

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

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**FORM 10-Q**

**X   QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended June 30, 2016**

**OR  
       TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from to**

**Commission File Number 001-35294**

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**Starz**

(Exact Name of Registrant as Specified in Its Charter)

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>20-8988475</b> (I.R.S. Employer Identification No.)
<b>8900 Liberty Circle</b> <b>Englewood, Colorado</b> (Address of principal executive offices)	<b>80112</b> (Zip Code)

Registrant's telephone number, including area code: **(720) 852-7700**

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

The number of outstanding shares of Starz's common stock as of June 30, 2016 was:

<b>Series A</b>	<b>Series B</b>
87,217,109	9,858,316

**STARZ  
FORM 10-Q**

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**PART I**

**Item 1. Financial Statements**

**Starz and Subsidiaries**  
 Condensed Consolidated Balance Sheets  
 (Unaudited)  
 (in millions, except share and per share amounts)

	June 30, 2016	December 31, 2015
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 12.9	\$ 10.7
Trade accounts receivable, net of allowances of \$18.4 and \$35.2	289.8	252.9
Program rights, net	375.6	316.1
Other current assets	60.5	90.1
Total current assets	738.8	669.8
Program rights	326.1	335.9
Investment in films and television programs, net	223.2	215.6
Property and equipment, net of accumulated depreciation of \$142.3 and \$134.5	87.8	89.2
Deferred income taxes	21.5	21.2
Goodwill	131.8	131.8
Other assets, net	111.3	100.7
Total assets	\$ 1,640.5	\$ 1,564.2
<b>Liabilities and Equity</b>		
<b>Current liabilities:</b>		
Current portion of debt (Note 2)	\$ 5.8	\$ 5.6
Trade accounts payable	5.5	8.0
Accrued liabilities (Notes 6 and 7)	272.8	267.7
Deferred revenue	12.2	10.3
Total current liabilities	296.3	291.6
Debt (Note 2)	1,074.5	1,032.2
Other liabilities (Note 6)	34.1	22.7
Total liabilities	1,404.9	1,346.5
<b>Stockholders' equity (Note 3):</b>		
Preferred stock, \$.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A common stock, \$.01 par value. Authorized 2,000,000,000 shares; issued and outstanding 87,217,109 and 91,468,763 shares at June 30, 2016 and December 31, 2015, respectively	0.9	0.9
Series B common stock, \$.01 par value. Authorized 75,000,000 shares; issued and outstanding 9,858,316 and 9,861,294 shares at June 30, 2016 and December 31, 2015, respectively	0.1	0.1
Additional paid-in capital	—	—
Accumulated other comprehensive loss, net of taxes	(2.5)	(1.5)
Retained earnings	237.1	218.2
Total equity	235.6	217.7
Commitments and contingencies (Note 6)		
Total liabilities and equity	\$ 1,640.5	\$ 1,564.2

*See accompanying notes to condensed consolidated financial statements.*

**Starz and Subsidiaries**  
Condensed Consolidated Statements of Operations  
(Unaudited)  
*(in millions, except per share amounts)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Revenue:</b>				
Programming networks and other services	\$ 386.6	\$ 380.3	\$ 784.0	\$ 796.1
Home video net sales	16.0	37.4	50.5	72.3
Total revenue	402.6	417.7	834.5	868.4
<b>Costs and expenses:</b>				
Programming (including amortization) (Notes 4 and 6)	148.1	154.5	298.8	300.5
Production and acquisition (including amortization)	43.2	50.0	101.3	106.6
Home video cost of sales	5.1	10.0	12.5	20.4
Operating (Note 4)	7.1	12.4	13.1	25.7
Selling, general and administrative (Note 4)	79.0	75.5	169.9	152.7
Merger related	9.5	—	9.5	—
Depreciation and amortization	5.2	4.8	9.9	9.5
Total costs and expenses	297.2	307.2	615.0	615.4
Operating income	105.4	110.5	219.5	253.0
<b>Other expense:</b>				
Interest expense, net of amounts capitalized (Note 2)	(11.5)	(11.3)	(23.4)	(22.5)
Other expense, net	(6.7)	(2.1)	(6.3)	(4.3)
Income before income taxes	87.2	97.1	189.8	226.2
Income tax expense (Note 5)	(32.8)	(34.1)	(68.4)	(77.1)
Net income	54.4	63.0	121.4	149.1
Net loss (income) attributable to noncontrolling interest	—	0.4	—	(1.1)
Net income attributable to stockholders	\$ 54.4	\$ 63.4	\$ 121.4	\$ 148.0
Basic net income per common share (Note 7)	\$ 0.56	\$ 0.63	\$ 1.24	\$ 1.46
Diluted net income per common share (Note 7)	\$ 0.54	\$ 0.59	\$ 1.20	\$ 1.39
<b>Weighted average number of common shares outstanding (Note 7):</b>				
Basic	96.9	101.4	98.0	101.3
Diluted	100.0	106.9	101.4	106.6

*See accompanying notes to condensed consolidated financial statements.*

**Starz and Subsidiaries**

## Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

*(in millions)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	\$ 54.4	\$ 63.0	\$ 121.4	\$ 149.1
Other comprehensive income (loss), net of taxes -				
Foreign currency translation adjustments from operations	(1.0)	(0.1)	(1.0)	0.6
Comprehensive income	53.4	62.9	120.4	149.7
Comprehensive loss (income) attributable to noncontrolling interest	—	0.5	—	(1.2)
Comprehensive income attributable to stockholders	<u>\$ 53.4</u>	<u>\$ 63.4</u>	<u>\$ 120.4</u>	<u>\$ 148.5</u>

*See accompanying notes to condensed consolidated financial statements.*

**Starz and Subsidiaries**  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)  
(in millions)

	Six Months Ended June 30,	
	2016	2015
<b>Operating activities:</b>		
Net income	\$ 121.4	\$ 149.1
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	9.9	9.5
Amortization of program rights	275.4	281.1
Program rights payments	(217.2)	(253.5)
Amortization of investment in films and television programs	74.2	80.1
Investment in films and television programs	(160.5)	(233.6)
Stock compensation	15.6	16.4
Deferred income taxes	(0.3)	(10.2)
Other non-operating and non-cash items	(5.8)	(7.2)
Changes in assets and liabilities:		
Current and other assets	0.9	(23.3)
Payables and other liabilities	(12.6)	(34.4)
Net cash provided by (used in) operating activities	<u>101.0</u>	<u>(26.0)</u>
<b>Investing activities:</b>		
Purchases of property and equipment	(7.8)	(5.8)
Investment in and advances to equity investee	(13.5)	—
Net cash used in investing activities	<u>(21.3)</u>	<u>(5.8)</u>
<b>Financing activities:</b>		
Borrowings of debt	260.0	734.0
Payments of debt	(218.7)	(662.6)
Debt issuance costs	—	(5.0)
Repurchases of common stock	(120.7)	(32.8)
Exercise of stock options	2.3	7.7
Minimum withholding of taxes related to stock compensation	(1.7)	(15.3)
Excess tax benefit from stock compensation	1.3	12.7
Net cash provided by (used in) financing activities	<u>(77.5)</u>	<u>38.7</u>
Net increase in cash and cash equivalents	2.2	6.9
<b>Cash and cash equivalents:</b>		
Beginning of period	10.7	13.4
End of period	<u>\$ 12.9</u>	<u>\$ 20.3</u>

*See accompanying notes to condensed consolidated financial statements.*

**Starz and Subsidiaries**  
Condensed Consolidated Statement of Equity  
Six Months Ended June 30, 2016  
(Unaudited)  
*(in millions)*

	Preferred Stock	Series A	Series B	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
Balance at December 31, 2015	\$ —	\$ 0.9	\$ 0.1	\$ —	\$ (1.5)	\$ 218.2	\$ 217.7
Net income	—	—	—	—	—	121.4	121.4
Other comprehensive loss	—	—	—	—	(1.0)	—	(1.0)
Stock compensation	—	—	—	16.3	—	—	16.3
Stock issued upon exercise of stock options	—	—	—	2.3	—	—	2.3
Minimum withholding of taxes related to stock compensation	—	—	—	(1.7)	—	—	(1.7)
Excess tax benefit from stock compensation	—	—	—	1.3	—	—	1.3
Repurchases of common stock	—	—	—	(18.2)	—	(102.5)	(120.7)
Balance at June 30, 2016	<u>\$ —</u>	<u>\$ 0.9</u>	<u>\$ 0.1</u>	<u>\$ —</u>	<u>\$ (2.5)</u>	<u>\$ 237.1</u>	<u>\$ 235.6</u>

*See accompanying notes to condensed consolidated financial statements.*

**Starz and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (Unaudited)  
June 30, 2016

**Note 1 - Basis of Presentation and Description of Business**

**Lions Gate Merger**

On June 30, 2016, Starz entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Lions Gate Entertainment Corp., a corporation organized and existing under the corporate laws of British Columbia (“Lions Gate”), and Orion Arm Acquisition Inc., a Delaware corporation and an indirect wholly-owned subsidiary of Lions Gate (“Merger Sub”). The Merger Agreement provides that Merger Sub will merge with and into Starz, with Starz continuing as the surviving corporation and becoming an indirect wholly-owned subsidiary of Lions Gate (the “Merger”).

Under the terms of the Merger Agreement, prior to consummation of the Merger, Lions Gate will effect a reclassification (the “Reclassification”) pursuant to which each existing common share, without par value, of Lions Gate (“Lions Gate Common Stock”) will be split into (1) 0.5 shares of a newly issued class of voting shares, without par value, of Lions Gate (the “Lions Gate Voting Stock”) and (2) 0.5 shares of a newly issued class of non-voting shares, without par value, of Lions Gate (“Lions Gate Non-Voting Stock”). Lions Gate intends not to effect the Reclassification unless the Merger will be consummated.

Following the Reclassification, pursuant to the Merger Agreement, (1) each share of Starz Series A common stock, par value \$0.01 per share (the “Starz Series A Common Stock”), will be converted into the right to receive (a) \$18.00 in cash and (b) 0.6784 of a share of Lions Gate Non-Voting Stock, and (2) each share of Starz Series B common stock, par value \$0.01 per share (the “Starz Series B Common Stock”), will be converted into the right to receive (a) \$7.26 in cash, (b) 0.6321 of a share of Lions Gate Non-Voting Stock and (c) 0.6321 of a share of Lions Gate Voting Stock.

As a result of the Merger, the outstanding equity awards relating to Starz Series A Common Stock will be converted into corresponding awards relating to shares of Lions Gate Non-Voting Stock, after giving effect to appropriate adjustments to reflect the transactions contemplated by the Merger Agreement. The converted equity awards will remain subject to the same terms and conditions (including time- and performance-based vesting terms) as in effect prior to the closing of the Merger.

The closing of the Merger is contingent on (1) approval of the Merger Agreement by a majority of the voting power of the Starz Series A Common Stock stockholders and Starz Series B Common Stock stockholders, voting together as a single class, (2) approval of the Reclassification by a two-thirds majority of the shares of Lions Gate Common Stock voting on the Reclassification, (3) approval of the issuance of Lions Gate Non-Voting Stock and Lions Gate Voting Stock in the Merger by a majority of the shares of Lions Gate Common Stock voting on such issuance, (4) completion of the Reclassification, (5) expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, (6) receipt of German antitrust approval, (7) receipt of FCC approval, (8) the registration of the shares of the Lions Gate Non-Voting Stock and Lions Gate Voting Stock being issued to holders of Starz Series A Common Stock and Starz Series B Common Stock in the Merger, (9) authorization of the Lions Gate Voting Stock and the Lions Gate Non-Voting Stock for listing on the New York Stock Exchange and (10) other customary closing conditions.

The Merger Agreement contains customary representations and warranties by each party. Lions Gate and Starz have also agreed to various customary covenants and agreements, including, among others, to conduct their business in the ordinary course consistent with past practice during the period between the execution of the Merger Agreement and the closing of the Merger.

Pursuant to the Merger Agreement, Starz and Lions Gate may not solicit alternative transaction proposals or negotiate with third parties in connection with alternative transaction proposals, unless their respective board of directors receives a bona fide alternative transaction proposal that did not result from a material breach of such party’s non-solicitation obligations and which such party’s board of directors determines to be, or to be reasonably likely to lead to, a superior proposal, and failure to take such action would reasonably be expected to constitute a breach of the directors’ fiduciary duties.



**Starz and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (Unaudited)  
June 30, 2016

The Merger Agreement contains certain termination rights for Lions Gate and Starz. The Merger Agreement can be terminated by either party (1) by mutual written consent; (2) if the Merger has not been consummated by an outside date of December 31, 2016 (which either party may generally extend to March 31, 2017 if the only closing condition that has not been met is the condition related to the expiration or early termination of antitrust waiting periods); (3) if there is a permanent, non-appealable injunction or law restraining or prohibiting the consummation of the Merger; (4) if either party's stockholders fail to approve the transactions; (5) if the other party's board of directors changes its recommendation in favor of the transactions; (6) if the other party materially breaches its non-solicitation covenant; or (7) if the other party has breached its representations or covenants in a way that prevents satisfaction of a closing condition, subject to a cure period. The Merger Agreement can also be terminated by Starz (x) in order to enter into a superior transaction (subject to compliance with certain terms and conditions included in the Merger Agreement) or (y) if Lions Gate fails to consummate the Merger when otherwise required because of a failure to receive its debt financing.

Subject to the terms and conditions of the Merger Agreement, Starz will pay Lions Gate a termination fee of \$150.0 million if (1) Starz terminates the Merger Agreement in order to enter into a superior transaction (subject to compliance with certain terms and conditions included in the Merger Agreement), (2) Lions Gate terminates the Merger Agreement because Starz's board of directors changes its recommendation in favor of the transactions, (3) Lions Gate terminates the Merger Agreement because Starz materially breaches its non-solicitation covenant or (4) (a) an alternative transaction proposal is made to Starz, (b) thereafter the Merger Agreement is terminated (i) by either party for failure to consummate the Merger by the outside date (if at the time of such termination the Starz's stockholders have not approved the transactions and such termination does not result in the payment of a termination fee by Lions Gate), (ii) by either party because Starz's stockholders fail to approve the transactions or (iii) by Lions Gate because Starz has breached its representations or covenants in a way that prevents satisfaction of a closing condition, subject to a cure period, and (c) within 18 months of such termination, Starz enters into or consummates an alternative transaction.

Subject to the terms and conditions of the Merger Agreement, Lions Gate will pay Starz (1) a termination fee of \$150.0 million if either party terminates the Merger Agreement because Lions Gate's stockholders fail to approve the transactions, (2) a termination fee of \$175.0 million if Starz terminates the Merger Agreement because Lions Gate's board of directors changes its recommendation in favor of the transactions or because Lions Gate materially breaches its non-solicitation covenant, (3) a termination fee of \$250.0 million if Starz terminates the Merger Agreement because Lions Gate fails to consummate the Merger when it would otherwise be required because of a failure to receive the debt financing and (4) a termination fee of \$175.0 million if (a) an alternative transaction proposal is made to Lions Gate, (b) thereafter the Merger Agreement is terminated (i) by either party for failure to consummate the Merger by the outside date (if at the time of such termination the Lions Gate's stockholders have not approved the transactions and such termination does not result in the payment of a termination fee by Lions Gate), (ii) by either party because Lions Gate's stockholders fail to approve the transactions or (iii) by Starz because Lions Gate has breached its representations or covenants in a way that prevents satisfaction of a closing condition, subject to a cure period, and (c) within 18 months of such termination, Lions Gate enters into or consummates an alternative transaction.

On August 1, 2016, Lions Gate filed a Form S-4 Registration Statement with the Securities and Exchange Commission ("SEC"), which includes detailed information regarding the Merger.

**Presentation**

Starz, through its wholly-owned subsidiary Starz, LLC, provides premium subscription video programming to United States ("U.S.") multichannel video programming distributors ("MVPDs"), including cable operators, satellite television providers and telecommunications companies, and online video providers (collectively, "Distributors"). Starz also develops, produces and acquires entertainment content and distributes this content to consumers in the U.S. and throughout the world. The accompanying condensed consolidated financial statements include the accounts of Starz and its majority-owned and controlled subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the SEC. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for such periods have been included. The results of operations for any interim period are not necessarily indicative of results for the full year. These

**Starz and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (Unaudited)  
June 30, 2016

condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in Starz's Annual Report on Form 10-K for the year ended December 31, 2015.

**Business**

Starz's business operations are conducted by its wholly-owned subsidiaries Starz, LLC, Starz Entertainment, LLC ("Starz Entertainment"), Starz Media Group, LLC ("Starz Media") and certain other immaterial subsidiaries. In October 2015, Starz, LLC acquired the 25% interest in Starz Media formerly owned by The Weinstein Company LLC ("Weinstein"). In October 2015, Starz, LLC sold 100% of its wholly-owned subsidiary Film Roman, LLC ("Film Roman"), which made up 100% of the Starz Animation operating segment. Following the sale of Film Roman, Starz manages its operations through its Starz Networks and Starz Distribution operating segments:

**Starz Networks**

Starz Networks' flagship premium networks are STARZ and STARZ ENCORE. STARZ exhibits first-run hit movies and original series. STARZ ENCORE airs first-run movies, classic contemporary movies and original series. Starz Networks' third network, MOVIEPLEX, offers a variety of art house, independent films and classic movie library content. STARZ and STARZ ENCORE, along with MOVIEPLEX, air across 17 linear networks complemented by on-demand and online services. Starz Networks' premium networks are offered by Distributors to their subscribers either on a fixed monthly price as part of a programming tier or package or on an a la carte basis.

**Starz Distribution**

Starz Distribution includes the Anchor Bay Entertainment, Starz Digital and Starz Worldwide Distribution businesses.

**Anchor Bay Entertainment**

Anchor Bay Entertainment is the global home video sales arm of Starz and distributes DVDs (standard definition and Blu-ray™) under the ANCHOR BAY brand, in the U.S., Canada and other international territories to the extent it has home entertainment rights to such content in international territories. Anchor Bay Entertainment acquires and licenses various titles from third parties and also develops and produces certain of its content. Certain of the titles acquired by Anchor Bay Entertainment air on Starz Networks' STARZ and STARZ ENCORE networks. Anchor Bay Entertainment also distributes Starz Networks' original series and Weinstein's titles. Each of these titles are sold to and distributed by regional and national retailers and other companies, including Amazon, Best Buy, Ingram Entertainment, Redbox, Target and Wal-Mart.

**Starz Digital**

Starz Digital is the global digital and on-demand licensing arm of Starz and distributes content on pay-per-view, video-on-demand, subscription video-on-demand ("SVOD"), ad-supported video-on-demand ("AVOD"), electronic sell-through and other digital formats for Starz's owned content, including Starz Networks' original series, Weinstein's titles and content licensed from third-parties in the U.S. and throughout the world to the extent it has rights to such content in international territories. Certain of the titles acquired by Starz Digital air on Starz Networks' STARZ and STARZ ENCORE networks. Starz Digital receives fees for its content from a wide array of partners ranging from traditional MVPDs to online and mobile distributors.

**Starz and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (Unaudited)  
June 30, 2016

Starz Worldwide Distribution

Starz Worldwide Distribution is the global television licensing arm of Starz and distributes movies, television series, documentaries, children's programming and other video content. Starz Worldwide Distribution exploits Starz's owned content, including Starz Networks' original series, and content for which it has licensed rights on free or pay television in the U.S. and throughout the world to the extent it has rights to such content in international territories. Starz Worldwide Distribution receives fees for its content primarily from various U.S. and international programming networks.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Starz considers amortization of program rights, the development of the remaining unrecognized revenue estimates (also known as "Ultimate Revenue") associated with released films and television programs, assessment of investment in films and television programs for impairment, valuation allowances associated with deferred income taxes and allowances for sales returns to be its most significant estimates. Actual results may differ from those estimates.

**Note 2 - Debt**

Debt consisted of the following (*in millions*):

	June 30, 2016	December 31, 2015
Credit Agreement (a)	\$ 352.0	\$ 308.0
Senior Notes, including premium of \$1.7 and \$1.9 (b)	676.7	676.9
Capital leases (c)	62.0	64.8
Debt issuance costs, net	(10.4)	(11.9)
<b>Total debt</b>	<b>1,080.3</b>	<b>1,037.8</b>
Less: current portion	(5.8)	(5.6)
	<b>\$ 1,074.5</b>	<b>\$ 1,032.2</b>

- (a) On April 20, 2015, Starz, LLC entered into a credit agreement ("Credit Agreement") that provides for \$1,000.0 million in revolving loans with a \$50.0 million sub-limit for stand-by letters of credit. Borrowings may be prepaid at any time and from time to time without penalty other than customary breakage costs. Any amounts prepaid may be reborrowed. The Credit Agreement is scheduled to mature on April 20, 2020, however, it is anticipated that the Credit Agreement will be repaid and terminated in connection with the closing of the Merger. As of June 30, 2016, \$648.0 million of borrowing capacity was available under the Credit Agreement.

