deferred tax liabilities as of December 31, 2008 and 2007 are as follows:

	December 31, 2008	December 31, 2007
	(In thousands)	
Deferred tax assets:		
Provision for accrued expenses	$ 26,395	$ 23,705
Deferred revenue	16,646	3,041
Net operating loss and tax credit carryforwards	31,536	23,856
Capitalized R&D expenditures	10,779	14,834
Stock-based compensation	48,110	45,269
Investment impairment	8,586	8,556
Other	10,360	10,590
Total deferred tax assets	152,412	129,851
Less valuation allowance	(32,085)	(27,911)
Net deferred tax assets	$ 120,327	$ 101,940
Deferred tax liabilities:		
Prepaid merchant bookings and prepaid expenses	$ (44,647)	$ (39,825)
Intangible assets	(220,379)	(375,069)
Investment in subsidiaries	(10,449)	(10,823)
Unrealized gains	(12,946)	(18,719)
Property and equipment	(25,848)	(20,951)
Other		(53)
Total deferred tax liabilities	$(314,269)	$(465,440)
Net deferred tax liability	$(193,942)	$(363,500)

At December 31, 2008, we had federal, state and foreign net operating loss carryforwards ("NOLs") of approximately $10 million, $53 million and $70 million. If not utilized, the federal and state NOLs will expire at various times between 2009 and 2028, $65 million foreign NOLs can be carried forward indefinitely, and $5 million foreign NOLs will expire at various times between 2009 and 2028.

At December 31, 2008, we had a valuation allowance of approximately $32 million related to the portion of net operating loss carryforwards and other items for which it is more likely than not that the tax benefit will not be realized. This amount represented an increase of approximately $4 million over the amount recorded as of December 31, 2007 and was primarily attributable to an increase in foreign operating losses.

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Notes to Consolidated Financial Statements (Continued)

A reconciliation of total income tax expense to the amounts computed by applying the statutory federal income tax rate to income before income taxes and minority interest is as follows:

	Year Ended December 31,		
	2008	2007	2006
	(In thousands)		
Income tax (benefit) expense at the federal statutory rate of 35%	$(880,146)	$173,944	$134,714
Non-deductible goodwill impairment	855,550		
State income taxes, net of effect of federal tax benefit	11,317	9,844	4,813
Unrecognized tax benefits and related interest	12,525	4,211	
Other, net	6,720	15,115	(76)
Income tax expense	$ 5,966	$203,114	$139,451

By virtue of the previously filed separate company and consolidated income tax returns filed with IAC, we are routinely under audit by federal, state, local and foreign authorities. These audits include questioning the timing and the amount of income and deductions and the allocation of income among various tax jurisdictions. Annual tax provisions include amounts considered sufficient to pay assessments that may result from the examination of prior year returns. We are no longer subject to tax examinations by tax authorities for years prior to 1998.

On January 1, 2007, we adopted FIN 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109.* A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows, in thousands:

Balance at January 1, 2007	$ 63,710
Increases to tax positions related to the current year	104,231
Interest and penalties	5,652
Balance at December 31, 2007	173,593
Increases to tax positions related to the current year	15,883
Decreases to tax positions related to the prior year	(22,520)
Audit settlements paid during 2008	(4,911)
Interest and penalties	17,794
Balance at December 31, 2008(1)	$179,839

(1) As of December 31, 2008, we had $180 million of unrecognized tax benefits, of which $190 million is classified as long-term and included in Other long-term liabilities.

Included in the balance at December 31, 2008 and 2007 were $68 million and $17 million of liabilities for uncertain tax positions that, if recognized, would decrease our provision for income taxes. Also included in the balance at December 31, 2008 were $122 million, of which $3 million and $95 million was added in 2008 and 2007, of excess tax benefits that resulted from our Chairman and Senior Executive's exercises of stock options during 2007 and 2005. If the IRS were to make a final determination that IAC and not Expedia were entitled to such deductions, then under the terms of our tax sharing agreement, IAC would pay to Expedia an amount equal to any such tax benefit at such time as it were actually realized by IAC. Therefore, an unfavorable outcome related to this position would not materially impact our cash flows.

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Notes to Consolidated Financial Statements (Continued)

We recognize interest and penalties related to our liabilities for uncertain tax positions in income tax expense. As of December 31, 2008 and 2007, we had approximately $24 million and $11 million accrued for the potential payment of estimated interest and penalties. During the years ended December 31, 2008, 2007 and 2006, we recognized approximately $12 million, $4 million and $2 million of interest, net of federal benefit and penalties, related to our liabilities for uncertain tax positions.

NOTE 11 Stockholders' Equity

Common Stock and Class B Common Stock

Our authorized common stock consists of 1.6 billion shares of common stock with par value of $0.001 per share, and 400 million shares of Class B common stock with par value of $0.001 per share. Both classes of common stock qualify for and would share equally in dividends, if declared by our Board of Directors, and generally vote together on all matters. Common stock is entitled to one vote per share and Class B common stock is entitled to 10 votes per share. Holders of common stock, voting as a single, separate class are entitled to elect 25% of the total number of directors. Class B common stockholders may, at any time, convert their shares into common stock, on a one for one share basis. Upon conversion, the Class B common stock is retired and is not available for reissue. In the event of liquidation, dissolution, distribution of assets or winding-up of Expedia, Inc., the holders of both classes of common stock have equal rights to receive all the assets of Expedia, Inc. after the rights of the holders of the preferred stock have been satisfied.

Preferred Stock

Our preferred stock has a face value of $22.23 per share; each share is entitled to an annual dividend of 1.99%. Each preferred stockholder is entitled to two votes per share. Preferred stockholders may, at certain times through 2017, elect to have their shares redeemed or elect to convert their shares into common stock based upon formulas described in the related Certificate of Designations of Series A Cumulative Convertible Preferred Stock of Expedia, Inc. Beginning February 4, 2012, we may redeem the preferred stock for cash or common stock. On February 4, 2022, all outstanding shares of preferred stock automatically convert into common stock.