Interest on each loan under the Credit Agreement is payable at either an alternate base rate or LIBOR at Starz, LLC's election. Borrowings that are alternate base rate loans bear interest at a per annum rate equal to the alternate base rate plus a margin that varies between 0.50% and 1.25% depending on the consolidated leverage ratio of Starz, LLC, as defined in the Credit Agreement. The alternate base rate is the highest of (a) the Prime Rate, (b) the Federal Funds Effective Rate plus ½ of 1% or (c) LIBOR for a one-month interest period plus 1%. Borrowings that are LIBOR loans bear interest at a per annum rate equal to the applicable LIBOR plus a margin that varies between 1.50% and 2.25% depending on the consolidated leverage ratio of Starz, LLC. The Credit Agreement requires Starz, LLC to pay a commitment fee on any unused portion. The commitment fee varies between 0.25% and 0.40%, depending on the consolidated leverage ratio of Starz, LLC.

As of June 30, 2016, the following borrowings and related LIBOR or alternate base rate interest rates were outstanding (*dollars in millions*):

LIBOR or alternate base rate period:	Interest Rate	Loan Amount
June 2016 to July 2016	2.1971%	\$ 133.0
June 2016 to July 2016	2.2008%	200.0
June 2016 and forward	4.2500%	19.0
		<b>\$ 352.0</b>

**Starz and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (Unaudited)  
June 30, 2016

The Credit Agreement contains certain covenants that include restrictions on, among others, incurring additional debt, paying dividends, or making certain distributions, investments and other restricted payments, liens or guarantees. In addition, Starz, LLC must comply with certain financial covenants, including a consolidated leverage ratio, as defined in the Credit Agreement. As of June 30, 2016, Starz, LLC was in compliance with all covenants under the Credit Agreement.

- (b) Starz, LLC and Starz Finance Corp., a wholly-owned subsidiary, co-issued \$675.0 million aggregate principal amount of 5.0% senior notes due September 15, 2019 (“Senior Notes”). It is anticipated that the Senior Notes will be repaid in connection with the closing of the Merger. The Senior Notes bear interest at a rate of 5.0% payable semi-annually on September 15 and March 15 of each year and are guaranteed by Starz Entertainment.

The Senior Notes contain certain covenants that include restrictions on, among others, incurring additional debt, paying dividends, entering into liens and guarantees, or making certain distributions, investments and other restricted payments. As of June 30, 2016, Starz, LLC was in compliance with all covenants under the Senior Notes.

- (c) On January 11, 2013, Starz, LLC entered into a commercial lease with a subsidiary of Starz’s related party, Liberty Media Corporation (“Liberty Media”), for its headquarters building. The term of the lease is ten years, with four successive five-year renewal periods at the option of Starz, LLC. Starz, LLC recorded a capital lease in connection with this lease agreement with an imputed annual interest rate of 6.4%.

Starz Entertainment has entered into capital lease agreements for its transponder capacity. The agreements expire during 2018 to 2021 and have imputed annual interest rates ranging from 5.5% to 7.0%.

At June 30, 2016, the fair value of the Senior Notes was \$687.7 million and was based upon quoted prices in active markets. Starz believes the fair value of borrowings under the Credit Agreement approximate their carrying value as of June 30, 2016 due to their variable rate nature and Starz’s stable credit spread.

Interest costs of \$1.5 million, \$1.8 million, \$2.4 million and \$3.3 million have been capitalized as investment in films and television programs during the three months ended June 30, 2016 and 2015 and the six months ended June 30, 2016 and 2015, respectively.

### **Note 3 - Stockholders’ Equity**

#### **Preferred Stock**

Preferred stock is issuable, from time to time, with such designations, preferences and relative participating, optional or other rights, qualifications, limitations or restrictions thereof, as shall be stated and expressed in a resolution or resolutions providing for the issue of such preferred stock adopted by Starz’s board of directors. As of June 30, 2016, no shares of preferred stock were issued.

#### **Common Stock**

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

As of June 30, 2016, there were 12.5 million shares of Series A common stock reserved for issuance under the exercise privileges of outstanding stock options. In addition to Series A and Series B common stock, there are 2.0 billion shares of Series C common stock authorized for issuance.

#### **Purchases of Common Stock**

The Starz board of directors has authorized a total of \$1,200.0 million since January 2013 to repurchase Starz common stock. Starz repurchased 4.6 million shares of Series A common stock for aggregate consideration, including fees, of \$121.6 million (of which \$0.9 million settled in July 2016) during the six months ended June 30, 2016. Starz had \$356.7 million available under its share repurchase program as of June 30, 2016. Under the terms of the Merger Agreement, Starz is

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prohibited from repurchasing its common stock. Accordingly, there will be no repurchases of common stock through the closing of the Merger.

**Note 4 – Stock Compensation**

Pursuant to the Starz 2011 Incentive Plan, the compensation committee of the board of directors may grant eligible employees stock options, stock appreciation rights, restricted shares and restricted stock units.

Stock compensation expense, by expense category, consisted of the following (*in millions*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Programming	\$ 0.6	\$ 0.7	\$ 1.3	\$ 1.3
Operating	0.1	0.1	0.2	0.2
Selling, general and administrative	6.6	7.3	14.1	14.9
	\$ 7.3	\$ 8.1	\$ 15.6	\$ 16.4

As of June 30, 2016, the total unrecognized compensation cost related to unvested stock options, restricted shares and restricted stock units was approximately \$44.2 million. Such amount will be recognized in Starz's condensed consolidated statements of operations over a weighted average period of approximately 2.32 years.

The number and weighted average exercise price ("WAEP") of stock options to purchase Starz common stock were as follows:

	Options	WAEP
Outstanding at December 31, 2015	13,187,542	\$ 18.97
Granted	—	\$ —
Exercised	(475,621)	\$ 13.67
Forfeited	(241,717)	\$ 28.29
Expired/canceled	—	\$ —
Outstanding at June 30, 2016	12,470,204	\$ 18.99
Exercisable at June 30, 2016	8,430,609	\$ 16.10

At June 30, 2016, the weighted-average remaining contractual term of outstanding options was 4.48 years and exercisable options was 3.91 years. At June 30, 2016, the aggregate intrinsic value of outstanding options and exercisable options was \$142.3 million and \$117.5 million, respectively. The aggregate intrinsic value of options exercised was \$7.7 million and \$41.8 million for the six months ended June 30, 2016 and 2015, respectively.

The number and weighted average grant-date fair value of restricted share grants were as follows:

	Restricted Shares	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2015	769,947	\$ 29.22
Granted	90,064	\$ 26.09
Vested	(48,444)	\$ 18.11
Forfeited	(33,857)	\$ 28.22
Outstanding at June 30, 2016	777,710	\$ 29.59

The grant-date fair value was based on the market value of the shares on the date of grant. The aggregate fair value of all restricted shares that vested during the six months ended June 30, 2016 and 2015 was \$1.4 million, and \$2.4 million, respectively.

As of June 30, 2016, the number of three-year performance based restricted stock units representing the threshold, target and maximum payout levels were 49,228 units, 98,455 units and 196,910 units, respectively (which are not reflected in

the table above). During the six months ended June 30, 2016, 4,308 units, 8,615 units and 17,230 units, at the threshold, target and maximum payout levels, respectively, were forfeited.

During the second quarter of 2016, Starz granted restricted stock units to certain employees. Subject to certain conditions specified in the award agreements, restricted stock units will vest based upon the actual, cumulative Starz Networks' revenue achieved during the two-year performance period beginning on January 1, 2016 and ending on December 31, 2017 ("Two Year Performance Period"), exceeding a target cumulative Starz Networks' revenue during the Two Year Performance Period specified by the Starz compensation committee. Potential vesting of the restricted stock units ranges from no units at the target level to 83,824 maximum units if 105%, or higher, of the target two-year performance of Starz Networks' revenue is achieved (which are not reflected in the table above).

At June 30, 2016, 1.9 million outstanding stock options were held by employees of Starz's related party Liberty Media.

#### **Note 5 - Income Taxes**

The income tax provision for the three and six months ended June 30, 2016 and 2015 was calculated by estimating Starz's annual effective tax rate and then applying the effective tax rate to income before income taxes for the period, plus or minus the tax effects of items that relate discretely to the period, if any. Our effective tax rate was 38%, 35%, 36% and 34% for the three months ended June 30, 2016 and 2015 and the six months ended June 30, 2016 and 2015, respectively. For the three and six months ended June 30, 2016 and 2015, income tax expense differs from the amounts computed by applying the U.S. federal income tax rate of 35% primarily due to Internal Revenue Code Section 199, which allows U.S. taxpayers a deduction for qualified domestic production activities, which was partially offset by state and local taxes. In addition, for the three and six months ended June 30, 2016, Starz's effective tax rate was negatively impacted by a portion of merger related costs which are non-deductible for tax purposes.

#### **Note 6 - Commitments and Contingencies**

##### **Programming Rights**

Starz has an exclusive multi-year output licensing agreement for qualifying films that are released theatrically in the U.S. by Sony Pictures Entertainment Inc. ("Sony") through 2021. The agreement provides Starz with exclusive pay television rights to exhibit qualifying theatrically released films under the Sony, Columbia Pictures, Screen Gems, Sony Pictures Classics and TriStar labels. Theatrically released films produced by Sony Pictures Animation are not licensed to Starz under the Sony agreement. In addition, Starz had an exclusive licensing agreement for qualifying films that were released theatrically in the U.S. by The Walt Disney Company ("Disney") through 2015, with initial license periods for those films extending into 2017. The agreement provided Starz with exclusive pay television rights to exhibit qualifying theatrically released films under the Disney, Touchstone, Pixar and Marvel labels. Theatrically released films produced by DreamWorks and released by Disney were not licensed to Starz under the Disney agreement. The programming fees to be paid to Sony and Disney are based on the quantity and domestic theatrical exhibition receipts of qualifying films. Starz has also entered into agreements with a number of other motion picture producers and is obligated to pay fees for the rights to exhibit certain films licensed from these producers.

The unpaid balance for program rights related to films that were available for exhibition at June 30, 2016 is reflected in accrued liabilities and in other liabilities in the accompanying condensed consolidated balance sheets. As of June 30, 2016, such liabilities aggregated approximately \$94.1 million and are payable as follows: \$57.9 million in 2016, \$11.5 million in 2017, \$12.8 million in 2018, \$10.3 million in 2019, \$1.5 million in 2020, and \$0.1 million thereafter.

The estimated amounts payable under programming license agreements related to films that are not available for exhibition until some future date, including the rights to exhibit films that have been released theatrically under the Sony and Disney agreements, which had not been accrued as of June 30, 2016, were as follows: \$66.2 million in 2016; \$126.9 million in 2017; \$92.9 million in 2018; \$83.9 million in 2019; \$65.7 million in 2020 and \$113.3 million thereafter.

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

Total amortization of program rights was \$136.9 million, \$144.2 million, \$275.4 million and \$281.1 million for the three months ended June 30, 2016 and 2015 and the six months ended June 30, 2016 and 2015, respectively. These amounts are included in programming costs in the accompanying condensed consolidated statements of operations.

### Legal Proceedings

On October 29, 2015, Keno Thomas, a former Starz Entertainment employee, filed a complaint in Los Angeles County Superior Court against Starz, Starz, LLC, Starz Entertainment (collectively, "Starz Parties") and Liberty Media, and certain individual defendants. The plaintiff alleges that the Starz Parties and certain of the other defendants engaged in retaliation, wrongful termination of employment, failure to prevent retaliation and intentional infliction of emotional distress, all in connection with the plaintiff's employment with Starz Entertainment. The plaintiff seeks compensatory, emotional distress and punitive damages, interest and an award of reasonable attorneys' fees. On November 30, 2015, defendants removed this case to the United States District Court for the Central District of California. In February 2016, the parties stipulated to dismiss Starz and Starz, LLC without prejudice and to dismiss Liberty Media with prejudice. On February 29, 2016, the District Court dismissed one of the individual defendants without prejudice, dismissed certain claims for retaliation and for intentional infliction of emotional distress without prejudice and struck certain other allegations in the complaint, permitting the plaintiff to file an amended complaint with respect to the claims dismissed without prejudice. The plaintiff filed an amended complaint on March 30, 2016 with modified allegations of retaliation and intentional infliction of emotional distress. On April 13, 2016, the defendants moved to dismiss various causes of action in the amended complaint. On July 11, 2016, the District Court granted the defendants' motion to dismiss the claim for intentional infliction of emotional distress without leave to amend, and to dismiss one claim for retaliation with leave to amend. Starz believes that it has substantial defenses to the claims asserted in the foregoing action, is defending the action vigorously, and does not believe that the resolution of the action will have a material adverse effect on its business, financial condition or results of operations.

Six putative class action complaints were commenced in the Court of Chancery of the State of Delaware on July 19, 2016, July 21, 2016, July 26, 2016, July 27, 2016 and July 29, 2016. The first complaint was filed on July 19, 2016, by Barbara Freedman against Starz, Lions Gate, Merger Sub, members of the board of directors of Starz, and John C. Malone and Robert R. Bennett, both of whom are alleged to be controlling stockholders of Starz. The first complaint alleges that (i) the members of Starz's board of directors and Messrs. Malone and Bennett breached fiduciary duties owed to Starz and the holders of Starz Series A Common Stock in connection with the Merger and the transactions contemplated by the Merger Agreement and (ii) Lions Gate, Merger Sub and Messrs. Malone and Bennett aided and abetted such breaches of fiduciary duties. The first lawsuit seeks, among other things: (i) certification as a class action; (ii) a judgment declaring that Starz's board of directors, and Messrs. Malone and Bennett, breached their fiduciary duties owed to Starz and Starz's Series A unaffiliated stockholders; (iii) rescission of the proposed Merger, or any terms thereof, to the extent already implemented, or granting of rescissory damages; (iv) an accounting by the Starz board of directors, and Messrs. Malone and Bennett, of the damages the class suffered as a result of their actions with respect to the Merger; and (v) an award of the costs and disbursements of the action, including reasonable attorneys' fees and experts' fees.

The second and third complaints were filed on July 21, 2016 and July 26, 2016, by the Oklahoma Police Pension & Retirement System and the City of Cambridge Retirement System, respectively. Both complaints name the same defendants, make the same allegations, assert the same legal claims, and seek the same relief. Both complaints name as defendants Lions Gate, Merger Sub, the members of the Starz board of directors, Mr. Malone, Leslie Malone, The Tracey L. Neal Trust A, The Evan D. Malone Trust A, Mr. Bennett, Deborah J. Bennett and Hilltop Investments, LLC ("Hilltop"). Starz is not a named defendant in either lawsuit. Each complaint alleges that (i) the members of Starz's board of directors breached fiduciary duties owed to Starz and its stockholders in connection with the Merger and the transactions contemplated by the Merger Agreement; (ii) Mr. Malone, as an alleged controlling stockholder of Starz, breached fiduciary duties owed to Starz's minority stockholders in connection with the Merger and by entering into the Stock Exchange Agreement with Lions Gate, Merger Sub, Ms. Malone, The Tracey L. Neal Trust A, The Evan D. Malone Trust A, Mr. Bennett, Ms. Bennett and Hilltop (the "Exchange Agreement") and a Voting Agreement among Lions Gate and Messrs. Malone and Bennett (the "Voting Agreement"); and (iii) Lions Gate, Merger Sub, Leslie Malone, The Tracey L. Neal Trust A, The Evan D. Malone Trust A, Deborah J. Bennett and Hilltop aided and abetted such breaches of fiduciary duties. Each lawsuit seeks, among other things: (i) certification as a class action; (ii) a judgment declaring that the board of directors of Starz and Mr. Malone breached fiduciary duties owed to the class; (iii) a judgment declaring that Lions Gate and Merger Sub aided and abetted such breaches of fiduciary duties; (iv) a judgment declaring the Exchange Agreement is invalid and void; (v) an injunction to prevent the Merger from proceeding; (v) alternatively, if the Merger is consummated, rescission or rescissory or other compensatory damages; and (vi) an award of the costs and disbursements of the action, including reasonable attorneys' fees and experts' fees.

The fourth complaint was filed on July 26, 2016, by the Firemen's Retirement System of St. Louis against Lions Gate, Merger Sub, the members of the Starz board of directors, Mr. Malone, Ms. Malone, The Tracy L. Neal Trust A, The Evan D. Malone Trust A, Mr. Bennett, Ms. Bennett and Hilltop. The fourth complaint alleges that (i) the members of Starz's board of directors breached fiduciary duties owed to Starz's stockholders in connection with the Merger; (ii) Mr. Malone, as an alleged controlling stockholder of Starz, breached fiduciary duties owed to Starz's minority stockholders by effectuating the Merger; (iii) Lions Gate and Merger Sub, as parties to the Merger, aided and abetted in such breaches of fiduciary duties; and (iv) by entering into the Exchange Agreement and the Voting Agreement, Ms. Malone, The Tracy L. Neal Trust A, The Evan D. Malone Trust A, Mr. Bennett, Ms. Bennett and Hilltop aided and abetted the alleged breaches of fiduciary duties of the members of Starz's board of directors. The fourth lawsuit seeks injunctive relief: (i) declaring that the action is a proper class action and certifying the Firemen's Retirement System of St. Louis as the class representative; (ii) declaring that the members of Starz's board of directors and Mr. Malone breached fiduciary duties owed to Starz and the class; (iii) declaring that Lions Gate and Merger Sub aided and abetted in the alleged breaches of fiduciary duties; (iv) enjoining the defendants from proceeding with the Merger; (v) directing the members of Starz's board of directors to exercise their fiduciary duties to obtain a transaction that maximizes stockholder value; (vi) declaring the Exchange Agreement invalid and void; (vii) if the Merger is consummated, rescission or rescissory or other compensatory damages; and (viii) an award of the costs and disbursements of the action, including reasonable attorneys' fees and experts' fees.

The fifth complaint was filed on July 27, 2016 by the Norfolk County Retirement System against Starz, Lions Gate, Merger Sub, members of the board of directors of Starz, Mr. Malone, Ms. Malone, Tracey L. Neal Trust A, Evan D. Malone Trust A, Mr. Bennett, Ms. Bennett, Hilltop, and LionTree Advisors LLC ("LionTree"). The fifth complaint alleges that (i) Mr. Malone, as an alleged controlling stockholder of Starz, and as a director and alleged significant stockholder of Lions Gate, violated his fiduciary duty of loyalty owed to Starz's public stockholders in connection with the proposed Merger; (ii) Mr. Malone, Starz Chief Executive Officer Chris Albrecht, and the members of the board of directors of Starz breached fiduciary duties owed to Starz and its stockholders in connection with the proposed Merger; (iii) Lions Gate, as a party to the Merger Agreement and the transactions contemplated by the Merger Agreement, and Merger Sub, as a party to the Merger Agreement, aided and abetted the alleged breaches of fiduciary duties; (iv) LionTree, by virtue of its position as financial advisor in connection with the proposed Merger, aided and abetted in the alleged breaches of fiduciary duties; (v) as parties to the transactions contemplated by the Merger Agreement, Ms. Malone, Tracey L. Neal Trust A, Evan D. Malone Trust A, Mr. Bennett, Ms. Bennett, and Hilltop aided and abetted the alleged breaches of fiduciary duties. The fifth lawsuit seeks, among other things: (i) certification as a class action; (ii) an injunction preventing the Starz board of directors and Mr. Malone from proceeding with the proposed Merger under its current terms; (iii) a declaration that the proposed Merger is not entirely fair and that the Starz board of directors and Mr. Malone have breached their fiduciary duties and therefore the Merger Agreement and transactions contemplated by the Merger Agreement are unlawful and unenforceable; (iv) if the Merger is consummated, rescission of the transaction or an award of damages to the class; (v) a requirement that the Starz board of directors and Mr. Malone fully disclose material information regarding the Merger; (vi) the establishment of equitable quasi-appraisal rights for dissenting Starz shareholders; (vii) a requirement that the board of directors of Starz explore strategic alternatives to the proposed Merger; (viii) an accounting by the defendants of the damages the class allegedly suffered as a result of defendants' alleged unlawful conduct; (ix) an award of the costs and disbursements of the action, including reasonable attorneys' fees and experts' fees.

The sixth complaint was filed on July 29, 2016 by the City of Providence against Starz, Lions Gate, Merger Sub, members of the board of directors of Starz, Mr. Malone, Mr. Bennett, and Mark Rachesky, the Chairman of Lions Gate. The sixth complaint alleges that (i) Mr. Malone, as an alleged controlling stockholder of Starz, and the members of the board of Starz, breached fiduciary duties owed to Starz's shareholders in connection with the proposed Merger; and (ii) Mr. Bennett, Mr. Rachesky, Lions Gate, and Merger Sub aided and abetted both Mr. Malone and the Starz board of directors in breaching their fiduciary duties, while Mr. Malone aided and abetted the Starz board of directors in breaching its fiduciary duties. The sixth lawsuit seeks, among other things: (i) certification as a class action; (ii) a declaration that defendants breached their fiduciary duties, or aided and abetted such breaches; (iii) a declaration that the proposed Merger and other transactions contemplated by the merger are unlawful and unenforceable; (iv) an accounting by the defendants of the damages the class allegedly suffered as a result of defendants' alleged wrongful actions; (v) compensatory damages; and (vi) an award of the costs and disbursements of the action, including reasonable attorneys' fees and experts' fees.

Starz intends to defend the actions vigorously.

In the normal course of business, Starz is subject to other lawsuits and other claims, including claims of alleged infringement of the trademarks, patents, copyrights and other intellectual property rights of third parties. While it is not possible to predict the outcome of these other matters, it is the opinion of management, based upon consultation with legal counsel, that



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the ultimate disposition of known proceedings will not have a material adverse impact on Starz's business, financial condition or results of operations.

**Note 7 – Other Information**

**Accrued Liabilities**

Accrued liabilities consisted of the following (*in millions*):

	June 30, 2016	December 31, 2015
Royalties, residuals and participations	\$ 81.9	\$ 82.4
Program rights payable	62.2	67.8
Advertising and marketing	42.4	48.1
Payroll and related costs	22.6	29.2
Other	63.7	40.2
	<u>\$ 272.8</u>	<u>\$ 267.7</u>

**Supplemental Disclosure of Cash Flow Information**

Supplemental disclosure of cash flow information was as follows (*in millions*):

	Six Months Ended June 30,	
	2016	2015
Cash paid for interest, net of amounts capitalized	\$ 22.2	\$ 21.3
Cash paid for income taxes	\$ 33.4	\$ 69.4

**Net Income Attributable to Common Stockholders**

Basic net income per common share ("EPS") is computed by dividing net income attributable to stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS presents the dilutive effect on a per share basis of potential common shares as if they had been converted at the beginning of the periods presented. The reconciliation between basic and diluted weighted average shares outstanding was as follows (*in millions*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Basic weighted average shares outstanding	96.9	101.4	98.0	101.3
Effect of dilution:				
Stock options	2.9	5.1	3.2	4.9
Restricted shares	0.2	0.4	0.2	0.4
Diluted weighted average shares outstanding	<u>100.0</u>	<u>106.9</u>	<u>101.4</u>	<u>106.6</u>

For the three months ended June 30, 2016 and 2015, and the six months ended June 30, 2016 and 2015, approximately 2.9 million, 0.1 million, 2.9 million shares and 0.8 million shares, respectively, were excluded from the diluted weighted average shares outstanding since the shares would have been anti-dilutive.

**Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 replaces the majority of all U.S. GAAP guidance that currently exists on revenue recognition with a single model to be applied to all contracts with customers. The core principle of ASU 2014-09 is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." For a public entity, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period (i.e., January 1, 2018 for Starz). Early application is permitted, but not before annual periods beginning after December 15, 2016 (i.e., January 1, 2017 for Starz). An entity must apply ASU 2014-09 using either the full retrospective approach, by restating all years presented, or the cumulative

effect at the date of adoption approach. Starz is currently assessing the impact that these changes will have on its consolidated financial statements, and therefore, is unable to quantify such impact or determine the method of adoption.

In February 2016, the FASB issued ASU 2016-02 *Leases (Topic 842): New Guidance on Accounting for Leases*. ASU 2016-02 requires lessees to recognize a lease liability and a right-of-use asset for all leases. A lease liability is defined as a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis. A right-of-use asset is defined as an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. For a public entity, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019 for Starz). Early adoption is permitted. Starz is currently assessing the impact that these changes will have on its consolidated financial statements, and therefore, is unable to quantify such impact.

In March 2016, the FASB issued ASU 2016-09 *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. ASU 2016-09 simplifies the accounting for income taxes associated with share-based compensation by eliminating the requirement to classify the excess tax benefit as additional paid-in capital. For the six months ended June 30, 2016, Starz recognized \$1.3 million of excess tax benefits in additional paid-in capital. Under this new guidance, all tax effects (excess tax benefits and tax deficiencies) related to exercised or vested awards shall be recognized as income tax benefit or expense in the statement of operations in the reporting period as they occur, regardless of whether the tax effects reduce taxes payable in the reporting period. ASU 2016-09 also requires a reclassification of excess tax benefits on the statement of cash flows from a financing activity to an operating activity. The new guidance also establishes the requirement to classify cash paid by an entity to the taxing authorities when directly withholding shares for tax-withholding purposes as a financing activity, which is consistent with Starz's current and historical presentation. For a public entity, ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years (i.e., January 1, 2017 for Starz). Early adoption is permitted for any interim or annual period. Starz is currently assessing the transition method and date of adoption, and therefore, is unable to quantify such impact.

#### **Note 8 – Information about Operating Segments**

Starz evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as Adjusted OIBDA. Adjusted OIBDA is defined as revenue less programming costs, production and acquisition costs, home video cost of sales, operating expenses and selling, general and administrative expenses, but excluding all stock compensation expense. Starz's chief operating decision maker uses this measure of performance in conjunction with other measures to evaluate its operating segments' performance and make decisions about allocating resources among its operating segments. Starz believes that Adjusted OIBDA is an important indicator of the operational strength and performance of its operating segments, including each operating segment's ability to assist Starz in servicing its debt and to fund investments in films and television programs. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between operating segments and identify strategies to improve performance.

This measure of performance excludes stock compensation, merger related costs and depreciation and amortization that are included in the measurement of operating income pursuant to GAAP. The primary material limitations associated with the use of Adjusted OIBDA as compared to GAAP results are (i) it may not be comparable to similarly titled measures used by other companies in Starz's industry, and (ii) it excludes financial information that some may consider important in evaluating Starz's performance. Starz compensates for these limitations by providing a reconciliation of Adjusted OIBDA to GAAP results to enable investors to perform their own analysis of Starz's operating results. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, income before income taxes, net income, net cash provided by (used in) operating activities and other measures of financial performance prepared in accordance with GAAP.

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The reconciliation of Adjusted OIBDA to income before income taxes was as follows *(in millions)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Consolidated Adjusted OIBDA	\$ 127.4	\$ 123.4	\$ 254.5	\$ 278.9
Stock compensation	(7.3)	(8.1)	(15.6)	(16.4)
Merger related	(9.5)	—	(9.5)	—
Depreciation and amortization	(5.2)	(4.8)	(9.9)	(9.5)
Interest expense, net of amounts capitalized	(11.5)	(11.3)	(23.4)	(22.5)
Other expense, net	(6.7)	(2.1)	(6.3)	(4.3)
Income before income taxes	<u>\$ 87.2</u>	<u>\$ 97.1</u>	<u>\$ 189.8</u>	<u>\$ 226.2</u>

Starz's reportable segments are strategic business units that offer different services. They are managed separately because each segment requires different technologies, content delivery methods and marketing strategies. Starz identifies its reportable segments as those operating segments that represent 10% or more of its consolidated annual revenue, annual Adjusted OIBDA or total assets. Starz Networks and Starz Distribution have been identified as reportable segments, however, as Starz had three operating segments, Starz Animation was also reported. As mentioned in Note 1, Starz, LLC sold 100% of its wholly-owned subsidiary Film Roman, which made up 100% of the Starz Animation operating segment, in October 2015. Starz generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

Performance Measures *(in millions)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Revenue:</b>				
Starz Networks	\$ 343.1	\$ 333.3	\$ 683.0	\$ 667.3
Starz Distribution	60.0	78.4	152.7	188.1
Starz Animation	—	6.5	—	13.8
Inter-segment eliminations	(0.5)	(0.5)	(1.2)	(0.8)
	<u>\$ 402.6</u>	<u>\$ 417.7</u>	<u>\$ 834.5</u>	<u>\$ 868.4</u>
<b>Adjusted OIBDA:</b>				
Starz Networks	\$ 132.1	\$ 122.2	\$ 248.9	\$ 251.9
Starz Distribution	(4.6)	2.0	6.0	28.4
Starz Animation	—	(0.7)	—	(1.3)
Inter-segment eliminations	(0.1)	(0.1)	(0.4)	(0.1)
	<u>\$ 127.4</u>	<u>\$ 123.4</u>	<u>\$ 254.5</u>	<u>\$ 278.9</u>

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Other Information (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Cash paid for investment in films and television programs:</b>				
Starz Networks	\$ 61.5	\$ 71.2	\$ 142.6	\$ 140.3
Starz Distribution	2.8	53.7	17.9	93.3
Starz Animation	—	—	—	—
Inter-segment eliminations	—	—	—	—
	\$ 64.3	\$ 124.9	\$ 160.5	\$ 233.6
<b>Total assets:</b>				
Starz Networks			\$ 1,496.2	\$ 1,365.9
Starz Distribution			158.2	166.8
Starz Animation			—	—
Other unallocated assets (primarily cash, deferred taxes and other assets, including income taxes receivable and the commercial lease for Starz's corporate headquarters facility)			76.4	109.7
Inter-segment eliminations			(90.3)	(78.2)
			\$ 1,640.5	\$ 1,564.2

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q includes statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements included in this Quarterly Report on Form 10-Q other than statements of historical fact or current fact are forward-looking statements that address activities, events or developments that we or our management expect, believe or anticipate will or may occur in the future. These statements represent our reasonable judgment on the future based on various factors and using numerous assumptions and are subject to known and unknown risks, uncertainties and other factors, many of which are beyond our control and could cause our actual results and financial position to differ materially from those contemplated by the statements. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "project," "forecast," "plan," "may," "will," "should," "could," "expect," or the negative thereof, or other words of similar meaning. In particular, these include, but are not limited to, statements of our current views and estimates of future economic circumstances, industry conditions in domestic and international markets, our future performance and financial results and the proposed Merger. These forward-looking statements are subject to a number of factors and uncertainties that could cause our actual results to differ materially from the anticipated results and expectations expressed in such forward-looking statements.

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

- the proposed Merger;
- changes in the nature of key strategic relationships with Distributors and content providers and our ability to enter into, maintain and renew affiliation agreements with Distributors and programming output and library agreements with content providers on terms acceptable to us;
- business combinations involving Distributors or content providers;
- Distributor demand for our products and services, including the impact of higher rates paid by our Distributors to other programmers, and our ability to adapt to changes in demand;
- consumer demand for our products and services, including changes in demand resulting from participation in and effectiveness of cooperative marketing campaigns with our Distributors, and our ability to adapt to changes in demand;
- competitor responses to our products and services;
- the continued investment in, the cost of and our ability to acquire or produce desirable original programming;
- the cost of and our ability to acquire desirable theatrical movie content;
- disruption in the production of theatrical films or television programs due to catastrophic events, such as natural disasters, fire or weather, or work stoppages or strikes by unions representing writers, directors or actors;
- changes in distribution and viewing of television programming, including the expanded deployment of DVRs, video-on-demand, online based content delivery, Blu-ray™ players, game consoles and mobile devices, and their impact on media content consumption;
- uncertainties inherent in the development and deployment of new business strategies;
- uncertainties associated with the development of products and services and market acceptance, including the development and provision of programming for new television and telecommunications technologies;
- our future financial performance, including availability, terms and deployment of capital;
- the ability of our suppliers and vendors to deliver products, equipment, software and services;

- the outcome of any pending or threatened litigation;
- availability of qualified personnel and artistic talent;
- the regulatory and competitive environment of the industry in which we operate;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission, and/or adverse outcomes from regulatory proceedings;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- general economic and business conditions and industry trends;
- consumer spending levels;
- rapid technological changes;
- failure to protect digital information, including confidential and proprietary information about our distribution partners, viewers and employees, and copies of films, television programs and other content, subjecting us to potentially costly government enforcement actions, private litigation and reputational risks;
- market demand for our products and services internationally;
- fluctuation in foreign currency exchange rates; and
- threatened terrorist attacks or political unrest in domestic and international markets.

For a description of our risk factors, please see Part I, Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2015 as well as “Item 1A. Risk Factors,” in Part II of this Quarterly Report on Form 10-Q.

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

All forward-looking statements contained in this Quarterly Report on Form 10-Q are qualified in their entirety by this cautionary statement. We caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. We undertake no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise.

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying condensed consolidated financial statements and the notes thereto and our Annual Report on Form 10-K for the year ended December 31, 2015.

## **OVERVIEW**

Starz is a leading integrated global media and entertainment company. We provide premium subscription video programming in the U.S. to cable operators, satellite television providers, telecommunications companies and online video providers. We also develop, produce and acquire entertainment content and distribute this content to consumers in the U.S. and throughout the world. Our business operations are conducted by our wholly-owned subsidiaries Starz, LLC, Starz Entertainment, Starz Media and certain other immaterial subsidiaries. In October 2015, Starz, LLC acquired the 25% interest in Starz Media formerly owned by Weinstein. In October 2015, Starz, LLC sold 100% of its wholly-owned subsidiary Film Roman, which made up 100% of our Starz Animation operating segment.

Our reportable segments are strategic business units that offer different services. They are managed separately because each segment requires different technologies, content delivery methods and marketing strategies. We identify our reportable segments as those operating segments that represent 10% or more of our consolidated annual revenue, annual

Adjusted OIBDA or total assets. Following the sale of Film Roman, we manage our operations through our Starz Networks and Starz Distribution operating segments. Our integrated operating segments enable us to maintain control, and maximize the profitability of our original programming content and its marketing and distribution in the home entertainment and television ancillary markets. Our expanding original programming line-up also provides downstream revenue opportunities for the Starz Distribution operating segment to the extent we retain rights to exploit such programming in these ancillary markets both in the U.S. and around the world.

### ***Lions Gate Merger***

On June 30, 2016, Starz entered into the Merger Agreement with Lions Gate and Merger Sub. The Merger Agreement provides that Merger Sub will merge with and into Starz, with Starz continuing as the surviving corporation and becoming an indirect wholly-owned subsidiary of Lions Gate. See Note 1 to the unaudited condensed consolidated financial statements included in this Form 10-Q for a discussion of the proposed Merger.

### ***Revenue***

The STARZ and STARZ ENCORE networks are the primary drivers of Starz Networks' revenue. Our networks are distributed pursuant to affiliation agreements with Distributors. Programming revenue is recognized in the period during which programming is provided, either:

- based solely on the total number of subscribers who receive our networks multiplied by rates specified in the agreements (i.e., consignment),  
or
- based on amounts or rates which are not tied solely to the total number of subscribers who receive our networks (i.e., non-consignment). Examples of non-consignment agreements include fixed payment arrangements whereby a Distributor pays a fixed monthly payment (with annual escalators) regardless of the total number of subscribers who receive our networks. Additionally, Distributor payments may be calculated using the number of households subscribing to the Distributor's basic service multiplied by rates specified in the agreement.

The agreements generally provide for annual contractual rate increases of a fixed percentage or a fixed amount, or rate increases tied to annual increases in the Consumer Price Index.

Starz Distribution earns revenue from its Anchor Bay Entertainment, Starz Digital and Starz Worldwide Distribution businesses through the sale of its content in the U.S. and throughout the world on DVDs, pay-per-view, video-on-demand, SVOD, AVOD, electronic sell-through, other digital formats and free and pay television. Revenue generated from the sale of DVDs is recognized, net of an allowance for estimated sales returns, on the later of the estimated receipt of the product by the customer or after any restrictions on sale lapse. At the time of the initial sale, we also record a provision, based on historical trends and practices, to reduce revenue for discounts and rebates provided to customers related to the sale of DVDs. Revenue from digital and television licensing is recognized when the film or program is complete in accordance with the terms of the arrangement and is available for exploitation by the licensee. The film or program is available for exploitation when it has been delivered or is available to the licensee and the license period has commenced. Starz Distribution's content includes content we own and license, including Starz Networks' original series, and for Anchor Bay Entertainment and Starz Digital, it also includes the Weinstein's titles.

Starz Animation recognized revenue related to animation services provided to customers under contract generally based on the percentage that costs incurred-to-date bore to estimated total costs to complete utilizing the most recent information. Revenue recognized was proportional to the work performed-to-date under the contracts.

### ***Costs and Expenses***

Programming costs are Starz Networks' largest expense. The cost of program rights for films and television programs (including original series) exhibited by Starz Networks is generally amortized on a title-by-title or episode-by-episode basis over the anticipated number of exhibitions. Starz Networks estimates the number of exhibitions based on the number of exhibitions allowed in the agreement and the expected usage of the content. Certain other program rights are amortized to expense on a straight-line basis over the respective lives of the agreements. Starz Networks generally has rights to two or three separate windows under its output agreements. For films with multiple windows, the license fee is allocated between the windows based upon the proportionate estimated fair value of each window with the majority of the cost

allocated to the first window. Programming costs vary due to the number of airings and cost of our original series, the number of films licensed and the cost per film paid under our output and library programming agreements.

Production and acquisition costs are Starz Distribution's largest expense and include amortization of our investment in films and television programs, participation and royalty costs and residuals. The portion of costs attributed to the pay television window for our original series is included in programming costs. All remaining production and acquisition costs for original series as well as our other films and television programs that we own or license (not including films licensed under our output and library programming agreements which are included in programming costs) are amortized to production and acquisition costs based on the proportion that current revenue bears to an estimate of Ultimate Revenue for each film or television program. The amount of production and acquisition costs that we will incur for original programming is impacted by both the number of and cost of the productions and the various distribution rights that we acquire or retain for these productions. Participation costs represent amounts paid or due to participants under agreements we have whereby Starz Distribution distributes content in which a participant (e.g., Weinstein, producers or writers of our original programming, etc.) has an ownership interest or shares in the profits from the distribution of the film or television program.

Home video cost of sales represents the direct costs related to the production and distribution of DVDs in our Starz Distribution segment. These costs include costs such as manufacturing, mastering, freight and distribution fees.

Operating expenses primarily includes Starz Networks' operating costs (e.g., salaries, transponder expenses and maintenance and repairs) and non-DVD distribution expenses related to Starz Distribution. Prior to the sale of Film Roman, it included production costs related to animation services provided to customers under contract, which represented Starz Animation's largest expense.

Selling, general and administrative expenses include our advertising and marketing costs and our general and administrative expenses. Advertising and marketing costs primarily include consumer marketing, distributor marketing support and other marketing costs. General and administrative expenses include salaries, stock compensation and other overhead costs.

### RESULTS OF OPERATIONS - THREE MONTHS ENDED JUNE 30, 2016 AND 2015

Our operating results were as follows (*dollars in millions*):

	Three Months Ended June 30,		\$ Change '16 vs '15	% Change '16 vs '15
	2016	2015		
<b>Revenue:</b>				
Programming networks and other services	\$ 386.6	\$ 380.3	\$ 6.3	2 %
Home video net sales	16.0	37.4	(21.4)	(57)%
Total revenue	402.6	417.7	(15.1)	(4)%
<b>Costs and expenses:</b>				
Programming (including amortization)	148.1	154.5	(6.4)	(4)%
Production and acquisition (including amortization)	43.2	50.0	(6.8)	(14)%
Home video cost of sales	5.1	10.0	(4.9)	(49)%
Operating	7.1	12.4	(5.3)	(43)%
Selling, general and administrative	79.0	75.5	3.5	5 %
Merger related	9.5	—	9.5	100 %
Depreciation and amortization	5.2	4.8	0.4	8 %
Total costs and expenses	297.2	307.2	(10.0)	(3)%
Operating income	105.4	110.5	(5.1)	(5)%
<b>Other expense:</b>				
Interest expense, net of amounts capitalized	(11.5)	(11.3)	(0.2)	(2)%
Other expense, net	(6.7)	(2.1)	(4.6)	(219)%
Income before income taxes	87.2	97.1	(9.9)	(10)%
Income tax expense	(32.8)	(34.1)	1.3	4 %
Net income	\$ 54.4	\$ 63.0	\$ (8.6)	(14)%



**COMPARISON OF THREE MONTHS ENDED JUNE 30, 2016 TO THREE MONTHS ENDED JUNE 30, 2015**

**Revenue**

Revenue by segment was as follows (*dollars in millions*):

	Three Months Ended June 30,		\$ Change	% Change
	2016	2015	'16 vs '15	'16 vs '15
<b>Revenue</b>				
Starz Networks	\$ 343.1	\$ 333.3	\$ 9.8	3 %
Starz Distribution	60.0	78.4	(18.4)	(23)%
Starz Animation	—	6.5	(6.5)	(100)%
Inter-segment eliminations	(0.5)	(0.5)	—	— %
Total revenue	\$ 402.6	\$ 417.7	\$ (15.1)	(4)%

Starz Networks' revenue represented 85% and 80% of our total revenue for the three months ended June 30, 2016 and 2015, respectively.

The table below sets forth, for the periods presented, subscriptions to our STARZ and STARZ ENCORE networks (*subscriptions in millions*):

Period End Subscriptions:	As of June 30,		# Change	% Change
	2016	2015	'16 vs '15	'16 vs '15
STARZ	24.2	23.5	0.7	3 %
STARZ ENCORE	31.8	33.3	(1.5)	(5)%
Total	56.0	56.8	(0.8)	(1)%

Revenue from Starz Networks increased \$9.8 million or 3% for the three months ended June 30, 2016 as compared to the corresponding prior year period. The increase in revenue was a result of a \$13.3 million increase due to higher effective rates, offset by a \$3.5 million decrease due to lower average subscriptions resulting primarily from video household losses at certain distributors.

Revenue from Starz Distribution decreased \$18.4 million or 23% for the three months ended June 30, 2016 as compared to the corresponding prior year period. This decrease was primarily due to fewer significant new titles distributed for Weinstein.

**Programming**

Programming costs decreased \$6.4 million or 4% for the three months ended June 30, 2016 as compared to the corresponding prior year period. The decrease in programming costs was primarily due to a \$9.9 million decrease in output and library film amortization expense, offset by a \$2.5 million increase in original series amortization expense and a \$1.0 million increase in other programming related costs.

We expect programming costs related to original programming to increase in the future. We are currently benefiting from a lower cost per film that we pay under our output agreements with Sony and Disney. This lower cost per film was the result of favorable negotiations during the most recent output agreement renewals. We expect to see continued savings in the 2016 and 2017 timeframe at which time the first window license period under our Disney output agreement ends. We plan to utilize these savings to fund a portion of the increase in our original programming to 80-90 episodes per year.