Share Repurchases

During 2007, we completed two tender offers pursuant to which we acquired 30 million tendered shares of our common stock at a purchase price of $22.00 per share and 25 million tendered shares of our common stock at $29.00 per share, for a total cost of $1.4 billion plus fees and expenses relating to the tender offers.

During 2006, we completed the repurchase of 20 million shares of our common stock for a total cost of $288 million, representing an average price of $14.42 per share including transaction costs. All shares were repurchased in the open market at prevailing market prices.

In addition, during 2006 our Board of Directors authorized share repurchases of up to 20 million outstanding shares of our common stock. As of February 13, 2009, we had not made any share repurchases under this specific authorization. There is no fixed termination date for the repurchase. The amount of repurchases we may make under this authorization are subject to certain of our debt covenants.

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Notes to Consolidated Financial Statements (Continued)

Accumulated Other Comprehensive Income (Loss)

The following table presents the components of accumulated other comprehensive income (loss), net of tax:

	December 31, 2008	December 31, 2007
	(In thousands)	
Accumulated unrealized gains (losses) on derivatives	$	$ 339
Accumulated foreign currency translation adjustments	(4,662)	31,426
Total Accumulated Other Comprehensive Income (Loss)	$(4,662)	$31,765

Other Comprehensive Income (Loss)

The following table presents the changes in the components of other comprehensive income (loss), net of tax:

	For the Year Ended December 31, 2008	2007	2006
	(In thousands)		
Net Income (Loss)	$(2,517,763)	$295,864	$244,934
Other Comprehensive Income (Loss)			
Currency translation adjustments	(36,088)	16,768	14,696
Unrealized gains (losses) on derivatives, net of taxes:			
Unrealized holding gains (losses), net of tax effect of $(2,058) in 2008, $2,078 in 2007 and $4,300 in 2006	3,614	(5,545)	(7,832)
Less: reclassification adjustment for net (gains) losses recognized during the period, net of tax effect of $2,255 in 2008, $(3,210) in 2007 and $(3,691) in 2006	(3,953)	8,563	6,713
Other comprehensive income (loss)	(36,427)	19,786	13,577
Total Comprehensive Income (Loss)	$(2,554,190)	$315,650	$258,511

NOTE 12 Earnings Per Share

Basic Earnings Per Share

Basic earnings per share was calculated for the years ended December 31, 2008, 2007 and 2006 using the weighted average number of common and Class B common shares outstanding during the period excluding restricted stock and stock held in escrow. As of December 31, 2008 and 2007, we had 751 shares of preferred stock outstanding, the impact of which on our earnings per share calculation is immaterial.

Diluted Earnings Per Share

For the years ended December 31, 2008, 2007 and 2006, we computed diluted earnings per share using (i) the number of shares of common stock and Class B common stock used in the basic earnings per share calculation as indicated above (ii) if dilutive, the incremental common stock that we would issue upon the assumed exercise of stock options and stock warrants and the vesting of restricted stock

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Notes to Consolidated Financial Statements (Continued)

units using the treasury stock method, and (iii) the shares we were contractually obligated to issue associated with the Ask Jeeves Notes, if converted, and other stock-based commitments.

The following table presents our basic and diluted net income (loss) per share:

	Year Ended December 31,		
	2008	2007	2006
	(In thousands, except per share data)		
Net income (loss)	$(2,517,763)	$295,864	$244,934
Net income (loss) per share available to common stockholders:			
Basic	$ (8.80)	$ 1.00	$ 0.72
Diluted	(8.63)	0.94	0.70
Weighted average number of shares outstanding:			
Basic	286,167	296,640	338,047
Dilutive effect of:			
Options to purchase common stock	904	7,384	7,744
Warrants to purchase common stock	3,698	7,574	3,600
Other dilutive securities	1,061	2,635	2,790
Diluted	291,830	314,233	352,181

The earnings per share amounts are the same for common stock and Class B common stock because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

NOTE 13 Other Income (Expense)

Other, net

The following table presents the components of Other, net:

	For the Year Ended December 31,		
	2008	2007	2006
	(In thousands)		
Foreign exchange rate gains (losses), net	$(47,129)	$(22,047)	$10,367
Equity gain (loss) of unconsolidated affiliates	(979)	(2,614)	2,541
Gain (loss) on derivative instruments assumed at Spin-Off	4,600	(5,748)	8,137
Federal excise tax refunds		12,058	
Other	(670)	(256)	(2,275)
Total	$(44,178)	$(18,607)	$18,770

In 2008, in connection with the closing of an acquisition and the related holding of euros to economically hedge the purchase price, we recognized a net loss of $21 million, included in foreign exchange rate gains (losses), net.

In 2007, we recorded refunds based on notification from the IRS totaling $15 million related to Federal Excise Tax ("FET") taxes remitted to the IRS but not collected from customers for airline ticket sales by one of our subsidiaries in the third quarter of 2001 through the third quarter of 2004, plus accrued interest thereon. We recorded $3 million to revenue as that amount relates to taxes remitted on airline ticket sales subsequent to our acquisition of the subsidiary. We recorded $12 million

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to Other, net for taxes remitted on airline ticket sales prior to the acquisition and total interest earned on all underlying tax remittances.