**Production and Acquisition**

Production and acquisition costs decreased \$6.8 million or 14% for the three months ended June 30, 2016 as compared to the corresponding prior year period. The decrease was primarily due to a decrease in revenue from films distributed for Weinstein.

**Home Video Cost of Sales**

Home video cost of sales decreased \$4.9 million or 49% for the three months ended June 30, 2016 as compared to the corresponding prior year period. Home video cost of sales represented 32% and 27% of home video net sales for the

three months ended June 30, 2016 and 2015, respectively. The increase in costs as a percentage of sales was due to lower revenue from Weinstein titles. Under our agreement with Weinstein, DVD replication and packaging costs are paid for by Weinstein.

### Operating

Operating expense decreased \$5.3 million or 43% for the three months ended June 30, 2016 as compared to the corresponding prior year period. The decrease is primarily due to the sale of Film Roman in October 2015.

### Selling, General and Administrative

Selling, general and administrative expenses were as follows (dollars in millions):

	Three Months Ended June 30,		\$ Change '16 vs '15	% Change '16 vs '15
	2016	2015		
<b>Advertising and marketing</b>				
Starz Networks	\$ 33.7	\$ 30.8	\$ 2.9	9 %
Starz Distribution	4.4	8.3	(3.9)	(47)%
Starz Animation	—	—	—	— %
Inter-segment eliminations	—	—	—	— %
Total advertising and marketing	38.1	39.1	(1.0)	(3)%
<b>General and administrative, excluding stock compensation</b>				
Starz Networks	23.3	21.6	1.7	8 %
Starz Distribution	10.9	7.3	3.6	49 %
Starz Animation	—	0.2	(0.2)	(100)%
Inter-segment eliminations	—	—	—	— %
General and administrative, excluding stock compensation	34.2	29.1	5.1	18 %
<b>Stock compensation</b>	6.7	7.3	(0.6)	(8)%
Total general and administrative	40.9	36.4	4.5	12 %
<b>Total selling, general and administrative</b>	\$ 79.0	\$ 75.5	\$ 3.5	5 %
General and administrative expense as a percentage of revenue	10 %	9 %		

Starz Networks' advertising and marketing costs increased \$2.9 million primarily due to spend associated with the launch of our new Starz app, partially offset by a decrease in consumer marketing associated with the timing of our original series. Starz Distribution's advertising and marketing costs decreased \$3.9 million due to fewer significant Weinstein releases in the current period. Starz Distributions general and administrative expense increased \$3.6 million primarily due to bad debt expense.

### Merger Related

We incurred \$9.5 million of merger related costs, which included advisory and legal fees, for the three months ended June 30, 2016. We expect to incur additional merger related costs through the closing of the Merger, and such amounts will be significant.

### Operating Income and Adjusted OIBDA

Operating income decreased \$5.1 million or 5% for the three months ended June 30, 2016 as compared to the corresponding prior year period. In addition to the impacts discussed below under Adjusted OIBDA, operating income was negatively impacted by \$9.5 million of merger related costs.

See Note 8 to the unaudited condensed consolidated financial statements included in this Form 10-Q for a discussion of Adjusted OIBDA, which also includes a reconciliation of Adjusted OIBDA to the GAAP measure income before income taxes. Adjusted OIBDA by segment was as follows (*dollars in millions*):

	Three Months Ended June 30,		\$ Change '16 vs '15	% Change '16 vs '15
	2016	2015		
Adjusted OIBDA				
Starz Networks	\$ 132.1	\$ 122.2	\$ 9.9	8 %
Starz Distribution	(4.6)	2.0	(6.6)	(330)%
Starz Animation	—	(0.7)	0.7	100 %
Inter-segment eliminations	(0.1)	(0.1)	—	— %
Total Adjusted OIBDA	\$ 127.4	\$ 123.4	\$ 4.0	3 %

Adjusted OIBDA for Starz Networks increased \$9.9 million for the three months ended June 30, 2016 as compared to the corresponding prior year period. Such increase was a result of the increase in revenue and lower programming costs, partially offset by an increase in selling, general and administrative expenses. Adjusted OIBDA for Starz Distribution decreased \$6.6 million primarily due to the distribution of films for Weinstein and an increase in bad debt expense.

### Other Expense, Net

We recorded other expense, net of \$6.7 million and \$2.1 million for the three months ended June 30, 2016 and 2015, respectively. The expense for the three months ended June 30, 2016 was primarily comprised of our share of losses from our investment in Playco Holdings Limited ("Playco"), an equity investee in which we hold an approximate 40% ownership interest, and losses on foreign currency hedging transactions and foreign currency exchange losses. The expense for the three months ended June 30, 2015 was primarily comprised of our share of losses from our investment in Playco and losses on foreign currency hedging transactions, partially offset by foreign currency exchange gains.

### Income Taxes

We had income before income taxes of \$87.2 million and \$97.1 million and income tax expense of \$32.8 million and \$34.1 million for the three months ended June 30, 2016 and 2015, respectively. Our effective tax rate was 38% and 35% for the three months ended June 30, 2016 and 2015, respectively. Our effective tax rate for the three months ended June 30, 2016 and 2015 was positively impacted by Internal Revenue Code Section 199, which allows U.S. taxpayers a deduction for qualified domestic production activities, and was partially offset by state and local taxes. In addition, for the three months ended June 30, 2016, our effective tax rate was negatively impacted by a portion of merger related costs which are non-deductible for tax purposes. The deduction for qualified production activity is based on our level of domestic productions and other criteria and must be evaluated each year. Changes in our domestic production activities could impact our qualification for a deduction under Section 199 in the future.

**RESULTS OF OPERATIONS - SIX MONTHS ENDED JUNE 30, 2016 AND 2015**

Our operating results were as follows (*dollars in millions*):

	Six Months Ended June 30,		\$ Change '16 vs '15	% Change '16 vs '15
	2016	2015		
<b>Revenue:</b>				
Programming networks and other services	\$ 784.0	\$ 796.1	\$ (12.1)	(2)%
Home video net sales	50.5	72.3	(21.8)	(30)%
Total revenue	834.5	868.4	(33.9)	(4)%
<b>Costs and expenses:</b>				
Programming (including amortization)	298.8	300.5	(1.7)	(1)%
Production and acquisition (including amortization)	101.3	106.6	(5.3)	(5)%
Home video cost of sales	12.5	20.4	(7.9)	(39)%
Operating	13.1	25.7	(12.6)	(49)%
Selling, general and administrative	169.9	152.7	17.2	11 %
Merger related	9.5	—	9.5	100 %
Depreciation and amortization	9.9	9.5	0.4	4 %
Total costs and expenses	615.0	615.4	(0.4)	— %
Operating income	219.5	253.0	(33.5)	(13)%
<b>Other expense:</b>				
Interest expense, net of amounts capitalized	(23.4)	(22.5)	(0.9)	(4)%
Other expense, net	(6.3)	(4.3)	(2.0)	(47)%
Income before income taxes	189.8	226.2	(36.4)	(16)%
Income tax expense	(68.4)	(77.1)	8.7	11 %
Net income	\$ 121.4	\$ 149.1	\$ (27.7)	(19)%

**COMPARISON OF SIX MONTHS ENDED JUNE 30, 2016 TO SIX MONTHS ENDED JUNE 30, 2015**

**Revenue**

Revenue by segment was as follows (*dollars in millions*):

	Six Months Ended June 30,		\$ Change '16 vs '15	% Change '16 vs '15
	2016	2015		
<b>Revenue</b>				
Starz Networks	\$ 683.0	\$ 667.3	\$ 15.7	2 %
Starz Distribution	152.7	188.1	(35.4)	(19)%
Starz Animation	—	13.8	(13.8)	(100)%
Inter-segment eliminations	(1.2)	(0.8)	(0.4)	(50)%
	\$ 834.5	\$ 868.4	\$ (33.9)	(4)%

Starz Networks' revenue represented 82% and 77% of our total revenue for the six months ended June 30, 2016 and 2015, respectively.

The table below sets forth, for the periods presented, subscriptions to our STARZ and STARZ ENCORE networks(*subscriptions in millions*):

Period End Subscriptions:	As of June 30,		# Change	% Change
	2016	2015	'16 vs '15	'16 vs '15
STARZ	24.2	23.5	0.7	3 %
STARZ ENCORE	31.8	33.3	(1.5)	(5)%
	56.0	56.8	(0.8)	(1)%

Revenue from Starz Networks increased \$15.7 million or 2% for the six months ended June 30, 2016 as compared to the corresponding prior year period. The increase in revenue was a result of a \$24.0 million increase due to higher effective rates, partially offset by an \$8.3 million decrease due to lower average subscriptions resulting primarily from video household losses at certain distributors.

Revenue from Starz Distribution decreased \$35.4 million or 19% for the six months ended June 30, 2016 as compared to the corresponding prior year period. This decrease was primarily due to a decrease in revenue from our original series. During the six months ended June 30, 2015, we licensed certain of our original series in the U.S., including "Spartacus" and "Magic City" to Netflix and "The White Queen" to Amazon. Fewer significant new titles distributed for Weinstein also contributed to the decrease.

#### **Programming**

Programming costs decreased \$1.7 million or 1% for the six months ended June 30, 2016 as compared to the corresponding prior year period. The decrease in programming costs was primarily due to a \$12.1 million decrease in output and library film amortization expense, offset by a \$6.4 million increase in original series amortization expense and a \$4.0 million increase in other programming related costs.

We expect programming costs related to original programming to increase in the future. We are currently benefiting from a lower cost per film that we pay under our output agreements with Sony and Disney. This lower cost per film was the result of favorable negotiations during the most recent output agreement renewals. We expect to see continued savings in the 2016 and 2017 timeframe at which time the first window license period under our Disney output agreement ends. We plan to utilize these savings to fund a portion of the increase in our original programming to 80-90 episodes per year.

#### **Production and Acquisition**

Production and acquisition costs decreased \$5.3 million or 5% for the six months ended June 30, 2016 as compared to the corresponding prior year period. The decrease was primarily due to a decrease in revenue from films distributed for Weinstein and our original series.

#### **Home Video Cost of Sales**

Home video cost of sales decreased \$7.9 million or 39% for the six months ended June 30, 2016 as compared to the corresponding prior year period. Home video cost of sales represented 25% and 28% of home video net sales for the six months ended June 30, 2016 and 2015, respectively. The decrease in costs as a percentage of sales was due to a higher percentage of revenue from Weinstein titles as compared to our other home video releases. Under our agreement with Weinstein, DVD replication and packaging costs are paid for by Weinstein.

#### **Operating**

Operating expense decreased \$12.6 million for the six months ended June 30, 2016 as compared to the corresponding prior year period. The decrease is primarily due to the sale of Film Roman in October 2015.

### ***Selling, General and Administrative***

Selling, general and administrative expenses were as follows (*dollars in millions*):

	Six Months Ended June 30,		\$ Change	% Change
	2016	2015	'16 vs '15	'16 vs '15
<b>Advertising and marketing:</b>				
Starz Networks	\$ 71.3	\$ 63.5	\$ 7.8	12 %
Starz Distribution	11.1	15.3	(4.2)	(27)%
Starz Animation	—	—	—	— %
Inter-segment eliminations	—	—	—	— %
Total advertising and marketing	82.4	78.8	3.6	5 %
<b>General and administrative, excluding stock compensation:</b>				
Starz Networks	53.4	43.1	10.3	24 %
Starz Distribution	19.9	15.6	4.3	28 %
Starz Animation	—	0.3	(0.3)	(100)%
Inter-segment eliminations	—	—	—	— %
General and administrative, excluding stock compensation	73.3	59.0	14.3	24 %
Stock compensation	14.2	14.9	(0.7)	(5)%
Total general and administrative	87.5	73.9	13.6	18 %
	\$ 169.9	\$ 152.7	\$ 17.2	11 %
<b>General and administrative expense as a percentage of revenue</b>				
	10 %	9 %		

Starz Networks' advertising and marketing costs increased \$7.8 million primarily due to spend associated with the launch of our new Starz app, partially offset by a decrease in consumer marketing associated with the timing of our original series. Starz Distribution's advertising and marketing costs decreased \$4.2 million due to fewer significant new Weinstein releases in the current period. Starz Networks' general and administrative expense increased \$10.3 million, primarily due to litigation related costs and payroll costs. Starz Distributions general and administrative expense increased \$4.3 million, primarily due to bad debt expense.

### ***Merger Related***

We incurred \$9.5 million of merger related costs, which included advisory and legal fees, for the six months ended June 30, 2016. We expect to incur additional merger related costs through the closing of the Merger, and such amounts will be significant.

### Operating Income and Adjusted OIBDA

Operating income decreased \$33.5 million or 13% for the six months ended June 30, 2016 as compared to the corresponding prior year period. In addition to the impacts discussed below under Adjusted OIBDA, operating income was negatively impacted by \$9.5 million of merger related costs.

See Note 8 to the unaudited condensed consolidated financial statements included in this Form 10-Q for a discussion of Adjusted OIBDA, which also includes a reconciliation of Adjusted OIBDA to the GAAP measure income before income taxes. Adjusted OIBDA by segment was as follows (*dollars in millions*):

	Six Months Ended June 30,		\$ Change '16 vs '15	% Change '16 vs '15
	2016	2015		
Adjusted OIBDA				
Starz Networks	\$ 248.9	\$ 251.9	\$ (3.0)	(1)%
Starz Distribution	6.0	28.4	(22.4)	(79)%
Starz Animation	—	(1.3)	1.3	100 %
Inter-segment eliminations	(0.4)	(0.1)	(0.3)	(300)%
	<u>\$ 254.5</u>	<u>\$ 278.9</u>	<u>\$ (24.4)</u>	<u>(9)%</u>

Adjusted OIBDA for Starz Networks decreased \$3.0 million for the six months ended June 30, 2016 as compared to the corresponding prior year period. Such decrease was a result of the increase in selling, general and administrative expenses, partially offset by the increase in revenue and decrease in programming costs. Adjusted OIBDA for Starz Distribution decreased \$22.4 million primarily due to the decrease in revenue.

### Other Expense, Net

We recorded other expense, net of \$6.3 million and \$4.3 million for the six months ended June 30, 2016 and June 30, 2015, respectively. The expense for both periods was primarily comprised of our share of losses from our investment in Playco, partially offset by foreign currency hedging and exchange gains.

### Income Taxes

We had income before income taxes of \$189.8 million and \$226.2 million and income tax expense of \$68.4 million and \$77.1 million for the six months ended June 30, 2016 and 2015, respectively. Our effective tax rate was 36% and 34% for the six months ended June 30, 2016 and 2015, respectively. Our effective tax rate for the six months ended June 30, 2016 and 2015 was positively impacted by Internal Revenue Code Section 199, which allows U.S. taxpayers a deduction for qualified domestic production activities, and was partially offset by state and local taxes. In addition, for the six months ended June 30, 2016, our effective tax rate was negatively impacted by a portion of merger related costs which are non-deductible for tax purposes. The deduction for qualified production activity is based on our level of domestic productions and other criteria and must be evaluated each year. Changes in our domestic production activities could impact our qualification for a deduction under Section 199 in the future.

### MATERIAL CHANGES IN FINANCIAL CONDITION

As of June 30, 2016, our cash and cash equivalents totaled \$12.9 million. Our cash and cash equivalents are, from time to time, invested in U.S. Treasury securities, other government securities or government guaranteed funds, AAA rated money market funds and other highly rated commercial paper.

### Operating Activities

We generated \$101.0 million of net cash provided by operating activities and used \$26.0 million of net cash in our operating activities for the six months ended June 30, 2016 and 2015, respectively. Our primary uses of cash are payments under our programming output and library agreements and production and acquisition costs for our original programming, home video and other content (i.e., investment in films and television programs), which are included as a reduction of (increase to) net cash provided by (used in) operating activities. Cash paid under our programming output and library agreements totaled \$217.2 million and \$253.5 million for the six months ended June 30, 2016 and 2015, respectively. Cash paid for original programming, home video and other content totaled \$160.5 million and \$233.6 million for the six months

ended June 30, 2016 and 2015, respectively, and decreased primarily due to a decrease in payments to Weinstein, partially offset by an increase related to production of our original series. We plan to continue to increase our investments in original programming in future periods. A \$17.5 million and a \$33.2 million increase in our long term receivables from the licensing of certain of our original series to Netflix and Amazon negatively impacted our net cash provided by (used in) operating activities for the six months ended June 30, 2016 and 2015, respectively. A \$36.0 million decrease in taxes paid positively impacted our net cash provided by (used in) operating activities for the six months ended June 30, 2016.

#### **Investing Activities**

During the six months ended June 30, 2016, we made advances to Playco totaling \$13.5 million.

#### **Financing Activities**

During the six months ended June 30, 2016, we had net borrowings of debt of \$41.3 million. We repurchased 4.5 million shares of common stock for \$120.7 million, including fees, under our share repurchase program during the six months ended June 30, 2016 as compared to \$32.8 million during the six months ended June 30, 2015. We had \$356.7 million available under our share repurchase program as of June 30, 2016. Under the terms of the Merger Agreement, we are prohibited from repurchasing our common stock. Accordingly, there will be no repurchases of our common stock through the closing of the Merger.

We are continually projecting anticipated cash requirements for our operating, investing and financing needs. Potential sources of liquidity include net cash provided by operating activities and borrowings under our Credit Agreement. Our expected uses of cash for investing and financing activities include capital expenditures, funding of Playco and debt repayments. It is anticipated that the Credit Agreement and Senior Notes will be repaid and terminated in connection with the closing of the Merger. However, if the Merger is not consummated, we believe that based on our current operating plans, net cash provided by operating activities, available borrowing capacity under our Credit Agreement, through its expiration on April 20, 2020, and access to debt and equity markets will be sufficient to fund our expected uses of cash for the foreseeable future. Net cash provided by operating activities and access to the capital markets can be impacted by factors outside of our control. Our Senior Notes are due on September 15, 2019. If the Merger is not consummated, we plan to refinance these notes on terms acceptable to us prior to their due date. However, there can be no assurance that we will be able to refinance them on acceptable terms, if at all. As of June 30, 2016, \$648.0 million of borrowing capacity was available under our Credit Agreement.

### **RECENT ACCOUNTING PRONOUNCEMENTS**

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 *Revenue from Contracts with Customers (Topic 606)* in May 2014, issued ASU 2016-02 *Leases (Topic 842): New Guidance on Accounting for Leases* in February 2016 and issued ASU 2016-09 *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* in March 2016. See Note 7 to the unaudited condensed consolidated financial statements included in this Form 10-Q for a discussion of the new accounting standards and the assessments of the potential impacts on Starz.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

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

We are exposed to changes in interest rates as a result of borrowings used to fund our investing and financing activities. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We manage our exposure to interest rates by maintaining what we believe is an appropriate mix of fixed and variable rate debt and by entering into interest rate swap and collar arrangements when we deem appropriate.



As of June 30, 2016, our debt was comprised of the following amounts(*in millions*):

Variable rate debt		Fixed rate debt	
Principal amount	Weighted avg. interest rate	Principal amount	Weighted avg. interest rate
\$352.0	2.31%	\$738.7	5.12%

A hypothetical 50 basis point change in interest rates prevailing at June 30, 2016 would either increase or decrease our annual interest expense on our variable rate debt by approximately \$1.8 million. As shown above, the majority of our outstanding debt at June 30, 2016 was fixed rate debt, however, at June 30, 2016, \$648.0 million of borrowing capacity was available under our Credit Agreement, which is at variable rates.

#### **Item 4. Controls and Procedures**

##### **Disclosure Controls and Procedures**

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (“Exchange Act”), we carried out an evaluation, under the supervision and with the participation of management, including our chief executive officer and our principal financial and accounting officer (“Executives”), of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that our disclosure controls and procedures were effective as of June 30, 2016 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms.

There has been no change in our internal control over financial reporting that occurred during the three months ended June 30, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II

### Item 1. Legal Proceedings

On October 29, 2015, Keno Thomas, a former Starz Entertainment employee, filed a complaint in Los Angeles County Superior Court against Starz, Starz, LLC, Starz Entertainment (collectively, "Starz Parties") and Liberty Media, and certain individual defendants. The plaintiff alleges that the Starz Parties and certain of the other defendants engaged in retaliation, wrongful termination of employment, failure to prevent retaliation and intentional infliction of emotional distress, all in connection with the plaintiff's employment with Starz Entertainment. The plaintiff seeks compensatory, emotional distress and punitive damages, interest and an award of reasonable attorneys' fees. On November 30, 2015, defendants removed this case to the United States District Court for the Central District of California. In February 2016, the parties stipulated to dismiss Starz and Starz, LLC without prejudice and to dismiss Liberty Media with prejudice. On February 29, 2016, the District Court dismissed one of the individual defendants without prejudice, dismissed certain claims for retaliation and for intentional infliction of emotional distress without prejudice and struck certain other allegations in the complaint, permitting the plaintiff to file an amended complaint with respect to the claims dismissed without prejudice. The plaintiff filed an amended complaint on March 30, 2016 with modified allegations of retaliation and intentional infliction of emotional distress. On April 13, 2016, the defendants moved to dismiss various causes of action in the amended complaint. On July 11, 2016, the District Court granted the defendants' motion to dismiss the claim for intentional infliction of emotional distress without leave to amend, and to dismiss one claim for retaliation with leave to amend. Starz believes that it has substantial defenses to the claims asserted in the foregoing action, is defending the action vigorously, and does not believe that the resolution of the action will have a material adverse effect on its business, financial condition or results of operations.