NOTE 14 Commitments and Contingencies

Letters of Credit, Purchase Obligations and Guarantees

We have commitments and obligations that include purchase obligations, guarantees and LOCs, which could potentially require our payment in the event of demands by third parties or contingent events. The following table presents these commitments and obligations as of December 31, 2008:

		By Period			
	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
			(In thousands)		
Purchase obligations	$ 32,293	$ 22,101	$ 10,192	$	$
Guarantees	39,079	39,079			
Letters of credit	58,226	57,045	1,181		
	$129,598	$118,225	$ 11,373	$	$

Our purchase obligations represent the minimum obligations we have under agreements with certain of our vendors. These minimum obligations are less than our projected use for those periods. Payments may be more than the minimum obligations based on actual use.

We have guarantees primarily related to a specific country aviation authority for the potential non-delivery, by us, of packaged travel sold in that country. The authority also requires that a portion of the total amount of packaged travel sold be bonded.

Our LOCs consist of stand-by LOCs, underwritten by a group of lenders, which we primarily issue to certain hotel properties to secure our payment for hotel room transactions. The contractual expiration dates of these LOCs are shown in the table above. There were no claims made against any stand-by LOCs during the years ended December 31, 2008, 2007 and 2006.

Lease Commitments

We have contractual obligations in the form of operating leases for office space and related office equipment for which we record the related expense on a monthly basis. Certain leases contain periodic rent escalation adjustments and renewal options. Rent expense related to such leases is recorded on a straight-line basis. Operating lease obligations expire at various dates with the latest maturity in 2018. For the years ended December 31, 2008, 2007 and 2006, we recorded rental expense of $49 million, $33 million and $30 million.

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The following table presents our estimated future minimum rental payments under operating leases with noncancelable lease terms that expire after December 31, 2008, in thousands:

Year Ending December 31,	
2009	$ 39,097
2010	36,984
2011	35,205
2012	33,626
2013	27,539
2014 and thereafter	93,404
	$265,855

Legal Proceedings

In the ordinary course of business, we are a party to various lawsuits. In the opinion of management, we do not expect these lawsuits to have a material impact on the liquidity, results of operations, or financial condition of Expedia. We also evaluate other potential contingent matters, including value-added tax, federal excise tax, transient occupancy or accommodation tax and similar matters. We do not believe that the aggregate amount of liability that could be reasonably possible with respect to these matters would have a material adverse effect on our financial results.

Securities Related Class Action Litigations. While we are not a party to the securities litigation filed against IAC, under the terms of our separation agreement with IAC, we have generally agreed to bear a portion of the costs and liabilities, if any, associated with any securities law litigation relating to conduct prior to the Spin-Off of the businesses or entities that comprise Expedia following the Spin-Off. This case arises out of IAC's August 4, 2004, announcement of its earnings for the second quarter of 2004.

Litigation relating to the IAC/hotels.com merger agreement announced April 10, 2003, is pending in Delaware. The principal claim in these actions is that the defendants breached their fiduciary duty to the plaintiffs by entering into or approving the merger agreement.

Litigation Relating to Hotel Occupancy Taxes. Lawsuits have been filed by forty-four cities and counties involving hotel occupancy taxes. In addition, there have been six consumer lawsuits filed relating to taxes and fees. The municipality and consumer lawsuits are in various stages ranging from responding to the complaint to discovery. We continue to defend these lawsuits vigorously. To date, fifteen of the municipality lawsuits have been dismissed. Most of these dismissals have been without prejudice and, generally, allow the municipality to seek administrative remedies prior to pursuing further litigation. Five dismissals (Pitt County, North Carolina; Findlay, Ohio; Columbus and Dayton, Ohio; City of Orange, Texas; and Louisville, Kentucky) were based on a finding that the defendants were not subject to the local hotel occupancy tax ordinance. As a result of this litigation and other attempts by certain jurisdictions to levy such taxes, we have established a reserve for the potential settlement of issues related to hotel occupancy taxes in the amount of $20 million and $19 million at December 31, 2008 and 2007, respectively. Our reserve is based on our best estimate and the ultimate resolution of these issues may be greater or less than the liabilities recorded.

In connection with various occupancy tax audits and assessments, certain jurisdictions require that tax payers pay any assessed taxes prior to being allowed to contest or litigate the applicability of the

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Notes to Consolidated Financial Statements (Continued)

ordinances, which is referred to as "pay to play." We have been assessed approximately $8.2 million in taxes, plus $9.5 million in penalties and interest by the city of Anaheim, which has a "pay to play" tax ordinance. To preserve our right to contest this assessment, it is possible that we may be required to make a payment to Anaheim, as well as to other California jurisdictions that make similar assessments. We are challenging the city's purported right to require us to pay the tax assessment prior to commencing litigation. Other jurisdictions may also attempt to require that we pay any assessed taxes prior to being allowed to contest or litigate the applicability of similar tax ordinances. Payment of these amounts is not an admission that we believe we are subject to such taxes and we intend to continue defending our position vigorously.

NOTE 15 Related Party Transactions

In connection with the Spin-Off, we entered into various agreements with IAC, a related party due to common ownership, to provide for an orderly transition and to govern our ongoing relationships with IAC. These agreements include, among others, a separation agreement, a tax sharing agreement, an employee matters agreement and a transition services agreement.

In addition, in conjunction with the Spin-Off, we entered into a joint ownership and cost sharing agreement with IAC, under which IAC transferred to us 50% ownership in an airplane, which is available for use by both companies. We share equally in capital costs; operating costs are pro-rated based on actual usage. In May 2006, the airplane was placed in service and is being depreciated over 10 years. As of December 31, 2008 and 2007, the net basis in our ownership interest was $18 million and $19 million recorded in Long-term investments and other assets. In 2008 and 2007, operating and maintenance costs paid directly to the jointly-owned subsidiary for the airplane were $400,000 for both periods.

On August 20, 2008, IAC completed its plan to separate into five publicly traded companies. With this separation, we expect our related party transactions with the newly constituted IAC to be immaterial on a go-forward basis. In 2008, we paid $4 million to IAC businesses. In 2007, we received $100,000 from IAC businesses, and paid $8 million to IAC businesses. In 2006, we received $2 million from IAC businesses, and paid $31 million to IAC businesses.

In the fourth quarter of 2006, eLong sold one of its businesses to a subsidiary of IAC for approximately $15 million.

NOTE 16 Segment Information

We have two reportable segments: North America and Europe. We determined our segments based on how our chief operating decision makers manage our business, make operating decisions and evaluate operating performance. Our primary operating metric for evaluating segment performance is "Operating Income Before Amortization" (OIBA as defined below), which includes allocations of certain expenses, primarily cost of revenue and facilities, to the segments. We base the allocations primarily on transaction volumes and other usage metrics; this methodology is periodically evaluated and may change. We do not allocate certain shared expenses such as partner services, product development, accounting, human resources and legal to our reportable segments. We include these expenses in Corporate and Other.

Our North America segment provides a full range of travel and/or advertising services to customers primarily located in the United States, Canada and Mexico. This segment operates through a variety of brands including Classic Vacations, Expedia.com, hotels.com, Hotwire.com and the

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TripAdvisor Media Network. Our Europe segment provides travel services primarily through localized Expedia websites in Austria, Belgium, Denmark, France, Germany, Ireland, Italy, the Netherlands, Norway, Spain, Sweden and the United Kingdom, as well as localized versions of hotels.com in various European countries. In addition, Venere is included within our Europe segment from its acquisition date in the third quarter of 2008 forward.

Corporate and Other includes Egencia, Expedia Asia Pacific and unallocated corporate functions and expenses. Egencia provides travel products and services to corporate customers in North America, Europe and the Asia Pacific region. Expedia Asia Pacific provides online travel information and reservation services primarily through eLong in China, localized Expedia websites in Australia, India, Japan and New Zealand, as well as localized versions of hotels.com in various Asian countries. In addition, we record amortization of intangible assets, any impairment charges and stock-based compensation expense in Corporate and Other.

We are in the process of reorganizing our business around our global brands. Our chief operating decision makers are assessing our new structure to determine how we will manage our business and report our financial results. Beginning in the first quarter of 2009, we expect our reportable segments to change as we will no longer manage the business on a geographical basis.

The following table presents our segment information for the years ended December 31, 2008, 2007 and 2006. As a significant portion of our property and equipment is not allocated to our operating segments, we do not report the assets or related depreciation expense as it would not be meaningful, nor do we regularly provide such information to our chief operating decision makers.

	Year Ended December 31, 2008			
	North America	**Europe**	**Corporate and Other**	**Total**
	(In thousands)			
Revenue	$2,047,807	$689,978	$ 199,228	$ 2,937,013
Operating Income Before Amortization (Unaudited)	$ 898,949	$215,772	$ (416,947)	$ 697,774
Amortization of intangible assets			(69,436)	(69,436)
Impairment of goodwill			(2,762,100)	(2,762,100)
Impairment of intangible and other long-lived assets			(233,900)	(233,900)
Stock-based compensation			(61,291)	(61,291)
Operating income (loss)	$ 898,949	$215,772	$(3,543,674)	$(2,428,953)

	Year Ended December 31, 2007			
	North America	**Europe**	**Corporate and Other**	**Total**
	(In thousands)			
Revenue	$1,897,995	$606,997	$ 160,340	$2,665,332
Operating Income Before Amortization (Unaudited)	$ 821,144	$207,747	$(359,404)	$ 669,487
Amortization of intangible assets			(77,569)	(77,569)
Stock-based compensation			(62,849)	(62,849)
Operating income (loss)	$ 821,144	$207,747	$(499,822)	$ 529,069

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	Year Ended December 31, 2006			
	North America	Europe	Corporate and Other	Total
	(In thousands)			
Revenue	$1,666,804	$452,012	$ 118,770	$2,237,586
Operating Income Before Amortization (Unaudited)	$ 735,458	$157,945	$(294,385)	$ 599,018
Amortization of intangible assets			(110,766)	(110,766)
Impairment of intangible and other long-lived assets			(47,000)	(47,000)
Stock-based compensation			(80,285)	(80,285)
Amortization of non-cash distribution and marketing	(9,638)			(9,638)
Operating income (loss)	$ 725,820	$157,945	$(532,436)	$ 351,329

Definition of Operating Income Before Amortization

We provide OIBA as a supplemental measure to GAAP operating income (loss) and net income (loss). We define OIBA as operating income (loss) plus: (1) stock-based compensation expense, (2) amortization of intangible assets and goodwill and intangible asset impairment, if applicable, (3) amortization of non-cash distribution and marketing expense and (4) certain one-time items, if applicable.

OIBA is the primary operating metric used by which management evaluates the performance of our business, on which internal budgets are based, and by which management is compensated. Management believes that investors should have access to the same set of tools that management uses to analyze our results. This non-GAAP measure should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP. We endeavor to compensate for the limitation of the non-GAAP measure presented by also providing the comparable GAAP measure, GAAP financial statements, and descriptions of the reconciling items and adjustments, to derive the non-GAAP measure. We present a reconciliation of this non-GAAP financial measure to GAAP below.

OIBA represents the combined operating results of Expedia, Inc.'s businesses, taking into account depreciation of property and equipment (including internal-use software and website development), which we believe is an ongoing cost of doing business, but excluding the effects of other non-cash expenses that may not be indicative of our core business operations. We believe this performance measure is useful to investors for the following reasons:

- It corresponds more closely to the cash operating income generated from our core operations by excluding significant non-cash operating expenses; and

- It provides greater insight into management decision making at Expedia, as OIBA is our primary internal metric for evaluating the performance of our business.