Six putative class action complaints were commenced in the Court of Chancery of the State of Delaware on July 19, 2016, July 21, 2016, July 26, 2016, July 27, 2016 and July 29, 2016. The first complaint was filed on July 19, 2016, by Barbara Freedman against Starz, Lions Gate, Merger Sub, members of the board of directors of Starz, and John C. Malone and Robert R. Bennett, both of whom are alleged to be controlling stockholders of Starz. The first complaint alleges that (i) the members of Starz's board of directors and Messrs. Malone and Bennett breached fiduciary duties owed to Starz and the holders of Starz Series A Common Stock in connection with the Merger and the transactions contemplated by the Merger Agreement and (ii) Lions Gate, Merger Sub and Messrs. Malone and Bennett aided and abetted such breaches of fiduciary duties. The first lawsuit seeks, among other things: (i) certification as a class action; (ii) a judgment declaring that Starz's board of directors, and Messrs. Malone and Bennett, breached their fiduciary duties owed to Starz and Starz's Series A unaffiliated stockholders; (iii) rescission of the proposed Merger, or any terms thereof, to the extent already implemented, or granting of rescissory damages; (iv) an accounting by the Starz board of directors, and Messrs. Malone and Bennett, of the damages the class suffered as a result of their actions with respect to the Merger; and (v) an award of the costs and disbursements of the action, including reasonable attorneys' fees and experts' fees.

The second and third complaints were filed on July 21, 2016 and July 26, 2016, by the Oklahoma Police Pension & Retirement System and the City of Cambridge Retirement System, respectively. Both complaints name the same defendants, make the same allegations, assert the same legal claims, and seek the same relief. Both complaints name as defendants Lions Gate, Merger Sub, the members of the Starz board of directors, Mr. Malone, Leslie Malone, The Tracey L. Neal Trust A, The Evan D. Malone Trust A, Mr. Bennett, Deborah J. Bennett and Hilltop Investments, LLC ("Hilltop"). Starz is not a named defendant in either lawsuit. Each complaint alleges that (i) the members of Starz's board of directors breached fiduciary duties owed to Starz and its stockholders in connection with the Merger and the transactions contemplated by the Merger Agreement; (ii) Mr. Malone, as an alleged controlling stockholder of Starz, breached fiduciary duties owed to Starz's minority stockholders in connection with the Merger and by entering into the Stock Exchange Agreement with Lions Gate, Merger Sub, Ms. Malone, The Tracey L. Neal Trust A, The Evan D. Malone Trust A, Mr. Bennett, Ms. Bennett and Hilltop (the "Exchange Agreement") and a Voting Agreement among Lions Gate and Messrs. Malone and Bennett (the "Voting Agreement"); and (iii) Lions Gate, Merger Sub, Leslie Malone, The Tracey L. Neal Trust A, The Evan D. Malone Trust A, Deborah J. Bennett and Hilltop aided and abetted such breaches of fiduciary duties. Each lawsuit seeks, among other things: (i) certification as a class action; (ii) a judgment declaring that the board of directors of Starz and Mr. Malone breached fiduciary duties owed to the class; (iii) a judgment declaring that Lions Gate and Merger Sub aided and abetted such breaches of fiduciary duties; (iv) a judgment declaring the Exchange Agreement is invalid and void; (v) an injunction to prevent the Merger from proceeding; (v) alternatively, if the Merger is consummated, rescission or rescissory or other compensatory damages; and (vi) an award of the costs and disbursements of the action, including reasonable attorneys' fees and experts' fees.

The fourth complaint was filed on July 26, 2016, by the Firemen's Retirement System of St. Louis against Lions Gate, Merger Sub, the members of the Starz board of directors, Mr. Malone, Ms. Malone, The Tracy L. Neal Trust A, The Evan D. Malone Trust A, Mr. Bennett, Ms. Bennett and Hilltop. The fourth complaint alleges that (i) the members of Starz's board of

directors breached fiduciary duties owed to Starz's stockholders in connection with the Merger, (ii) Mr. Malone, as an alleged controlling stockholder of Starz, breached fiduciary duties owed to Starz's minority stockholders by effectuating the Merger; (iii) Lions Gate and Merger Sub, as parties to the Merger, aided and abetted in such breaches of fiduciary duties; and (iv) by entering into the Exchange Agreement and the Voting Agreement, Ms. Malone, The Tracy L. Neal Trust A, The Evan D. Malone Trust A, Mr. Bennett, Ms. Bennett and Hilltop aided and abetted the alleged breaches of fiduciary duties of the members of Starz's board of directors. The fourth lawsuit seeks injunctive relief: (i) declaring that the action is a proper class action and certifying the Firemen's Retirement System of St. Louis as the class representative; (ii) declaring that the members of Starz's board of directors and Mr. Malone breached fiduciary duties owed to Starz and the class; (iii) declaring that Lions Gate and Merger Sub aided and abetted in the alleged breaches of fiduciary duties; (iv) enjoining the defendants from proceeding with the Merger; (v) directing the members of Starz's board of directors to exercise their fiduciary duties to obtain a transaction that maximizes stockholder value; (vi) declaring the Exchange Agreement invalid and void; (vii) if the Merger is consummated, rescission or rescissory or other compensatory damages; and (viii) an award of the costs and disbursements of the action, including reasonable attorneys' fees and experts' fees.

The fifth complaint was filed on July 27, 2016 by the Norfolk County Retirement System against Starz, Lions Gate, Merger Sub, members of the board of directors of Starz, Mr. Malone, Ms. Malone, Tracey L. Neal Trust A, Evan D. Malone Trust A, Mr. Bennett, Ms. Bennett, Hilltop, and LionTree Advisors LLC ("LionTree"). The fifth complaint alleges that (i) Mr. Malone, as an alleged controlling stockholder of Starz, and as a director and alleged significant stockholder of Lions Gate, violated his fiduciary duty of loyalty owed to Starz's public stockholders in connection with the proposed Merger; (ii) Mr. Malone, Starz Chief Executive Officer Chris Albrecht, and the members of the board of directors of Starz breached fiduciary duties owed to Starz and its stockholders in connection with the proposed Merger; (iii) Lions Gate, as a party to the Merger Agreement and the transactions contemplated by the Merger Agreement, and Merger Sub, as a party to the Merger Agreement, aided and abetted the alleged breaches of fiduciary duties; (iv) LionTree, by virtue of its position as financial advisor in connection with the proposed Merger, aided and abetted in the alleged breaches of fiduciary duties; (v) as parties to the transactions contemplated by the Merger Agreement, Ms. Malone, Tracey L. Neal Trust A, Evan D. Malone Trust A, Mr. Bennett, Ms. Bennett, and Hilltop aided and abetted the alleged breaches of fiduciary duties. The fifth lawsuit seeks, among other things: (i) certification as a class action; (ii) an injunction preventing the Starz board of directors and Mr. Malone from proceeding with the proposed Merger under its current terms; (iii) a declaration that the proposed Merger is not entirely fair and that the Starz board of directors and Mr. Malone have breached their fiduciary duties and therefore the Merger Agreement and transactions contemplated by the Merger Agreement are unlawful and unenforceable; (iv) if the Merger is consummated, rescission of the transaction or an award of damages to the class; (v) a requirement that the Starz board of directors and Mr. Malone fully disclose material information regarding the Merger; (vi) the establishment of equitable quasi-appraisal rights for dissenting Starz shareholders; (vii) a requirement that the board of directors of Starz explore strategic alternatives to the proposed Merger; (viii) an accounting by the defendants of the damages the class allegedly suffered as a result of defendants' alleged unlawful conduct; (ix) an award of the costs and disbursements of the action, including reasonable attorneys' fees and experts' fees.

The sixth complaint was filed on July 29, 2016 by the City of Providence against Starz, Lions Gate, Merger Sub, members of the board of directors of Starz, Mr. Malone, Mr. Bennett, and Mark Rachesky, the Chairman of Lions Gate. The sixth complaint alleges that (i) Mr. Malone, as an alleged controlling stockholder of Starz, and the members of the board of Starz, breached fiduciary duties owed to Starz's shareholders in connection with the proposed Merger; and (ii) Mr. Bennett, Mr. Rachesky, Lions Gate, and Merger Sub aided and abetted both Mr. Malone and the Starz board of directors in breaching their fiduciary duties, while Mr. Malone aided and abetted the Starz board of directors in breaching its fiduciary duties. The sixth lawsuit seeks, among other things: (i) certification as a class action; (ii) a declaration that defendants breached their fiduciary duties, or aided and abetted such breaches; (iii) a declaration that the proposed Merger and other transactions contemplated by the merger are unlawful and unenforceable; (iv) an accounting by the defendants of the damages the class allegedly suffered as a result of defendants' alleged wrongful actions; (v) compensatory damages; and (vi) an award of the costs and disbursements of the action, including reasonable attorneys' fees and experts' fees.

Starz intends to defend the actions vigorously.

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

## Item 1A. Risk Factors

Except as discussed below, there have been no material changes in our risk factors from those disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015.

### *Failure to complete the Merger could adversely affect our stock price and future business and financial results.*

If the Merger is not completed for any reason, including as a result of the Lions Gate stockholders or the Starz stockholders failing to approve the necessary proposals, the ongoing business of Starz may be adversely affected and, without realizing any of the benefits of having completed the Merger, Starz will be subject to numerous risks, including the following:

- Starz being required, under certain circumstances, to pay the other party a termination fee in connection with the Merger Agreement;
- Starz having to pay substantial costs relating to the Merger, such as legal, accounting, financial advisor, filing, printing and mailing fees and integration costs that have already been incurred or will continue to be incurred until the closing of the Merger;
- Starz experiencing negative reactions from the financial markets, including negative impacts on its stock price, or from its customers, regulators and employees;
- Starz having had to deal with restrictions on the conduct of its business prior to the completion of the Merger, as set forth in the Merger Agreement;
- the management of Starz focusing on the Merger instead of on pursuing other opportunities that could be beneficial to the company, without realizing any of the benefits of having the Merger completed; and
- reputational harm due to the adverse perception of any failure to successfully complete the Merger.

If the Merger is not completed, we cannot assure our stockholders that these risks will not materialize and will not have a materially adverse effect on our business, financial condition, results of operations and stock price.

### *The pendency of the Merger could adversely affect the business and operations of Starz.*

In connection with the pending Merger, some customers or vendors of Starz may delay or defer decisions, which could adversely affect the revenues, earnings, funds from operations, cash flows and expenses of Starz, regardless of whether the Merger is completed. Similarly, current and prospective employees of Starz may experience uncertainty about their future roles with Lions Gate following the Merger, which may materially adversely affect the ability of each of Lions Gate and Starz to attract and retain key personnel during the pendency of the Merger. In addition, due to operating covenants in the Merger Agreement, each of Lions Gate and Starz may be unable (without the other party's prior written consent), during the pendency of the Merger, to pursue strategic transactions, undertake significant capital projects, undertake certain significant financing transactions and otherwise pursue other actions, even if such actions would prove beneficial. The risks, and adverse effects, of such disruptions could be exacerbated by a delay in the completion of the Merger or termination of the Merger Agreement and could adversely affect our business, financial condition, results of operations and stock price, regardless of whether the Merger is completed.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### Share Repurchase Program

The Starz board of directors has authorized a total of \$1,200.0 million since January 2013 to repurchase Starz common stock.

Second quarter repurchases and remaining availability under the repurchase program was as follows:

Period	Series A common stock			
	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs
April 1 - 30, 2016	547,550	\$ 25.51	547,550	\$380.4 million
May 1 - 31, 2016	430,708	\$ 26.63	430,708	\$368.9 million
June 1 - 30, 2016	456,495	\$ 26.86	456,495	\$356.7 million
	<u>1,434,753</u>		<u>1,434,753</u>	

Included in the June 30, 2016 amounts above are 30,815 repurchased shares which settled in July 2016. In addition to the shares listed in the table above, 130 shares of Series A common stock were surrendered in the second quarter of 2016 by an employee to pay withholding taxes in connection with the vesting of the employee's restricted stock.

Under the terms of the Merger Agreement, we are prohibited from repurchasing our common stock. Accordingly, there will be no repurchases of our common stock through the closing of the Merger.

## Item 6. Exhibits

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

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
2.1	Agreement and Plan of Merger, dated as of June 30, 2016, by and among Lions Gate Entertainment Corp., Starz, and Orion Arm Acquisition Inc. (incorporated by reference to Exhibit 2.1 to Lions Gate Entertainment Corp.'s Current Report on Form 8-K (File No. 001-14880), filed with the Securities and Exchange Commission on July 1, 2016 (the "Lions Gate Form 8-K").
10.1	Stock Exchange Agreement, dated as of June 30, 2016, by and among Lions Gate Entertainment Corp., Orion Arm Acquisition Inc. and the stockholders listed on Schedule 1 thereto (incorporated by reference to Exhibit 10.1 to the Lions Gate Form 8-K).
10.2	Voting Agreement, dated as of June 30, 2016, by and among Lions Gate Entertainment Corp., Starz, Liberty Global Incorporated Limited and Liberty Global plc (incorporated by reference to Exhibit 10.2 to the Lions Gate Form 8-K).
10.3	Voting Agreement, dated as of June 30, 2016, by and among Lions Gate Entertainment Corp., Starz, Discovery Lightning Investments Ltd. and Discovery Communications, Inc. (incorporated by reference to Exhibit 10.3 to the Lions Gate Form 8-K).
10.4	Voting Agreement, dated as of June 30, 2016, by and among Lions Gate Entertainment Corp., Starz, and the stockholders listed on Schedule A thereto (incorporated by reference to Exhibit 10.4 to the Lions Gate Form 8-K).
10.5	Voting Agreement, dated as of June 30, 2016, by and among Lions Gate Entertainment Corp., Starz, and the stockholders listed on Schedule A thereto (incorporated by reference to Exhibit 10.5 to the Lions Gate Form 8-K).
10.6	Voting Agreement, dated as of June 30, 2016, by and between Lions Gate Entertainment Corp., Starz, LG Leopard Canada LP and the stockholders listed on Schedule A thereto (incorporated by reference to Exhibit 10.6 to the Lions Gate Form 8-K).
10.7	Starz 2016 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 of Starz's Current Report on Form 8-K, filed on June 20, 2016 (File No. 001-35294)).
10.8	Separation Agreement and General Release, dated as of June 2, 2016, by and between Starz Entertainment, LLC and Glenn Curtis.*
10.9	Form of Nonqualified Stock Option Agreement under Registrant's 2016 Omnibus Incentive Plan.*
10.10	Form of Restricted Stock Award Agreement under Registrant's 2016 Omnibus Incentive Plan.*
10.11	Form of Performance-Based Restricted Stock Units Award Agreement under Registrant's 2016 Omnibus Incentive Plan.*
31.1	Rule 13a-14(a)/15(d)-14(a) Certification*
31.2	Rule 13a-14(a)/15(d)-14(a) Certification*
32.1	Section 1350 Certifications**
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document*
101.DEF	XBRL Taxonomy Definition Document*

\*Filed herewith.

\*\*Furnished  
herewith.

**Signatures**

Pursuant to the requirements 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.

Date: August 2, 2016

**Starz**

By: /s/ Christopher P. Albrecht

Name: Christopher P. Albrecht

Title: President and Chief Executive Officer

Date: August 2, 2016

By: /s/ Scott D. Macdonald

Name: Scott D. Macdonald

Title: Chief Financial Officer, Executive Vice  
President and Treasurer (Principal Financial  
Officer and Principal Accounting Officer)

## Exhibit List

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

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10.1	Stock Exchange Agreement, dated as of June 30, 2016, by and among Lions Gate Entertainment Corp., Orion Arm Acquisition Inc. and the stockholders listed on Schedule 1 thereto (incorporated by reference to Exhibit 10.1 to the Lions Gate Form 8-K).
10.2	Voting Agreement, dated as of June 30, 2016, by and among Lions Gate Entertainment Corp., Starz, Liberty Global Incorporated Limited and Liberty Global plc (incorporated by reference to Exhibit 10.2 to the Lions Gate Form 8-K).
10.3	Voting Agreement, dated as of June 30, 2016, by and among Lions Gate Entertainment Corp., Starz, Discovery Lightning Investments Ltd. and Discovery Communications, Inc. (incorporated by reference to Exhibit 10.3 to the Lions Gate Form 8-K).
10.4	Voting Agreement, dated as of June 30, 2016, by and among Lions Gate Entertainment Corp., Starz, and the stockholders listed on Schedule A thereto (incorporated by reference to Exhibit 10.4 to the Lions Gate Form 8-K).
10.5	Voting Agreement, dated as of June 30, 2016, by and among Lions Gate Entertainment Corp., Starz, and the stockholders listed on Schedule A thereto (incorporated by reference to Exhibit 10.5 to the Lions Gate Form 8-K).
10.6	Voting Agreement, dated as of June 30, 2016, by and between Lions Gate Entertainment Corp., Starz, LG Leopard Canada LP and the stockholders listed on Schedule A thereto (incorporated by reference to Exhibit 10.6 to the Lions Gate Form 8-K).
10.7	Starz 2016 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 of Starz's Current Report on Form 8-K, filed on June 20, 2016 (File No. 001-35294)).
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10.11	Form of Performance-Based Restricted Stock Units Award Agreement under Registrant's 2016 Omnibus Incentive Plan.*
31.1	Rule 13a-14(a)/15(d)-14(a) Certification*
31.2	Rule 13a-14(a)/15(d)-14(a) Certification*
32.1	Section 1350 Certifications**
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document*
101.DEF	XBRL Taxonomy Definition Document*

\* Filed  
herewith.  
\*\* Furnished  
herewith.



**SEPARATION AGREEMENT AND GENERAL RELEASE**

This Separation Agreement and General Release (this “**Agreement**”) is entered into by and between Starz Entertainment, LLC (the “**Company**” and collectively with Starz, Starz LLC and each of their respective parent, subsidiary and affiliated entities, the “**Starz Group**”) and Glenn Curtis (“**you**”) (collectively, the “**Parties**”). Conditioned upon your execution and non-revocation of this Agreement, in exchange for the terms, conditions and releases set forth below, you will be entitled to receive the Severance Benefits described in Section 3 of this Agreement. Accordingly, the Company and you agree as follows:

1. **Effective Date.** This Agreement will become effective on the eighth (8<sup>th</sup>) day after the Company receives this Agreement signed by you (the “**Effective Date**”), provided that (a) you do not revoke it within the seven day period after you sign it pursuant to Section 9(d) of this Agreement; and (b) it is signed and delivered to the Company on or before **June 3, 2016**.

2. **Separation Date.** You acknowledge and agree that: (a) your last day of employment will be July 1, 2016 (subject to earlier termination if you commit a material breach of this Agreement) (the “**Separation Date**”); (b) during the period commencing on the Effective Date and ending on the Separation Date (subject to earlier termination if you commit a material breach of this Agreement) (the “**Transition Period**”), you will: (i) continue to serve in your role as President of the Company and President of other companies in the Starz Group; (ii) use your reasonable best efforts to perform your duties in good faith and in compliance with the Company’s policies and all applicable laws; and (iii) assist in the transition of your duties as requested from time to time by the Company. During the Transition Period, you may work remotely without working from the Company’s offices except as reasonably necessary to fulfill your obligations under this Section of the Agreement.

3. **Consideration.** Provided that you sign this Agreement, do not revoke it, and comply with all of its terms and the terms of Section 2 of the Starz Severance Agreement between the Company and you, dated April 1, 2014, as amended (as so amended, the “**Starz Severance Agreement**”), the Company will provide the following severance benefits to you (the “**Severance Benefits**”) in lieu of the severance payments and benefits offered to you in Section 1 of the Starz Severance Agreement:

- (a) During the Transition Period, the Company will continue to (i) pay your base salary in effect as of the Effective Date in accordance with the Company’s standard payroll practices; (ii) allow you to participate in the Company’s health insurance plans; (iii) pay you your 240 hours of accrued paid vacation in the next regular payroll period following the Separation Date, and (iv) allow you to vest in your Equity Awards (as defined in Section 10 of this Agreement) as currently provided in applicable Equity Award Agreements (as defined in Section 10 of this Agreement);
- (b) The Company will eliminate your position (as currently constituted) effective as of the Separation Date.
- (c) Subject to your continued employment with the Company through the Separation Date, you signing the Supplemental Release Agreement attached hereto as Exhibit A (the “**Supplemental Release**”) on or within twenty one (21) days after the Separation Date, and you not revoking the Supplemental Release within seven (7) days after signing it, the Company will provide the following payments and benefits (the “**Supplemental Severance Benefits**”) subject to adjustment as set forth in Section 1(c) of the Starz Severance Agreement:
  - (i) The Company will pay to you an amount equal to \$425,000.00 (which represents a payment for six months of your current base salary of \$850,000.00 (“**Base Salary**”)) on or before the sixtieth (60<sup>th</sup>) day after the Separation Date;
  - (ii) The Company will pay to you an amount equal to \$403,750.00 (which represents 50% of your 2016 target annual bonus) on or before the sixtieth (60<sup>th</sup>) day after the Separation Date;

- (iii) For the period commencing on January 1, 2017 and ending on December 31, 2017 (the “**Subsequent Severance Period**”), the Company will pay you monthly the difference between (A) \$70,833.33 (which represents your monthly Base Salary) and (B) the amount of wages or other compensation for services received by you from any other employer or other entity for the applicable month during the Subsequent Severance Period (the amount in sub-clause (B) is referred to herein as the “**Mitigation Amount**,” and the payments calculated and made to you under this Section 3(c)(iii) are collectively referred to herein as the “**Subsequent Severance Payments**”). If requested by the Company, you will provide the Company with documentation supporting the Mitigation Amount during any period during the Subsequent Severance Period. The Subsequent Severance Payments will be payable in periodic installments pursuant to the Company’s normal payroll schedule, as applicable, commencing on the first scheduled payroll date following the commencement of the Subsequent Severance Period.
  - (iv) The Supplemental Severance Benefits will be subject to all applicable tax and other withholdings, including any applicable Deferral Elections, except that no withholding will be made for any 401(k) plan or for premiums for continued insurance coverage pursuant to COBRA.
  - (v) Subject to you allowing the Company to remove any of its Confidential Information from the mobile phone issued to you, or paid for, by the Company (which you will provide to the Company’s IT department on or within three days after the Separation Date), you will be permitted to retain such mobile phone and the Company will transfer the current telephone number of such mobile phone to you for your use, subject to applicable requirements of the mobile cellular carrier regarding such transfers.
  - (vi) The Supplemental Severance Benefits will be reduced (but not below the Release Consideration (as defined in the Starz Severance Agreement)) by any amount of severance pay you may be entitled to receive under any other severance plan or arrangement, individual written employment agreement or other agreement relating to payment upon separation from employment.
- (d) Following the Separation Date, if you become re-employed by the Company or any member of the Starz Group in any category of employment prior to your actual receipt of any portion of the Supplemental Severance Benefits, the Supplemental Severance Benefits will be suspended, and you will not be subject to additional Supplemental Severance Benefits under this Agreement. If you die after becoming eligible for the Supplemental Severance Benefits but before you receive the full amount of your Supplemental Severance Benefits, the remaining amount of such Supplemental Severance Benefits will be paid in one lump sum, within 60 days after your date of death, to your estate.

Notwithstanding any provision to the contrary in this Agreement or the Starz Severance Agreement, your service as a member of the board of directors of Crown Media Holdings, Inc. or any of its affiliates will not be deemed to constitute a Competitive Activity under the Starz Severance Agreement, and no fees or other compensation paid to you with respect to such service will be included in the Mitigation Amount or otherwise reduce or be offset against Severance Benefits. You acknowledge and agree that the Severance Benefits constitute payments and benefits that you would not otherwise be entitled to receive, now or in the future, without entering into this Agreement and constitutes valuable consideration for the promises and undertakings set forth in this Agreement.

4. **No Further Compensation.** You acknowledge and agree that, except with respect to the Severance Benefits: (a) the Starz Group has paid all salary, wages, bonuses, accrued vacation, commissions, and any and all other benefits and compensation that you earned during your

employment with the Company or any other member of the Starz Group; (b) you will not be eligible for, or entitled to receive, any other bonus amounts following the Separation Date; and (c) all benefits and perquisites of employment with the Company or any other member of the Starz Group will cease as of the Separation Date and you will not receive any further salary, bonuses, vacation, vesting of benefits or equity, or other forms of compensation after the Separation Date from the Company or any other member of the Starz Group.

5. **Health Insurance.** Your group health insurance will cease on the last day of the month of the Separation Date. At that time, you will be eligible to continue your group health insurance benefits at your own expense, subject to the terms and conditions of the benefit plan, federal COBRA law, and, as applicable, state insurance laws. You will receive additional information regarding your right to elect continued coverage under COBRA in a separate communication.

6. **Expense Reimbursement.** Within five (5) business days following the Separation Date, you will submit your final documented expense reimbursement statement reflecting all business expenses, if any, that you incurred during your employment with the Company and/or any other member of the Starz Group for which you seek reimbursement. The Company will reimburse you for these expenses pursuant to its standard expense reimbursements.

7. **Release of Claims.** You agree that the consideration set forth in Section 3 of this Agreement represents settlement in full of all outstanding obligations owed to you by the Starz Group and their officers, directors, agents and employees, and is satisfactory consideration for the Release of Claims set forth herein. On behalf of yourself, and your respective heirs, spouse, domestic partner, executors and assigns, you hereby fully and forever release the Starz Group and each of their parent, subsidiaries and affiliates, and each of its and their past, present and future officers, agents, directors, employees, investors, members, managers, administrators, attorneys, insurers, parents, subsidiaries, affiliates, predecessor and successor corporations, and assigns (the "**Releasees**"), from, and agree not to sue concerning, or in any manner to institute, prosecute or pursue, or cause to be instituted, prosecuted, or pursued, any claim, duty, obligation or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that you may possess against any of the Releasees arising from any omissions, acts or facts that have occurred up until and including the date that you sign this Agreement (collectively, the "**Claims**"), including without limitation: (a) any and all Claims relating to or arising from your employment relationship with the Starz Group or the termination of that relationship; (b) any and all Claims for wrongful discharge of employment; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of a covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; or conversion; (c) any and all Claims for violation of any federal, state or municipal statute, regulation, ordinance, constitution or common law, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967; the Americans with Disabilities Act of 1990; the Fair Credit Reporting Act; the Fair Labor Standards Act; the Employee Retirement Income Security Act of 1974; The Worker Adjustment and Retraining Notification Act; the Sarbanes-Oxley Act; the National Labor Relations Act, as amended ("**NLRA**"); the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"); the Family and Medical Leave Act, as amended ("**FMLA**"); Uniformed Services Employment and Reemployment Rights Act ("**USERRA**"); and the Genetic Information Nondiscrimination Act of 2008 ("**GINA**"); the various whistleblower protection statutes enforced by the United States Department of Labor; the Colorado Anti-Discrimination Act; Colorado's minimum wage and overtime compensation laws, wage orders and regulations; the California Fair Employment and Housing Act; the California Family Rights Act; California Labor Code; the California Unfair Competition Law; or the California Business & Professions Code; (d) any and all Claims for any severance pay, bonuses, wages, sick leave, holiday pay, vacation pay, paid time off, life insurance, health

and/or medical insurance or any other fringe benefit, or any other form of compensation allegedly earned during your employment with the Company; and (e) any and all Claims for penalties, attorneys' fees, costs, and/or penalties.

Notwithstanding anything to the contrary herein, the foregoing release does not include any Claim that cannot be released as a matter of applicable law, or any Claims arising after the date of this Agreement, including but not limited to Claims for a breach of this Agreement. In addition, this Release does not prohibit you from filing a charge with the Equal Employment Opportunity Commission (the "**EEOC**") the Colorado Civil Rights Division, or any other applicable state, federal or local administrative agency, ("**CCRD**") or participating in an investigation conducted by the EEOC, CCRD or any other applicable state, federal or local administrative agency investigation. You do hereby waive your right to receive any monetary or other recovery should any released claim be pursued with the EEOC, CCRD, or any other federal, state or local administrative agency on your behalf arising out of or related to your employment with and/or separation from the Starz Group.

8. **Waiver of Unknown Claims.** You understand and agree that the Release of Claims in Section 7 of this Agreement will be effective as a full and final release by you of each and every released Claim described in Section 7 of this Agreement, including but not limited to any known or unknown claims and any suspected or unsuspected claims. In furtherance of this intention, you expressly waive any and all rights under any state, federal or local law, regulation, or common law that prohibit the release of unknown or unsuspected claims, including but not limited to Section 1542 of the California Civil Code ("**Section 1542**") or any similar or analogous law, regulation, or common law. For your understanding, the text of Section 1542 states:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

9. **Waiver Of Age Discrimination Claims.** You expressly acknowledge and agree that, by entering into this Agreement, you are waiving any and all rights or claims that you may have arising under the Age Discrimination in Employment Act, as amended (the "**ADEA**"), which have arisen on or before the date that you sign this Agreement. You further acknowledge and agree that:

- (a) In return for this Agreement, you will receive compensation beyond that which you were already entitled to receive before entering into this Agreement;
- (b) You are hereby advised in writing to consult with an attorney before signing this Agreement;
- (c) You were informed that: (i) you have twenty one (21) days within which to consider the Agreement; (ii) the twenty one (21)-day period to consider this Agreement will not re-start or be extended if any changes (whether material or immaterial) are made to this Agreement after the date it is first provided to you; and (iii) if you sign this Agreement before the end of such twenty one (21)-day period, you acknowledge and agree that you will have done so voluntarily and with full knowledge that you are waiving your right to have twenty one (21) days to consider this Agreement;
- (d) You were informed that you have seven (7) days following the date that you sign this Agreement in which to revoke the Agreement, and that this Agreement will become null and void if you elect revocation during that time. Any revocation must be in writing and must be received by the Company (delivered to David Weil, Executive Vice President and General Counsel, at ) during the seven (7)-day revocation period. In the event that you exercise your right of revocation, neither the Company nor you will have any obligations under this Agreement; and

- (c) Nothing in this Agreement prevents or precludes you from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties or costs from doing so, unless specifically authorized by federal law.

10. **Equity Awards.** You agree and acknowledge that attached hereto as Exhibit B is a correct schedule of all: (a) stock options that the Company has granted to you to acquire shares of Starz Series A Common Stock (the “**Common Stock**”) that are outstanding as of the date hereof, along with the corresponding exercise price per share (the “**Options**”); (b) restricted shares of the Common Stock that the Company has granted to you that are outstanding as of the date hereof (the “**Restricted Shares**”); and (c) restricted stock units with respect to the Common Stock that the Company has granted to you that are outstanding as of the date hereof (the “**Restricted Stock Units**”). The Options, Restricted Shares and Restricted Stock Units may be collectively referred to as the “**Equity Awards**,” and are subject to the terms and conditions of the Starz 2011 Incentive Plan or the Starz Transitional Stock Adjustment Plan (collectively, the “**Incentive Plan**”) and the award agreements that you entered into in connection with each Equity Award (the “**Equity Award Agreements**”). You hereby acknowledge and confirm that you do not own, and you do not have (except for the Equity Awards set forth on Exhibit B) any contractual right to receive or acquire, any equity, security or derivative security of Starz, the Company or any of their parent, subsidiary or affiliated entities.

11. **Non-Disparagement.** You agree not to make any oral or written statement, or take any other action, that disparages, criticizes or damages the reputations of the Starz Group or their officers, directors, agents or employees, products or services; or impairs the normal operations of the Company or any other member of the Starz Group; provided, however, that nothing in this Agreement will prohibit you from providing truthful information or testimony in response to any court order, subpoena, or government investigation. With respect to any employment reference or verification for you that Starz may receive, the Starz Group will provide only the dates of your employment and title of position(s) held.

12. **Confidentiality of Agreement.** You hereby promise and agree to keep the existence and terms of this Agreement in the strictest confidence and, except as required by law, not reveal the existence or terms of this Agreement to any persons except your immediate family, your attorney and your financial advisors (and to them only provided that they also agree to keep the information completely confidential), and the court in any proceedings to enforce the terms of this Agreement.

13. **Confidential Information.** You hereby promise and agree not to use or disclose, directly or indirectly, or divulge to any person or entity in any manner, any confidential or proprietary information originating with or belonging to, or with respect to any of the officers, directors, members, or partners of, the Starz Group or any of their parent, subsidiaries, affiliates or portfolio companies (“**Confidential Information**”). Confidential Information includes but is not limited to inventions, research and development, engineering, products, designs, manufacturing, methods, systems, improvements, trade secrets, formulas, processes, marketing, merchandising, selling, licensing, servicing, pricing, personnel information, financial information, consultants and consultant lists, business records, financial information, manuals, business strategies and business plans. The provisions of Sections 12 and 13 of this Agreement will not apply to information that: (a) is or becomes generally available to the public by any lawful means, without breach of this Agreement, including without limitation information that any member of the Starz Group makes public in a proxy statement or any other filing with the Securities and Exchange Commission; (b) was or becomes available to you from a person other than a member of the Starz Group who is not known by you, in good faith, to be under an obligation to any member of the Starz Group not to disclose the information; or (c) was developed independently by you or on your behalf, without any use of Confidential Information.

14. **Cooperation.** During the Transition Period and following the Separation Date, for a period of five (5) years thereafter you will cooperate with the Company and any member of the Starz Group in connection with their research from time to time into historical company practices, and in connection with any internal or governmental investigation or administrative, regulatory, arbitral or judicial proceeding involving the Company or any member of the Starz Group with respect to matters relating to your employment

or engagement with the Company (collectively, "**Litigation**"). This cooperation includes, but is not limited to, you making yourself available to the Company or any other member of the Starz Group (or their respective attorneys or auditors) upon reasonable notice for: (i) interviews, factual investigations, and providing declarations or affidavits that provide truthful information in connection with any Litigation; (ii) appearing at the request of the Company or any member of the Starz Group to give testimony without requiring service of a subpoena or other legal process; and (iii) volunteering to the Company or any member of the Starz Group pertinent information or documents related to any Litigation. The Company will reimburse you for reasonable expenses that you incur in connection with such cooperation in accordance with the Company's travel and expense reimbursement policies.

15. **Return of Company Property.** Subject to Section 3(c)(v) of this Agreement, on or before the Separation Date, you will return to the Company all Starz Group property issued to you, including but not limited to computers (and any software, power cords, manuals, computer bag and other equipment that was provided to you with any such computers), personal digital assistants, and any documents that contain Confidential Information, including all copies maintained on paper or in any electronic format (e.g., emails, memoranda, marketing materials, customer lists, communications, contracts and proposals with customers, excel spread sheets, power point presentations and other documents maintained on any computers, personal digital assistants, phones, iPods, iPads, tablets, or any other electronic storage device or disk, or any email, cloud storage or social media account).

16. **No Pending or Future Lawsuits.** You represent that you have no lawsuits, claims, or actions pending in your name, or on behalf of any other person or entity, against the Company or any of the Releasees in any state or federal court, any arbitral forum, or any state, federal or local administrative or governmental agency. You also promise to opt out of any class or representative action and to take such other steps as you have the power to take to disassociate yourself from and waive any rights or remedies that might be received from any class or representative action seeking relief against the Company and/or any other Releasee regarding any of the released Claims.

17. **No Liens.** You represent and warrant that: (a) you have the capacity to act on your own behalf and on behalf of all who might claim through you to bind them to the terms and conditions of this Agreement; and (b) there are no liens or claims of any lien or assignment in law or equity or otherwise of or against any of the claims released herein.

18. **Application of Section 409A to Severance Benefits.** To the extent that Section 409A of the Internal Revenue Code of 1986, as amended ("**Section 409A**") applies to any payment of the Severance Benefits under this Agreement, the following will apply:

- (a) Any payable that is triggered upon the termination of your employment with the Company will be paid only if such termination of employment constitutes a "separation from service" under Section 409A.
- (b) For purposes of Section 409A, your right to receive installment payments of any severance amount will be treated as a right to receive a series of separate and distinct payments.
- (c) If the period for you to review the Supplemental Release straddles two calendar years, then the severance payments referred to in Sections 3(c)(i) and (ii) of this Agreement will be paid in the second calendar year, regardless of when the Supplemental Release is signed.
- (d) In no event will the Company or any member of the Starz Group be liable for any interest or penalties that may be imposed on you under Section 409A or any damages for failing to comply with Section 409A.
- (e) In the event that you are deemed on the Separation Date to be a "specified employee" as defined in Section 409A, then with regard to any payment that is subject to Section 409A, such payment will be delayed until the earlier of: (i) the first business day of the seventh calendar month following such termination of employment; or (ii) your death. Any payments delayed by reason of the prior sentence will be paid in a single lump sum, without interest thereon, on the date indicated by the previous sentence and any remaining payments due under

this Agreement will be paid as otherwise provided herein.

19. **Entire Agreement.** This Agreement, along with the Equity Award Agreements, the Indemnification Agreement dated January 11, 2013 between you and Starz (the "**Indemnification Agreement**"), and Sections 2, 4, 5, 6(c), 6(d) and 6(g) of the Starz Severance Agreement, constitutes the entire agreement between you and the Company concerning your employment with and separation from the Company, and supersedes and replaces any and all prior negotiations, agreements and understandings, both written and oral, concerning your relationship and separation of employment with the Company.

20. **No Admission of Liability.** This Agreement constitutes a compromise and settlement of any and all potential disputed claims. No action taken by the Company hereto, either previously or in connection with this Agreement, will be deemed or construed to be: (a) an admission of the truth or falsity of any actual or potential Claims; or (b) an acknowledgment or admission by the Company of any fault or liability whatsoever to you or to any third party.

21. **Acknowledgements and Representations.** You acknowledge and represent that you have not been denied any leave, benefits or rights to which you may have been entitled under the Family Medical Leave Act ("**FMLA**") or any other federal or state law, and that you have not suffered any injuries that you suffered at work for which you might still be entitled to compensation or relief. You further acknowledge and represent that, except as expressly provided in this Agreement, you have been paid all wages, bonuses, compensation, benefits and other amounts that the Company or any other Releasee has ever owed to you.

22. **Voluntary Execution of Agreement.** This Agreement is executed voluntarily and without any duress or undue influence on the part or behalf of the Parties hereto, with the full intent of releasing all claims. The Parties acknowledge that: (a) they have read this Agreement; (b) they have had the opportunity to seek legal counsel of their own choice; (c) they understand the terms and consequences of this Agreement and of the releases it contains; and (d) they are fully aware of the legal and binding effect of this Agreement.

23. **Governing Law; Severability.** The laws of the State of Colorado govern this Agreement, regardless of the laws that might otherwise govern under applicable principles of conflict of law thereof. In the event that any portion of this Agreement or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such portion to other persons or circumstances will be interpreted so as reasonable to effect the intent of the Parties hereto.

24. **Arbitration.** Any disputes between the Parties arising out of or related to your employment with the Company and the separation of employment with the Company, including but not limited to any disputes relating to the enforcement, construction, interpretation or validity of this Agreement, will be submitted to final and binding arbitration in accordance with the terms of Section 5 of the Starz Severance Agreement; provided, however, that either Party may seek provisional injunctive relief to ensure that the relief sought in arbitration is not rendered ineffectual by interim harm pending the arbitration. Each Party acknowledges and agrees that it or she is waiving its or her right to a trial by jury.

25. **Modifications.** This Agreement may not be modified, amended, altered or supplemented except by the execution and delivery of a written agreement executed by you and an authorized representative of the Company or by a court of competent jurisdiction.

26. **Section Headings.** Section and other headings contained in this Agreement are for convenience of reference only and will not affect in any way the meaning of interpretation of this Agreement.

27. **Counterparts.** This Agreement may be executed in counterparts, and each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement on the part of each of the undersigned. Either Party may execute this Agreement by signing on the designated signature block below, and by transmitting such signature page via facsimile or e-mail (via PDF format) to the other Party. Any signature made and transmitted by facsimile or e-mail (via PDF format) for the purpose of executing this Agreement will be deemed an original signature for purposes of this Agreement, and will be binding upon the Party transmitting its or her signature by facsimile or e-mail (via PDF format).

[This space is left blank intentionally.]

IN WITNESS WHEREOF, the Parties have executed or caused to be executed this Agreement as of the date written below.

GLENN CURTIS:

Glenn Curtis

Date: , 2016

COMPANY:

STARZ ENTERTAINMENT, LLC

By:

Name:

Title:

Date: , 2016



**EXHIBIT A**

**SUPPLEMENTAL RELEASE AGREEMENT**

*(To Be Executed On Or Within Twenty-One Days After The Separation Date)*

This Supplemental Release Agreement (this "**Agreement**") is entered into by and between Starz Entertainment, LLC (the "**Company**") and collectively with Starz, Starz LLC and each of their respective parent, subsidiary and affiliated entities, the "**Starz Group**") and Glenn Curtis ("**you**") based on the following terms, conditions, covenants, representations, warranties, releases, and consideration. All capitalized terms used but not defined herein will have the meaning ascribed to them in the Separation Agreement and General Release, dated [            ] between the Company and you (the "**Separation Agreement**").

1. **Effective Date.** This Agreement will become effective on the eighth day after you deliver this Agreement to the Company signed by you (the "**Effective Date**"), provided that you do not revoke this Agreement during the seven (7)-day period after you sign it pursuant to Section 6(d) of this Agreement and provided further that you sign this Agreement and deliver it to the Company on or within twenty-one (21) days immediately following the Separation Date.

2. **Consideration.** Provided that you timely sign this Agreement and you comply with all of the terms of this Agreement and the Separation Agreement, the Company will provide you the Supplemental Severance Benefits in Section 3(c) of the Separation Agreement. You acknowledge and agree that the benefits described in this Paragraph 2 are consideration that you would not otherwise be entitled to receive without entering into this Agreement and represents sufficient consideration for the releases and covenants provided by you in this Agreement.

3. **Payment of All Amounts Owed.** By signing below, you acknowledge and represent that excluding the amounts payable pursuant to Section 3(c) of the Separation Agreement, the Company has previously paid you all amounts owed to you, including without limitation all salary, wages, bonuses, commissions, and any and all other benefits and compensation that you earned during your employment with the Starz Group.