OIBA has certain limitations in that it does not take into account the impact of certain expenses to our consolidated statements of operations, including stock-based compensation, non-cash payments to partners, acquisition-related accounting and certain one-time items, if applicable.

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Reconciliation of OIBA to Operating Income (Loss) and Net Income (Loss)

The following table presents a reconciliation of OIBA to operating income (loss) and net income (loss) for the years ended December 31, 2008, 2007 and 2006:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
OIBA (Unaudited)	$ 697,774	$ 669,487	$ 599,018
Amortization of intangible assets	(69,436)	(77,569)	(110,766)
Impairment of goodwill	(2,762,100)		
Impairment of intangible and other long-lived assets	(233,900)		(47,000)
Stock-based compensation	(61,291)	(62,849)	(80,285)
Amortization of non-cash distribution and marketing			(9,638)
Operating income (loss)	(2,428,953)	529,069	351,329
Interest income (expense), net	(41,573)	(13,478)	14,799
Other, net	(44,178)	(18,607)	18,770
Provision for income taxes	(5,966)	(203,114)	(139,451)
Minority interest in (income) loss of consolidated subsidiaries, net	2,907	1,994	(513)
Net income (loss)	$(2,517,763)	$ 295,864	$ 244,934

Geographic Information

The following table presents revenue by geographic area, the United States and all other countries, for the years ended December 31, 2008, 2007 and 2006:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Revenue			
United States	$1,923,452	$1,806,479	$1,610,018
All other countries	1,013,561	858,853	627,568
	$2,937,013	$2,665,332	$2,237,586

The following table presents property and equipment, net for the United States and all other countries, as of December 31, 2008 and 2007:

	As of December 31,	
	2008	2007
	(In thousands)	
Property and equipment, net		
United States	$219,543	$158,574
All other countries	28,411	20,916
	$247,954	$179,490

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Notes to Consolidated Financial Statements (Continued)

NOTE 17 Valuation and Qualifying Accounts

The following table presents the changes in our valuation and qualifying accounts.

Description	Balance of Beginning of Period	Charges to Earnings	Charges to Other Accounts	Deductions	Balance at End of Period
			(In thousands)		
2008					
Allowance for doubtful accounts	$ 6,081	$ 6,121	$ 1,974	$ (1,592)	$12,584
Other reserves	6,300				5,842
2007					
Allowance for doubtful accounts	$ 4,874	$ 4,289	$ 395	$ (3,477)	$ 6,081
Other reserves	6,046				6,300
2006					
Allowance for doubtful accounts	$ 3,914	$ 2,747	$ 200	$ (1,987)	$ 4,874
Other reserves	5,125				6,046

NOTE 18 Quarterly Financial Information (Unaudited)

	Three Months Ended			
	March 31	June 30	September 30	December 31
	(In thousands, except per share data)			
Year ended December 31, 2008				
Revenue	$687,817	$795,048	$ 833,337	$ 620,811
Gross profit	535,874	626,174	656,336	483,885
Operating income (loss)(1)	89,998	170,541	199,586	(2,889,078)
Net income (loss)(1)	51,306	96,089	94,824	(2,759,982)
Basic earnings per share(2)	$ 0.18	$ 0.34	$ 0.33	$ (9.62)
Diluted earnings per share(2)	0.17	0.33	0.33	(9.60)
Year ended December 31, 2007				
Revenue	$550,511	$689,923	$ 759,596	$ 665,302
Gross profit	429,213	546,277	608,543	518,898
Operating income	67,334	153,625	179,772	128,338
Net income	34,776	96,136	99,595	65,357
Basic earnings per share(2)	$ 0.11	$ 0.32	$ 0.34	$ 0.23
Diluted earnings per share(2)	0.11	0.30	0.32	0.22

(1) Included as part of operating loss and net loss for the fourth quarter of 2008 is an approximately $3 billion impairment charge related to goodwill, intangible and other long-lived assets. In addition, the fourth quarter of 2008 was impacted by a $7 million adjustment related to intangible amortization which should have been included in prior quarterly periods of 2008.

(2) Earnings per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly earnings per share may not equal the total computed for the year.

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NOTE 19 Guarantor and Non-Guarantor Supplemental Financial Information

Condensed consolidating financial information of Expedia, Inc. (the "Parent"), our subsidiaries that are guarantors of our debt facility and instruments (the "Guarantor Subsidiaries"), and our subsidiaries that are not guarantors of our debt facility and instruments (the "Non-Guarantor Subsidiaries") is shown below. The debt facility and instruments are guaranteed by certain of our wholly-owned domestic subsidiaries and rank equally in right of payment with all of our existing and future unsecured and unsubordinated obligations. The guarantees are full, unconditional, joint and several. In this financial information, the Parent and Guarantor Subsidiaries account for investments in their wholly-owned subsidiaries using the equity method.

During the second quarter of 2008, we reclassified amounts related to borrowings under our revolving credit facility in our condensed consolidating statements of operations, balance sheets and statements of cash flow from Parent to Guarantor Subsidiaries. There was no impact to consolidated totals. Prior periods have been restated to conform to current period presentation.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2008