4. **Release of Claims.** You agree that the consideration set forth in Section 2 of this Agreement represents settlement in full of all outstanding obligations owed to you by the Starz Group and their officers, directors, agents and employees, and is satisfactory consideration for the Release of Claims set forth herein. On behalf of yourself, and your respective heirs, family members, executors and assigns, you hereby fully and forever release the Starz Group and all other Releasees, from, and agree not to sue concerning, or in any manner to institute, prosecute or pursue, or cause to be instituted, prosecuted, or pursued, any and all Claims, including without limitation: (a) any and all Claims relating to or arising from your employment relationship with the Company or any other member of the Starz Group or the termination of that relationship; (b) any and all Claims for wrongful discharge of employment; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of a covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; or conversion; (c) any and all Claims for violation of any federal, state or municipal statute, regulation, ordinance, constitution or common law, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967; the Americans with Disabilities Act of 1990; the Fair Credit Reporting Act; the Fair Labor Standards Act; the Employee Retirement Income Security Act

of 1974; The Worker Adjustment and Retraining Notification Act; the Sarbanes- Oxley Act; the National Labor Relations Act, as amended (“*NLRA*”); the Employee Retirement Income Security Act of 1974, as amended (“*ERISA*”); the Family and Medical Leave Act, as amended (“*FMLA*”); Uniformed Services Employment and Reemployment Rights Act (“*USERRA*”); and the Genetic Information Nondiscrimination Act of 2008 (“*GINA*”); the various whistleblower protection statutes enforced by the United States Department of Labor; the Colorado Anti-Discrimination Act; Colorado’s minimum wage and overtime compensation laws, wage orders and regulations; the California Fair Employment and Housing Act; the California Family Rights Act; California Labor Code; the California Unfair Competition Law; or the California Business & Professions Code; (d) any and all Claims for any severance pay, bonuses, wages, sick leave, holiday pay, vacation pay, paid time off, life insurance, health and/or medical insurance or any other fringe benefit, or any other form of compensation allegedly earned during your employment with the Company or any other member of the Starz Group; and (e) any and all Claims for penalties, attorneys’ fees, costs, and/or penalties.

Notwithstanding anything to the contrary herein, the foregoing release does not include any Claim that cannot be released as a matter of applicable law, or any Claims arising after the date of this Agreement, including but not limited to Claims for a breach of this Agreement. In addition, this Release does not prohibit you from filing a charge with the EEOC, the CCRD or any other applicable state, federal or local administrative agency or participating in an investigation conducted by the EEOC, CCRD or any other applicable state, federal or local administrative agency. You do hereby waive your right to receive any monetary or other recovery should any released claim be pursued with the EEOC, CCRD, or any other federal, state or local administrative agency on your behalf arising out of or related to your employment with and/or separation from the Company or any other member of the Starz Group.

5. **Waiver of Unknown Claims.** You understand and agree that the Release of Claims in Section 4 of this Agreement will be effective as a full and final release by you of each and every released Claim described in Section 4 of this Agreement, including but not limited to any known or unknown claims and any suspected or unsuspected claims. In furtherance of this intention, you expressly waive any and all rights under any state, federal or local law, regulation, or common law that prohibit the release of unknown or unsuspected claims, including but not limited to Section 1542 of the California Civil Code (“*Section 1542*”) or any similar or analogous law, regulation, or common law. For your understanding, the text of Section 1542 states:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

6. **Waiver Of Age Discrimination Claims.** You expressly acknowledge and agree that, by entering into this Agreement, you are waiving any and all rights or claims that you may have arising under the Age Discrimination in Employment Act, as amended (the “*ADEA*”), which have arisen on or before the date that you sign this Agreement. You further acknowledge and agree that:

- (a) In return for this Agreement, you will receive compensation beyond that which you were already entitled to receive before entering into this Agreement;
- (b) You are hereby advised in writing to consult with an attorney before signing this Agreement;
- (c) You were informed that: (i) you have twenty one (21) days within which to consider the Agreement; (ii) the twenty one (21)-day period to consider this Agreement will not re-start or be extended if any changes (whether material or immaterial) are made to this Agreement after the date it is first provided to you; and (iii) if you sign this Agreement before the end of such twenty one (21)-day period, you acknowledge and agree that you will have done so voluntarily and with full knowledge that you are waiving your right to have twenty one (21)

- days to consider this Agreement;
- (d) You were informed that you have seven (7) days following the date that you sign this Agreement in which to revoke the Agreement, and that this Agreement will become null and void if you elect revocation during that time. Any revocation must be in writing and must be received by the Company (delivered to David Weil, Executive Vice President, at ) during the seven (7)-day revocation period. In the event that you exercise your right of revocation, neither the Company nor you will have any obligations under this Agreement; and
  - (e) Nothing in this Agreement prevents or precludes you from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties or costs from doing so, unless specifically authorized by federal law.

7. **Warranty Regarding Equity.** You hereby acknowledge and agree that, except as described in Section 10 of the Separation Agreement, you have no contractual or legal right to receive or acquire, any security, derivative security or equity in Starz, the Company or any of their parent, subsidiary or affiliated entities.

8. **No Pending or Future Lawsuits.** You represent that you have no lawsuits, claims, or actions pending in your name, or on behalf of any other person or entity, against the Company or any of the Releasees. You also represent that you do not intend to bring any claims on your own behalf or on behalf of any other person or entity against the Company or any of the Releasees.

9. **Confidentiality of Agreement.** You hereby promise and agree to keep the existence and terms of this Agreement in the strictest confidence and, except as required by law, not reveal the existence or terms of this Agreement to any persons except your immediate family, your attorney, and your financial advisors (and to them only provided that they also agree to keep the information completely confidential), and the court in any proceedings to enforce the terms of this Agreement. The provisions of this Section 9 will not apply to information that: (a) is or becomes generally available to the public by any lawful means, without breach of this Agreement, including without limitation information that any member of the Starz Group makes public in a proxy statement or any other filing with the Securities and Exchange Commission; (b) was or becomes available to you from a person other than a member of the Starz Group who is not known by you, in good faith, to be under an obligation to any member of the Starz Group not to disclose the information; or (c) was developed independently by you or on your behalf, without any use of Confidential Information.

10. **Successors and Assigns.** This Agreement will be binding upon each of the Parties and upon their respective heirs, administrators, representatives, executors, successors and assigns, and will inure to the benefit of each Party and to their heirs, administrators, representatives, executors, successors, and assigns. This Agreement may be assigned by the Company without restriction (including but not limited to, in connection with any merger, reorganization, sale of assets or securities of the Company, or otherwise). Because this Agreement contains obligations that are personal to you, you are not entitled to assign this Agreement.

11. **No Admission of Liability.** You understand and acknowledge that this Agreement constitutes a compromise and settlement of any and all potential disputed claims. No action taken by the Company hereto, either previously or in connection with this Agreement, will be deemed or construed to be: (a) an admission of the truth or falsity of any actual or potential Claims; or (b) an acknowledgment or admission by the Company of any fault or liability whatsoever to you or to any third party.

12. **No Pending or Future Lawsuits.** You represent that you have no lawsuits, claims, or actions pending in your name, or on behalf of any other person or entity, against the Company or any of the Releasees in any state or federal court, any arbitral forum, or any state, federal or local administrative or governmental agency. You also promise to opt out of any class or representative action and to take such other steps as you have the power to take to disassociate yourself from and waive any rights or remedies that might be received from any class or representative action seeking relief against the Company and/or any other Releasee regarding

any of the released Claims.

13. **No Liens.** You represent and warrant that: (a) you have the capacity to act on your own behalf and on behalf of all who might claim through you to bind them to the terms and conditions of this Agreement; and (b) there are no liens or claims of any lien or assignment in law or equity or otherwise of or against any of the claims released herein.

14. **Governing Law/Severability.** The laws of the State of Colorado govern this Agreement, regardless of the laws that might otherwise govern under applicable principles of conflict of law thereof. In the event that any portion of this Agreement or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such portion to other persons or circumstances will be interpreted so as reasonable to effect the intent of the Parties hereto.

15. **Review of Agreement.** You acknowledge and agree that you have reviewed this Agreement, you have had the opportunity to discuss its contents with legal counsel, you are freely and voluntarily entering into this Agreement, and that any rule of construction to the effect that ambiguities are to be resolved against the drafter will not apply to the interpretation of this Agreement.

16. **Entire Agreement.** Except for the Separation Agreement, the Equity Award Agreements and the Indemnification Agreement, the terms of which are specifically incorporated herein, and Sections 2, 4, 5, 6(c), 6(d) and 6(g) of the Starz Severance Agreement, this Agreement constitutes the entire agreement between you and the Company concerning your employment with and separation from the Starz Group, and supersedes and replaces any and all prior agreements, negotiations and understandings, both written and oral, concerning your relationship and termination of employment with the Company and any other member of the Starz Group.

17. **Modifications.** This Agreement may not be modified, amended, altered or supplemented except by the execution and delivery of a written agreement executed by you and an authorized representative of the Company or by a court of competent jurisdiction.

18. **Section Headings.** Section and other headings contained in this Agreement are for convenience of reference only and will not affect in any way the meaning of interpretation of this Agreement.

19. **Counterparts.** This Agreement may be executed in counterparts, and each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement on the part of each of the undersigned. Either Party may execute this Agreement by signing on the designated signature block below, and by transmitting such signature page via facsimile or e-mail (via PDF format) to the other Party. Any signature made and transmitted by facsimile or e-mail (via PDF format) for the purpose of executing this Agreement will be deemed an original signature for purposes of this Agreement, and will be binding upon the Party transmitting its or her signature by facsimile or e-mail (via PDF format).

**[This space is left blank intentionally.]**

IN WITNESS WHEREOF, the Parties have executed or caused to be executed this Agreement as of the date written below.

GLENN CURTIS:

Glenn Curtis

Date: , 2016

COMPANY:

STARZ ENTERTAINMENT, LLC

By:

Name:

Title:

Date: , 2016

A5

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**EXHIBIT B**  
**EQUITY AWARDS**

**[Please see attached Optionee Statement.]**

B1

**Information for Recipients of  
Starz Nonqualified Stock Options  
2016 Omnibus Incentive Plan**

**Notice of Grant. Congratulations!** You have been granted Nonqualified Stock Options exercisable for shares of Starz Series A Common Stock (“STRZA”) (the “Options”). A Nonqualified Stock Option Agreement (the “Agreement”) setting forth the terms of the Options follows this informational page. The Options were granted under the Starz 2016 Omnibus Incentive Plan (the “2016 Incentive Plan”).

**Acknowledgment of Grant.** By your electronic acknowledgment of the Options, you are acknowledging the terms and conditions of the award set forth in the Agreement that follows as though you and Starz (the “Company”) had signed an original copy of the Agreement. The Options were granted and became effective as of the Grant Date (as that term is defined in the Agreement) and were granted on the terms and conditions reflected in the Agreement. The number of Options granted to you was approved by the Compensation Committee of the Board of Directors of the Company, and was communicated to you via memo and the Company’s online grant and administration program.

**2016 Incentive Plan - Exhibit A.** The 2016 Incentive Plan that governs the Options is incorporated into the Agreement as Exhibit A. You can access the 2016 Incentive Plan via the link at the end of the Agreement or in the UBS online library.

**SEC Registration Statements.** The STRZA shares issuable upon exercise of the Options were registered with the Securities and Exchange Commission on a Form S-8 filed on [], 2016 (Registration No. []). These statements can be found on the Company’s website at <http://ir.starz.com/sec.cfm>. Also available on the Company’s website are the most recent annual, quarterly and current reports as filed with the Securities and Exchange Commission. Please refer to these reports as well as the Company’s future filings with the Securities and Exchange Commission (also available on the Company’s website) for important information regarding the Company and its common stock.

**Tax and Estate Advice.** We recommend that you consult with your personal tax and/or estate advisor regarding the effect of the award of Options on your personal tax and estate situation.

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**STARZ**  
**2016 OMNIBUS INCENTIVE PLAN**  
**NONQUALIFIED STOCK OPTION AGREEMENT**

**THIS NONQUALIFIED STOCK OPTION AGREEMENT** (this “Agreement”) is made as of the date set forth on Schedule 1 hereto (the “Grant Date”), by and between STARZ, a Delaware corporation (the “Company”), and the recipient (the “Grantee”) of an Award of Options granted by the Compensation Committee of the Board of Directors of the Company as set forth in this Agreement.

The Company has adopted the incentive plan identified on Schedule 1 hereto (as has been or may hereafter be amended, the “Plan”), a copy of which is attached via a link at the end of this online Agreement as Exhibit A (and which can also be accessed in the UBS online library) and by this reference made a part hereof, for the benefit of eligible employees of the Company and its Subsidiaries. Capitalized terms used and not otherwise defined in this Agreement will have the meanings ascribed to them in the Plan.

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

The Company and the Grantee therefore agree as follows:

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

“Base Price” means the amount set forth on Schedule 1 hereto, which is the Fair Market Value of a share of Common Stock on the Grant Date.

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

“Cause” has the meaning specified as “cause” in Section 10.2(b) of the Plan.

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

“Committee” has the meaning specified in the recitals to this Agreement.

“Common Stock” has the meaning specified in Section 2.

“Company” has the meaning specified in the preamble to this Agreement.

“Forfeitable Benefits” has the meaning specified in Section 22.

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

“Grantee” has the meaning specified in the preamble to this Agreement.

“Misstatement Period” has the meaning specified in Section 22.

“Options” has the meaning specified in Section 2.

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



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

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

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

“Term” has the meaning specified in Section 2.

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

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

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

“Voluntary Termination for Good Reason” has the meaning specified in Section 3(f).

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

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

(a) Except as otherwise provided in Section 10.1(b) of the Plan, the Options may be exercised only to the extent they have become exercisable in accordance with the provisions of this Section 3(a) or Section 3(b), and subject to the provisions of Section 3(c). That number of Options that is equal to the fraction or percentage specified on Schedule 1 hereto (the “Vesting Percentage”) of the total number of Options that are subject to this Agreement, in each case rounded down to the nearest whole number of such Options, shall become exercisable on each of the dates specified on Schedule 1 hereto (each such date, together with any other date on which Options vest pursuant to this Agreement, a “Vesting Date”).

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

(c) Notwithstanding the foregoing,

(i) in the event that any date on which Options would otherwise become exercisable is not a Business Day, such Options will become exercisable on the first Business Day following such date;

(ii) all Options will become exercisable on the date of the Grantee's termination of employment if (A) the Grantee's employment with the Company or a Subsidiary terminates by reason of Disability or (B) the Grantee dies while employed by the Company or a Subsidiary;

(iii) if the Grantee's employment with the Company or a Subsidiary is terminated by the Company or such Subsidiary without Cause, or if the Grantee voluntarily terminates the Grantee's employment pursuant to a Voluntary Termination for Good Reason (each, a "Protected Termination") and the Protected Termination occurs (A) within the 30-day period immediately preceding the closing date of an Approved Transaction in which any Options that remain outstanding and unvested as of such closing date are not otherwise accelerated in connection with such Approved Transaction in accordance with the terms of the Plan or (B) prior to the first anniversary of the closing date of an Approved Transaction in which any Options that remain outstanding and unvested as of such closing date are not otherwise accelerated in connection with such Approved Transaction in accordance with the terms of the Plan, then, effective as of the date of such Protected Termination, any Options that remain outstanding and unvested as of such termination date will become exercisable on such termination date; and

(iv) if the Grantee's employment with the Company or a Subsidiary is terminated by the Company or such Subsidiary without Cause (other than a termination without Cause covered by Section 3(c)(iii) above), then a pro rata portion of any unvested Options that would have become exercisable on the next Vesting Date following the date of such termination of employment had the Grantee continued to be employed as of such date (the "Applicable Option Tranche") will become exercisable on the date of termination of the Grantee's employment, such pro rata portion to be an amount (rounded down to the nearest whole number of Options) equal to the number of unvested Options in the Applicable Option Tranche multiplied by a fraction, the numerator of which is the number of days elapsed between the most recent Vesting Date preceding the date of termination of employment (or if no Vesting Date has yet occurred, the Grant Date) and the date of termination of the Grantee's employment, and the denominator of which is 365.

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

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

(f) For purposes of this Agreement, a "Voluntary Termination for Good Reason" means a voluntary termination by the Grantee of the Grantee's employment with the Company and its Subsidiaries upon the occurrence of any of the following events without the Grantee's prior consent:

(i) a significant reduction in the Grantee's then current base salary (defined as the Grantee's weekly base pay in effect for the payroll period during which the Grantee's employment is terminated or, if the Grantee is a part-time employee, the Grantee's average weekly wages from the Company for the most recent 8 weeks during which the Grantee worked at least two days, but not including in either case, overtime, bonuses, commissions, piece rate, incentive pay or taxable or nontaxable fringe benefits or payments);

(ii) a significant reduction in the Grantee's title, duties or reporting relationship with the Grantee's employer or the assignment to the Grantee of duties that are inconsistent with the Grantee's position with the Grantee's employer; or

(iii) the relocation of the Grantee's primary place of employment to a location that is more than 50 miles from the Grantee's primary place of employment as of the Grantee's termination date.

No termination shall constitute a Voluntary Termination for Good Reason unless all of the following provisions shall have been complied with: (i) the Grantee shall have given the Company written notice of the Grantee's intention to effect a Voluntary Termination for Good Reason, such notice to state in detail the particular circumstances that constitute the grounds on which the proposed Voluntary Termination for Good Reason is based and to be given no later than 90 days after the initial occurrence of such circumstances; (ii) the Company shall have 30 days after receiving such notice in which to cure such grounds; and (iii) if the Company fails, within such 30-day period, to cure such grounds to the Grantee's reasonable satisfaction, the Grantee terminates the Grantee's employment with the Company and its Subsidiaries within 30 days following the last day of such 30-day period. If the Company timely cures such grounds in accordance with the preceding sentence, the Grantee shall not be entitled to terminate the Grantee's employment pursuant to a Voluntary Termination for Good Reason based on such grounds.

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

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

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

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

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

6. **Payment or Delivery by the Company.** As soon as practicable after receipt of all items referred to in Section 4, and subject to the withholding referred to in Section 5, the Company will (a) deliver or cause to be delivered to the Grantee certificates issued in the Grantee's name for, or cause to be transferred to a brokerage account through Depository Trust Company for the benefit of the Grantee, the number of shares of Common Stock purchased by exercise of Options and (b) deliver any cash payment to

which the Grantee is entitled in lieu of a fractional share of Common Stock as provided in Section 2. Any delivery of shares of Common Stock will be deemed effected for all purposes when certificates representing such shares have been delivered personally to the Grantee or, if delivery is by mail, when the stock transfer agent of the Company has deposited the certificates in the United States mail, addressed to the Grantee or at the time the stock transfer agent initiates transfer of shares to a brokerage account through Depository Trust Company for the benefit of the Grantee, if applicable, and any cash payment will be deemed effected when a check from the Company, payable to the Grantee and in the amount equal to the amount of the cash payment, has been delivered personally to the Grantee or deposited in the United States mail, addressed to the Grantee.

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

(a) Subject to Section 7(b), if the Grantee's employment with the Company or a Subsidiary is terminated other than (i) by the Company or such Subsidiary for Cause or (ii) by reason of death or Disability, then the Options will terminate at the Close of Business on the first Business Day following the expiration of the 90-day period that began on the date of termination of the Grantee's employment.

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

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

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

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

Unless the Committee otherwise determines, a change of the Grantee's employment from the Company to a Subsidiary or from a Subsidiary to the Company or another Subsidiary will not be considered a termination of the Grantee's employment for purposes of this Agreement if such change of employment is made at the request or with the express consent of the Company. Unless the Committee otherwise determines, however, any such change of employment that is not made at the request or with the express consent of the Company will be a termination of the Grantee's employment within the meaning of this Agreement.

8. **Nontransferability.** Options are not transferable (either voluntarily or involuntarily), before or after the Grantee's death, except as follows: (a) during the Grantee's lifetime, pursuant to a Domestic Relations Order, issued by a court of competent jurisdiction, that is not contrary to the terms and conditions of the Plan or this Agreement, and in a form acceptable to the Committee; or (b) after the Grantee's death, by will or pursuant to the applicable laws of descent and distribution, as may be the case. Any person to whom Options are transferred in accordance with the provisions of the preceding sentence shall take such Options subject to all of the terms and conditions of the Plan and this Agreement,

including that the vesting and termination provisions of this Agreement will continue to be applied with respect to the Grantee. Options are exercisable only by the Grantee (or, during the Grantee's lifetime, by the Grantee's court appointed legal representative) or a person to whom the Options have been transferred in accordance with this Section.

9. **No Stockholder Rights.** Prior to the exercise of Options in accordance with the terms and conditions set forth in this Agreement, the Grantee will not be deemed for any purpose to be, or to have any of the rights of, a stockholder of the Company with respect to any shares of Common Stock represented by the Options, nor will the existence of this Agreement affect in any way the right or power of the Company or its stockholders to accomplish any corporate act, including, without limitation, the acts referred to in Section 10.19 of the Plan.

10. **Adjustments.**

(a) The Options will be subject to adjustment (including, without limitation, as to the Base Price) in such manner as the Committee, in its sole discretion, deems equitable and appropriate in connection with the occurrence of any of the events described in Section 4.2 of the Plan following the Grant Date.

(b) In the event of any Approved Transaction, Board Change or Control Purchase following the Grant Date, the Options may become exercisable in accordance with Section 10.1(b) of the Plan.