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Revenue	$	$ 2,618,064	$ 740,027	$ (421,078)	$ 2,937,013
Cost of revenue		530,365	108,928	(4,549)	634,744
Gross profit		2,087,699	631,099	(416,529)	2,302,269
Operating expenses:					
Selling and marketing		1,076,662	441,189	(416,448)	1,101,403
General and administrative		261,645	94,083	(297)	355,431
Technology and content		155,633	53,103	216	208,952
Amortization of intangible assets		52,928	16,508		69,436
Impairment of goodwill		2,592,672	169,428		2,762,100
Impairment of intangbile and other long-lived assets		198,541	35,359		233,900
Operating loss		(2,250,382)	(178,571)		(2,428,953)
Other income (expense):					
Equity in pre-tax earnings of consolidated subsidiaries	(2,490,324)	(138,939)		2,629,263	
Other, net	(50,648)	(13,719)	(21,384)		(85,751)
Total other income (expense), net	(2,540,972)	(152,658)	(21,384)	2,629,263	(85,751)
Loss before income taxes and minority interest	(2,540,972)	(2,403,040)	(199,955)	2,629,263	(2,514,704)
Provision for income taxes	23,209	(83,849)	54,674		(5,966)
Minority interest in loss of consolidated subsidiaries, net			2,907		2,907
Net loss	$ (2,517,763)	$ (2,486,889)	$ (142,374)	$ 2,629,263	$ (2,517,763)

Explanation of Responses:

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2007

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Revenue	$	$ 2,439,218	$ 598,594	$ (372,480)	$ 2,665,332
Cost of revenue		471,845	95,449	(4,893)	562,401
Gross profit		1,967,373	503,145	(367,587)	2,102,931
Operating expenses:					
Selling and marketing		996,114	364,213	(367,767)	992,560
General and administrative		242,818	78,232	200	321,250
Technology and content		142,141	40,362	(20)	182,483
Amortization of intangible assets		69,828	7,741		77,569
Operating income		516,472	12,597		529,069
Other income (expense):					
Equity in pre-tax earnings of consolidated subsidiaries	326,003	8,230		(334,233)	
Other, net	(44,080)	12,448	(462)	9	(32,085)
Total other income (expense), net	281,923	20,678	(462)	(334,224)	(32,085)
Income before income taxes and minority interest	281,923	537,150	12,135	(334,224)	496,984
Provision for income taxes	13,941	(207,877)	(9,178)		(203,114)
Minority interest in loss of consolidated subsidiaries, net			1,994		1,994
Net income	$ 295,864	$ 329,273	$ 4,951	$ (334,224)	$ 295,864

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Notes to Consolidated Financial Statements (Continued)

CONDENSED COMBINING STATEMENT OF OPERATIONS
Year Ended December 31, 2006

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Revenue	$	$ 2,080,327	$ 423,608	$ (266,349)	$ 2,237,586
Cost of revenue		428,656	77,831	(3,849)	502,638
Gross profit		1,651,671	345,777	(262,500)	1,734,948
Operating expenses:					
Selling and marketing		790,991	257,781	(262,577)	786,195
General and administrative		234,937	54,631	81	289,649
Technology and content		109,805	30,570	(4)	140,371
Amortization of intangible assets		103,720	7,046		110,766
Impairment of long-lived assets		47,000			47,000
Amortization of non-cash distribution and marketing		9,638			9,638
Operating income (loss)		355,580	(4,251)		351,329
Other income (expense):					
Equity in pre-tax earnings (losses) of consolidated subsidiaries	245,464	(1,080)		(244,384)	
Other, net	(5,451)	37,675	1,345		33,569
Total other income, net	240,013	36,595	1,345	(244,384)	33,569
Income (loss) before income taxes and minority interest	240,013	392,175	(2,906)	(244,384)	384,898
Provision for income taxes	4,921	(143,689)	(683)		(139,451)
Minority interest in (income) loss of consolidated subsidiaries, net		(677)	164		(513)
Net income (loss)	$ 244,934	$ 247,809	$ (3,425)	$ (244,384)	$ 244,934

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Notes to Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2008

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)		
ASSETS					
Total current assets	$ 42,084	$ 1,784,614	$ 348,496	$ (976,480)	$ 1,198,714
Investment in subsidiaries	3,747,416	548,970		(4,296,386)	
Intangible assets, net		685,692	147,727		833,419
Goodwill		3,015,958	522,611		3,538,569
Other assets, net	4,063	214,663	104,821		323,547
TOTAL ASSETS	$3,793,563	$ 6,249,897	$ 1,123,655	$(5,272,866)	$ 5,894,249
LIABILITIES AND STOCKHOLDERS' EQUITY					
Total current liabilities	$ 570,621	$ 1,433,356	$ 538,671	$ (976,480)	$ 1,566,168
Long-term debt	894,548				894,548
Credit facility		650,000			650,000
Other liabilities and minority interest		409,606	45,533		455,139
Stockholders' equity	2,328,394	3,756,935	539,451	(4,296,386)	2,328,394
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$3,793,563	$ 6,249,897	$ 1,123,655	$(5,272,866)	$ 5,894,249

CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2007

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)		
ASSETS					
Total current assets	$ 18,864	$ 1,763,796	$ 147,639	$ (884,644)	$ 1,045,655
Investment in subsidiaries	6,196,736	480,038		(6,676,774)	
Intangible assets, net		926,023	44,734		970,757
Goodwill		5,611,454	394,884		6,006,338
Other assets, net	3,158	176,977	92,537		272,672
TOTAL ASSETS	$6,218,758	$ 8,958,288	$ 679,794	$(7,561,418)	$ 8,295,422
LIABILITIES AND STOCKHOLDERS' EQUITY					
Total current liabilities	$ 900,677	$ 1,631,601	$ 126,718	$ (884,644)	$ 1,774,352
Long-term debt	500,000				500,000
Credit facility		585,000			585,000
Other liabilities and minority interest		538,962	79,027		617,989
Stockholders' equity	4,818,081	6,202,725	474,049	(6,676,774)	4,818,081

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$6,218,758	$ 8,958,288	$ 679,794	$(7,561,418)	$ 8,295,422

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Notes to Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2008

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
		(In thousands)		
Operating activities:				
Net cash provided by operating activities	$	$ 241,282	$ 279,406	$ 520,688
Investing activities:				
Capital expenditures, including internal-use software and website development		(133,842)	(25,985)	(159,827)
Acquisitions, net of cash acquired			(538,439)	(538,439)
Reclassification of Reserve Primary Fund holdings		(80,360)		(80,360)
Distribution from Reserve Primary Fund		64,387		64,387
Net settlement of foreign currency forwards		(55,175)		(55,175)
Purchase of short-term investments			(92,923)	(92,923)
Other, net		(157)	2,936	2,779
Net cash used in investing activities		(205,147)	(654,411)	(859,558)
Financing activities:				
Credit facility borrowings		740,000		740,000
Credit facility repayments		(675,000)		(675,000)
Proceeds from issuance of long-term debt, net of issuance costs	392,348			392,348
Transfers (to) from related parties	(386,108)	115,955	270,153	
Other, net	(6,240)	12,035	1,658	7,453
Net cash provided by financing activities		192,990	271,811	464,801
Effect of exchange rate changes on cash and cash equivalents		(69,983)	(7,922)	(77,905)
Net increase (decrease) in cash and cash equivalents		159,142	(111,116)	48,026
Cash and cash equivalents at beginning of year		379,199	238,187	617,386
Cash and cash equivalents at end of year	$	$ 538,341	$ 127,071	$ 665,412

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Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2007

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
		(In thousands)		
Operating activities:				
Net cash provided by operating activities	$	$ 610,105	$ 101,964	$ 712,069
Investing activities:				
Capital expenditures, including internal-use software and website development		(72,263)	(14,395)	(86,658)
Other, net		(39,695)	(53,153)	(92,848)
Net cash used in investing activities		(111,958)	(67,548)	(179,506)
Financing activities:				
Credit facility borrowings		755,000		755,000
Credit facility repayments		(170,000)		(170,000)
Treasury stock activity	(1,397,173)			(1,397,173)
Transfers (to) from related parties	1,399,386	(1,399,386)		
Excess tax benefit on equity awards	95,702			95,702
Withholding taxes for stock option exercises	(121,208)			(121,208)
Other, net	23,293	14,798	9,609	47,700
Net cash provided by (used in) financing activities		(799,588)	9,609	(789,979)
Effect of exchange rate changes on cash and cash equivalents		22,100	(572)	21,528
Net increase (decrease) in cash and cash equivalents		(279,341)	43,453	(235,888)
Cash and cash equivalents at beginning of year		658,540	194,734	853,274
Cash and cash equivalents at end of year	$	$ 379,199	$ 238,187	$ 617,386

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Expedia, Inc.

Notes to Consolidated Financial Statements (Continued)

CONDENSED COMBINING STATEMENT OF CASH FLOWS
Year Ended December 31, 2006

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
		(In thousands)		
Operating activities:				
Net cash provided by operating activities	$ 50	$ 578,387	$ 39,003	$ 617,440
Investing activities:				
Capital expenditures, including internal-use software and website development	(34)	(83,308)	(9,289)	(92,631)
Other, net	(16)	(30,957)	10,104	(20,869)
Net cash provided by (used in) investing activities	(50)	(114,265)	815	(113,500)
Financing activities:				
Credit facility repayments		(230,000)		(230,000)
Proceeds from issuance of long-term debt, net of issuance costs	495,346			495,346
Treasury stock activity	(295,691)			(295,691)
Other, net	(199,655)	230,449	9,323	40,117
Net cash provided by financing activities		449	9,323	9,772
Effect of exchange rate changes on cash and cash equivalents		42,446	(300)	42,146
Net increase in cash and cash equivalents		507,017	48,841	555,858
Cash and cash equivalents at beginning of year		151,523	145,893	297,416
Cash and cash equivalents at end of year	$	$ 658,540	$ 194,734	$ 853,274

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SIGNATURES

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

LIBERTY MEDIA LLC

Dated: March 24, 2009 By: /s/ GREGORY B. MAFFEI

Gregory B. Maffei
Chief Executive Officer and President

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

Signature	Title	Date
/s/ GREGORY B. MAFFEI Gregory B. Maffei	Chief Executive Officer and President(Principal Executive Officer)	March 24, 2009
/s/ DAVID J.A. FLOWERS David J.A. Flowers	Senior Vice President and Treasurer (Principal Financial Officer)	March 24, 2009
/s/ CHRISTOPHER W. SHEAN Christopher W. Shean	Senior Vice President and Controller (Principal Accounting Officer)	March 24, 2009
Liberty Media Corporation	Sole Member Manager of the Registrant	March 24, 2009
By: /s/ CHARLES Y. TANABE Charles Y. Tanabe	Executive Vice President, Secretary and General Counsel	

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EXHIBIT INDEX

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

3 Articles of Incorporation and Bylaws:

3.1

Certificate of Formation of Liberty Media LLC ("Liberty"), dated May 9, 2006 (incorporated by reference to Exhibit 3.1 to Liberty's Current Report on Form 8-K (File No. 001-16615) as filed on May 15, 2006 (the "May 2006 8-K")).

3.2

Certificate of Conversion to Limited Liability Company of LMC MergerSub, Inc. to Liberty Media LLC, dated May 9, 2006 (incorporated by reference to Exhibit 3.2 to the May 2006 8-K).

3.3

Limited Liability Company Operating Agreement of Liberty, dated May 9, 2006 (incorporated by reference to Exhibit 3.3 to the May 2006 8-K).

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

4.1

Indenture, dated as of July 7, 1999, between Liberty and The Bank of New York (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-4 of Liberty (File No. 333-86491) as filed on September 3, 1999, the "Liberty S-4 Registration Statement").

4.2

The Registrant undertakes to furnish to the Securities and Exchange Commission, upon request, a copy of all instruments with respect to long-term debt not filed herewith.

10 Material Contracts:

10.1

Tax Sharing Agreement dated as of March 9, 1999, by and among AT&T Corp., Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.4 to the Registration Statement on Form S-4 of Liberty (File No. 333-86491) as filed on September 3, 1999 (the "Liberty S-4 Registration Statement")).

10.2

First Amendment to Tax Sharing Agreement dated as of May 28, 1999, by and among AT&T Corp., Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.5 to the Liberty S-4 Registration Statement).

10.3

Second Amendment to Tax Sharing Agreement dated as of September 24, 1999, by and among AT&T Corp., Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-1 of Liberty (File No. 333-93917) as filed on December 30, 1999 (the "Liberty S-1 Registration Statement")).

10.4

Third Amendment to Tax Sharing Agreement dated as of October 20, 1999, by and among AT&T Corp., Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.7 to the Liberty S-l Registration Statement).

10.5

Fourth Amendment to Tax Sharing Agreement dated as of October 28, 1999, by and among AT&T Corp., Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.8 to the Liberty S-l Registration Statement).

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10.6 Fifth Amendment to Tax Sharing Agreement dated as of December 6, 1999, by and among AT&T Corp., Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.9 to the Liberty S-l Registration Statement).

10.7 Sixth Amendment to Tax Sharing Agreement dated as of December 10, 1999, by and among AT&T Corp., Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.10 to the Liberty S-l Registration Statement).

10.8 Seventh Amendment to Tax Sharing Agreement dated as of December 30, 1999, by and among AT&T Corp., Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.11 to the Liberty S-l Registration Statement).

10.9 Eighth Amendment to Tax Sharing Agreement dated as of July 25, 2000, by and among AT&T Corp., Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.12 to the Registration Statement on Form S-1 of Liberty (File No. 333-55998) as filed on February 21, 2001).

10.10 Instrument dated January 14, 2000, adding The Associated Group, Inc. as a party to the Tax Sharing Agreement dated as of March 9, 1999, as amended, among The Associated Group, Inc., AT&T Corp., Liberty, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.12 to the Liberty S-1 Registration Statement).

10.11 Restated and Amended Employment Agreement dated November 1, 1992, between Tele-Communications, Inc. and John C. Malone (assumed by Liberty as of March 9, 1999), and the amendment thereto dated June 30, 1999 and effective as of March 9, 1999, between Liberty and John C. Malone (collectively, the "Malone Employment Agreement") (incorporated by reference to Exhibit 10.6 to the Liberty S-4 Registration Statement).

10.12 Second Amendment to Malone Employment Agreement effective January 1, 2003 (incorporated by reference to Exhibit 10.15 to Liberty's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-16615) as filed on March 15, 2004).

10.13 Third Amendment to Malone Employment Agreement effective January 1, 2007 (incorporated by reference to Exhibit 10.13 to Liberty Media Corporation's ("LMC") Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-33982) as filed on February 27, 2009 (the "LMC 2008 10-K")).

10.14 Fourth Amendment to Malone Employment Agreement effective January 1, 2009 (incorporated by reference to Exhibit 10.14 to the LMC 2008 10-K).

10.15 Liberty Media Corporation 2006 Deferred Compensation Plan (incorporated by reference to Exhibit 99.1 to LMC's Current Report on Form 8-K (File No. 000-51990) as filed on January 5, 2007).

10.16 Employment Agreement, dated as of December 28, 2005, between Liberty and Mr. Bennett (incorporated by reference to Exhibit 99.1 to Liberty's Current Report on Form 8-K (File No. 001-16615) as filed on December 30, 2005).

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10.17
Letter Agreement regarding personal use of LMC's aircraft, dated as of February 22, 2008, between Gregory B. Maffei and LMC (incorporated by reference to Exhibit 10.38 to LMC's Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 000-51990) as filed on February 29, 2008).

10.18
$3,500,000,000 Credit Agreement, dated as of March 3, 2006, among QVC, Inc., as Borrower; the Lenders party hereto; JP Morgan Chase Bank, N.A., as Administrative Agent; and Wachovia Capital Markets, LLC, as Syndication Agent (the "March 2006 Credit Agreement") (incorporated by reference to Exhibit 10.1 to Liberty's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (File No. 001-16615) as filed on May 8, 2006).

10.19
Amendment dated October 4, 2006 to the March 2006 Credit Agreement (incorporated by reference to Exhibit 99.2 to LMC's Current Report on Form 8-K (File No. 000-51990) as filed on October 10, 2006 (the "October 2006 8-K")).

10.20
$1,750,000,000 Credit Agreement, dated as of October 4, 2006 among QVC, Wachovia Bank, N.A., as Administrative Agent, Bank of America N.A. and J.P. Morgan Securities Inc., as Syndication Agents, and the lenders party thereto from time to time (incorporated by reference to Exhibit 99.1 to the October 2006 8-K).

10.21
Share Exchange Agreement, dated as of December 22, 2006, by and between News Corporation and LMC (the "News Agreement") (incorporated by reference to Exhibit 10.38 to LMC's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 000-51990) as filed on March 1, 2007).

10.22
Tax Matters Agreement, dated as of December 22, 2006, by and between News Corporation and LMC (which is Exhibit A-I to the News Agreement) (incorporated by reference to Exhibit 10.39 to LMC's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 000-51990) as filed on March 1, 2007).

10.23
Letter Agreement, dated as of May 6, 2008, by and among The DirecTV Group, Inc., LMC, Greenlady Corporation and Greenlady II, LLC (incorporated by reference to Exhibit 10.1 to The DirecTV Group, Inc.'s Current Report on Form 8-K (File No. 001-31945) as filed on May 7, 2008).

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

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

31.3
Rule 13a-14(a)/15d-14(a) Certification.*

32
Section 1350 Certification.*

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Filed herewith.