11. **Restrictions Imposed by Law.** Without limiting the generality of Section 10.10 of the Plan, the Grantee will not exercise the Options, and the Company will not be obligated to make any cash payment or issue or cause to be issued any shares of Common Stock, if counsel to the Company determines that such exercise, payment or issuance would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of Common Stock are listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the exercise of the Options or the resulting payment of cash or issuance of shares of Common Stock to comply with any such law, rule, regulation or agreement. In addition to its other powers under this Agreement or the Plan, the Committee has the authority to suspend: (a) the exercise of Options; and (b) any other transactions under the Plan as it deems necessary or appropriate for administrative reasons.

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

Starz  
8900 Liberty Circle  
Englewood, Colorado 80112  
Attn: General Counsel

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

13. **Amendment.** Notwithstanding any other provision hereof, this Agreement may be supplemented or amended from time to time as approved by the Committee as contemplated by Section 10.9(b) of the Plan. Without limiting the generality of the foregoing, without the consent of the Grantee:

(a) this Agreement may be amended or supplemented from time to time as approved by the Committee (i) to cure any ambiguity or to correct or supplement any provision herein that may be defective or inconsistent with any other provision herein, (ii) to add to the covenants and agreements of

the Company for the benefit of the Grantee or surrender any right or power reserved to or conferred upon the Company in this Agreement, subject to any required approval of the Company's stockholders and, provided, in each case, that such changes or corrections will not adversely affect the rights of the Grantee with respect to the Award evidenced hereby or (iii) to make such other changes as the Company, upon advice of counsel, determines are necessary or advisable because of the adoption or promulgation of, or change in the interpretation of, any law or governmental rule or regulation, including any applicable federal or state securities laws; and

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

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

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

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

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

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

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

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

21. **Code Section 409A Compliance.** The Plan and the Awards made under the Plan are intended to be: (a) “stock rights” exempt from Section 409A of the Code (“Section 409A”) pursuant to Treasury Regulations § 1.409A-1(b)(5); (b) “short-term deferrals” exempt from Section 409A; or (c) payments which are deferred compensation and paid in compliance with Section 409A, and the Plan and this Agreement shall be interpreted and administered accordingly. Any adjustments of Awards intended to be “stock rights” exempt from Section 409A pursuant to Treasury Regulations § 1.409A-1(b)(5) shall be conducted in a manner so as not to constitute a grant of a new stock right or a change in the time and form of payment pursuant to Treasury Regulations § 1.409A-1(b)(5)(v). In the event an Award is not exempt from Section 409A: (x) payment pursuant to the relevant Agreement shall be made only on a permissible payment event or at a specified time in compliance with Section 409A; (y) no accelerated payment shall be made pursuant to Section 10.1(b) unless the Board Change, Approved Transaction or Control Purchase constitutes a “change in control event” under Treasury Regulations § 1.409A-3(i)(5) or otherwise constitutes a permissible payment event under Section 409A; and (z) no amendment or modification of such Award may be made except in compliance with the anti-deferral and anti-acceleration provisions of Section 409A. No deferrals of compensation otherwise payable under the Plan or any Award shall be allowed, whether at the discretion of the Company or the Holder, except in a manner consistent with the requirements of Section 409A. If the Grantee is identified by the Company as a “specified employee” within the meaning of Code Section 409A(a)(2)(B)(i) on the date on which the Grantee has a “separation from service” (other than due to death) within the meaning of Treasury Regulation § 1.409A-1(h), any Award payable or settled on account of a separation from service that is deferred compensation subject to Code Section 409A shall be paid or settled on the earliest of: (1) the first business day following the expiration of six months from the Grantee’s separation from service; (2) the date of the Grantee’s death or (3) such earlier date as complies with the requirements of Code Section 409A. If any provision of this Agreement would result in the imposition of an excise tax under Section 409A or the related regulations and Treasury pronouncements, that provision will be reformed to avoid imposition of the excise tax. The Grantee will cooperate with the Company in taking such actions as the Company may reasonably request to assure that this Agreement will meet the requirements of Section 409A and related regulations and Treasury pronouncements. No action taken to comply with Section 409A shall be deemed to impair a benefit under this Agreement.

22. **Forfeiture for Misconduct and Repayment of Certain Amounts.** If the Grantee holds the office of Vice President or above as of the Grant Date, and if (a) a material restatement of any financial statement of the Company (including any consolidated financial statement of the Company and its consolidated Subsidiaries) is required and (b) in the reasonable judgment of the Committee, (i) such restatement is due to material noncompliance with any financial reporting requirement under applicable securities laws and (ii) such noncompliance is a result of misconduct on the part of the Grantee, the Grantee will repay to the Company Forfeitable Benefits received by the Grantee during the Misstatement Period in such amount as the Committee may reasonably determine, taking into account, in addition to any other factors deemed relevant by the Committee, the extent to which the market value of Common Stock during the Misstatement Period was affected by the error(s) giving rise to the need for such restatement. “Forfeitable Benefits” means (y) any and all cash and/or shares of Common Stock received by the Grantee (i) upon the exercise during the Misstatement Period of any SARs held by the Grantee or (ii) upon the payment during the Misstatement Period of any Cash Award or Performance Award held by the Grantee, the value of which is determined in whole or in part with reference to the value of Common Stock and (z) any proceeds received by the Grantee from the sale, exchange, transfer or other disposition during the Misstatement Period of any shares of Common Stock received by the Grantee upon the exercise, vesting or payment during the Misstatement Period of any Award held by the Grantee. By way

of clarification, “Forfeitable Benefits” will not include any shares of Common Stock received upon exercise of any Options during the Misstatement Period that are not sold, exchanged, transferred or otherwise disposed of during the Misstatement Period. “Misstatement Period” means the 12-month period beginning on the date of the first public issuance or the filing with the Securities and Exchange Commission, whichever occurs earlier, of the financial statement requiring restatement. Notwithstanding any other provisions in this Agreement or the Plan, the Options will also be subject to recovery or clawback by the Company under any other clawback policy adopted by the Company whether before or after the Grant Date.



**Schedule 1  
to  
Starz  
Nonqualified Stock Option Agreement  
SOA160\_**

Grant Date: \_\_\_\_\_, 2016  
Plan: Starz 2016 Omnibus Incentive Plan  
Base Price: \$ \_\_\_\_\_  
Vesting Percentage: 25%  
Vesting Dates: \_\_\_\_\_, 2017; \_\_\_\_\_, 2018; \_\_\_\_\_, 2019; and \_\_\_\_\_, 2020.

**Information for Recipients of  
Starz Restricted Stock Award  
2016 Omnibus Incentive Plan**

**Notice of Grant. Congratulations!** You have been granted a Restricted Stock Award for shares of Starz Series A Common Stock (“STRZA”) (the “Restricted Stock Award”). A Restricted Stock Award Agreement (the “Agreement”) setting forth the terms of the Restricted Stock Award follows this informational page. The Restricted Stock Award was granted under the Starz 2016 Incentive Plan (the “2016 Incentive Plan”).

**Acknowledgment of Grant.** By your electronic acknowledgment of the Restricted Stock Award, you are acknowledging the terms and conditions of the award set forth in the Agreement that follows as though you and Starz (the “Company”) had signed an original copy of the Agreement. The Restricted Stock Award was granted and became effective as of the Grant Date (as that term is defined in the Agreement) and was granted on the terms and conditions reflected in the Agreement. The number of restricted shares granted to you was approved by the Compensation Committee of the Board of Directors of the Company, and was communicated to you via memo and the Company’s online grant and administration program.

**2016 Incentive Plan - Exhibit A.** The 2016 Incentive Plan that governs the Restricted Stock Award is incorporated into the Agreement as Exhibit A. You can access the 2016 Incentive Plan via the link at the end of the Agreement or in the UBS online library.

**SEC Registration Statements.** The STRZA shares issuable as Restricted Stock Awards were registered with the Securities and Exchange Commission on a Form S-8 filed on [] (Registration No. []). These statements can be found on the Company’s website at <http://ir.starz.com/sec.cfm>. Also available on the Company’s website are the most recent annual, quarterly and current reports as filed with the Securities and Exchange Commission. Please refer to these reports as well as the Company’s future filings with the Securities and Exchange Commission (also available on the Company’s website) for important information regarding the Company and its common stock.

**Tax and Estate Advice.** We recommend that you consult with your personal tax and/or estate advisor regarding the effect of the Restricted Stock Award on your personal tax and estate situation.

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**STARZ**  
**2016 OMNIBUS INCENTIVE PLAN**

**RESTRICTED STOCK AWARD AGREEMENT**

**THIS RESTRICTED STOCK AWARD AGREEMENT** (this “Agreement”) is made as of the date set forth on Schedule 1 hereto (the “Grant Date”), by and between STARZ, a Delaware corporation (the “Company”), and the recipient (the “Grantee”) of an Award of Restricted Shares granted by the Compensation Committee of the Board of Directors of the Company as set forth in this Agreement.

The Company has adopted the incentive plan identified on Schedule 1 hereto (as has been or may hereafter be amended, the “Plan”), a copy of which is attached via a link at the end of this online Agreement as Exhibit A (and which can also be accessed in the UBS online library) and by this reference made a part hereof, for the benefit of eligible employees of the Company and its Subsidiaries. Capitalized terms used and not otherwise defined in this Agreement will have the meanings ascribed to them in the Plan.

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

The Company and the Grantee therefore agree as follows:

1. **Definitions.** The following terms, when used in this Agreement, have the following meanings:
  - “Cause” has the meaning specified as “cause” in Section 10.2(b) of the Plan.
  - “Committee” has the meaning specified in the recitals to this Agreement.
  - “Common Stock” has the meaning specified in Section 2.
  - “Company” has the meaning specified in the preamble to this Agreement.
  - “Forfeitable Benefits” has the meaning specified in Section 24.
  - “Grant Date” has the meaning specified in the preamble to this Agreement.
  - “Grantee” has the meaning specified in the preamble to this Agreement.
  - “Misstatement Period” has the meaning specified in Section 24.
  - “Plan” has the meaning specified in the recitals of this Agreement.
  - “Restricted Shares” has the meaning specified in Section 2.
  - “Retained Distributions” has the meaning specified in Section 4.
  - “Section 409(A)” has the meaning specified in Section 23.
  - “Unvested Fractional Restricted Share” has the meaning specified in Section 5.
  - “Vesting Date” has the meaning specified in Section 5.

“Vesting Percentage” has the meaning specified in Section 5.

“Voluntary Termination for Good Reason” has the meaning specified in Section 6.B.

2. **Award.** Pursuant to the terms of the Plan and in consideration of the covenants and promises of the Grantee herein contained, the Company hereby awards to the Grantee as of the Grant Date the number of shares of the Company’s Series A Common Stock (“Common Stock”) authorized by the Committee and set forth in the notice of online grant delivered to the Grantee pursuant to the Company’s online grant and administration program, subject to the conditions and restrictions set forth in this Agreement and in the Plan (the “Restricted Shares”).

3. **Issuance of Restricted Shares at Beginning of the Restriction Period.** Upon issuance of the Restricted Shares, such Restricted Shares will be registered in a book entry account in the name of the Grantee. During the Restriction Period, any certificates (or other statement of ownership) representing the Restricted Shares that may be issued during the Restriction Period, and any securities constituting Retained Distributions will bear a restrictive legend to the effect that ownership of the Restricted Shares (and such Retained Distributions), and the enjoyment of all rights appurtenant thereto, are subject to the restrictions, terms and conditions provided in the Plan and this Agreement. Any such certificates will remain in the custody of the Company, and upon their issuance the Grantee will deposit with the Company stock powers or other instruments of assignment, each endorsed in blank, so as to permit retransfer to the Company of all or any portion of the Restricted Shares and any securities constituting Retained Distributions that are forfeited or otherwise do not become vested in accordance with the Plan and this Agreement.

4. **Restrictions.** The Restricted Shares will constitute issued and outstanding shares of Common Stock for all corporate purposes. The Grantee will have the right to vote such Restricted Shares, to receive and retain such dividends and distributions paid or distributed on such Restricted Shares as the Committee may in its sole discretion designate and to exercise all other rights, powers and privileges of a holder of Common Stock with respect to such Restricted Shares, except that (a) the Grantee will not be entitled to delivery of the stock certificate or certificates (or other statement of ownership) representing such Restricted Shares until the Restriction Period shall have expired and unless all other vesting requirements with respect thereto shall have been fulfilled or waived, (b) the Company will retain custody of any stock certificate or certificates (or other statements of ownership) representing the Restricted Shares during the Restriction Period as provided in Section 8.2 of the Plan, (c) other than such dividends and distributions as the Committee may in its sole discretion designate, the Company or its designee will retain custody of all distributions (“Retained Distributions”) made or declared with respect to the Restricted Shares (and such Retained Distributions will be subject to the same restrictions, terms and vesting and other conditions as are applicable to the Restricted Shares) until such time, if ever, as the Restricted Shares with respect to which such Retained Distributions shall have been made, paid or declared shall have become vested, and such Retained Distributions will not bear interest or be segregated in a separate account, (d) except as may be permitted under Section 11, the Grantee may not sell, assign, transfer, pledge, exchange, encumber or dispose of the Restricted Shares or any Retained Distributions or the Grantee’s interest in any of them during the Restriction Period and (e) a breach of any restrictions, terms or conditions provided in the Plan or established by the Committee with respect to any Restricted Shares or Retained Distributions will cause a forfeiture of such Restricted Shares and any Retained Distributions with respect thereto.

5. **Vesting and Forfeiture of Restricted Shares.** Subject to earlier vesting in accordance with Section 6, the Grantee will become vested as to that number of Restricted Shares (if any) subject to this Agreement that is equal to the fraction or percentage set forth on Schedule 1 hereto (the “Vesting Percentage”) of the total number of Restricted Shares that are subject to this Agreement (in each case, rounded down to the nearest whole number of such Restricted Shares) on each of the dates indicated on Schedule 1 hereto (each such date, together with any other date on which Restricted Shares vest pursuant

to this Agreement, a “Vesting Date”). If rounding pursuant to the preceding sentence prevents any portion of a Restricted Share from becoming vested on a particular Vesting Date (any such portion, an “Unvested Fractional Restricted Share”), one additional Restricted Share will become vested on the earliest succeeding Vesting Date on which the cumulative fractional amount of all Unvested Fractional Restricted Shares (including any Unvested Fractional Restricted Share created on such succeeding Vesting Date) equals or exceeds one whole Restricted Share, with any excess treated as an Unvested Fractional Restricted Share thereafter subject to the application of this sentence and the following sentence. Any Unvested Fractional Restricted Share comprising part of a whole Restricted Share that vests pursuant to the preceding sentence will thereafter cease to be an Unvested Fractional Restricted Share. Notwithstanding the foregoing, (a) the Grantee will not vest, pursuant to this Section 5, in Restricted Shares as to which the Grantee would otherwise vest as of a given date if the Grantee has not been continuously employed by the Company or its Subsidiaries from the date of this Agreement through such date (the vesting or forfeiture of such shares to be governed instead by the provisions of Section 6), and (b) in the event that any date on which vesting would otherwise occur is a Saturday, Sunday or a holiday, such vesting will instead occur on the business day next following such date. Unless otherwise determined by the Committee in its sole discretion, Retained Distributions will be subject to the same vesting and forfeiture conditions that are applicable to the Restricted Shares to which such Retained Distributions relate.

6. **Early Termination or Vesting.**

A. Unless otherwise determined by the Committee in its sole discretion:

(a) Except as provided in Section 6(d), if the Grantee’s employment with the Company or a Subsidiary terminates for any reason other than death or Disability, then the Award, to the extent not theretofore vested, will be forfeited immediately;

(b) If the Grantee dies while employed by the Company or a Subsidiary, then the Award, to the extent not theretofore vested, will immediately become fully vested;

(c) If the Grantee’s employment with the Company or a Subsidiary terminates by reason of Disability, then the Award, to the extent not theretofore vested, will immediately become fully vested; and

(d) If the Grantee’s employment with the Company or a Subsidiary is terminated by the Company or such Subsidiary without Cause or if the Grantee voluntarily terminates the Grantee’s employment pursuant to a Voluntary Termination for Good Reason (either, a “Protected Termination”), and the Protected Termination occurs (A) within the 30-day period immediately preceding the closing date of an Approved Transaction in which any Restricted Shares that remain outstanding and unvested as of such closing date are not otherwise accelerated in connection with such Approved Transaction in accordance with the terms of the Plan or (B) prior to the first anniversary of the closing date of an Approved Transaction in which any Restricted Shares that remain outstanding and unvested as of such closing date are not otherwise accelerated in connection with such Approved Transaction in accordance with the terms of the Plan, then, effective as of the date of such Protected Termination, the Award, to the extent not theretofore vested, will immediately become fully vested.

Unless the Committee otherwise determines, a change of the Grantee’s employment from the Company to a Subsidiary or from a Subsidiary to the Company or another Subsidiary will not be considered a termination of the Grantee’s employment for purposes of this Agreement if such change of employment is made at the request or with the express consent of the Company. Unless the Committee otherwise determines, however, any such change of employment that is not made at the request or with the express consent of the Company will be a termination of the Grantee’s employment within the meaning of this Agreement.

B. For purposes of this Agreement, a “Voluntary Termination for Good Reason” means a voluntary termination by the Grantee of the Grantee’s employment with the Company and its Subsidiaries upon the occurrence of any of the following events without the Grantee’s prior consent:

(i) a significant reduction in the Grantee's then current base salary (defined as the Grantee's weekly base pay in effect for the payroll period during which the Grantee's employment is terminated or, if the Grantee is a part-time employee, the Grantee's average weekly wages from the Company for the most recent 8 weeks during which the Grantee worked at least two days, but not including in either case, overtime, bonuses, commissions, piece rate, incentive pay or taxable or nontaxable fringe benefits or payments);

(ii) a significant reduction in the Grantee's title, duties or reporting relationship with the Grantee's employer or the assignment to the Grantee of duties that are inconsistent with the Grantee's position with the Grantee's employer; or

(iii) the relocation of the Grantee's primary place of employment to a location that is more than 50 miles from the Grantee's primary place of employment as of the Grantee's termination date.

No termination shall constitute a Voluntary Termination for Good Reason unless all of the following provisions shall have been complied with: (i) the Grantee shall have given the Company written notice of the Grantee's intention to effect a Voluntary Termination for Good Reason, such notice to state in detail the particular circumstances that constitute the grounds on which the proposed Voluntary Termination for Good Reason is based and to be given no later than 90 days after the initial occurrence of such circumstances; (ii) the Company shall have 30 days after receiving such notice in which to cure such grounds; and (iii) if the Company fails, within such 30-day period, to cure such grounds to the Grantee's reasonable satisfaction, the Grantee terminates the Grantee's employment with the Company and its Subsidiaries within 30 days following the last day of such 30-day period. If the Company timely cures such grounds in accordance with the preceding sentence, the Grantee shall not be entitled to terminate the Grantee's employment pursuant to a Voluntary Termination for Good Reason based on such grounds.

7. **Completion of the Restriction Period.** On the Vesting Date with respect to each award of Restricted Shares, and the satisfaction of any other applicable restrictions, terms and conditions (a) all or the applicable portion of such Restricted Shares will become vested and (b) any Retained Distributions with respect to such Restricted Shares will become vested to the extent that the Restricted Shares related thereto shall have become vested, all in accordance with the terms of this Agreement. Any such Restricted Shares and Retained Distributions that shall not become vested will be forfeited to the Company, and the Grantee will not thereafter have any rights (including dividend and voting rights) with respect to such Restricted Shares or any Retained Distributions that are so forfeited.

8. **Adjustments; Early Vesting in Certain Events.**

a. The Restricted Shares will be subject to adjustment (including, without limitation, as to the number of Restricted Shares) in such manner as the Committee, in its sole discretion, deems equitable and appropriate in connection with the occurrence of any of the events described in Section 4.2 of the Plan following the Grant Date.

b. In the event of any Approved Transaction, Board Change or Control Purchase following the Grant, Date, the restrictions in Sections 3 and 4 may lapse in accordance with Section 10.1(b) of the Plan.

9. **Mandatory Withholding for Taxes.** The Grantee acknowledges and agrees that, upon the expiration of the Restriction Period, the Company will deduct from the shares of Common Stock otherwise deliverable to the Grantee (or the Grantee's beneficiary, if applicable) that number of shares of Common Stock (valued at the Fair Market Value on the applicable Vesting Date) that is equal to the amount, as determined by the Company, of all federal, state or other governmental taxes required to be withheld by the Company or any Subsidiary of the Company with respect to the vesting of Restricted Shares and any related Retained Distributions, unless other provisions to pay such withholding requirements have been made to the satisfaction of the Company. Upon the payment of any cash dividends with respect to Restricted Shares during the Restriction Period, the amount of such dividends

will be reduced to the extent necessary to satisfy any withholding tax requirements applicable thereto prior to payment to the Grantee.

10. **Delivery by the Company.** As soon as practicable after the vesting of Restricted Shares pursuant to Sections 5, 6 or 8, but no later than 30 days after such vesting occurs, and subject to the withholding referred to in Section 9, the Company will (a) cause to be removed from the Restricted Shares that have vested the restriction described in Section 3 or cause to be issued and delivered to the Grantee (in certificate or electronic form) shares of Common Stock equal to the number of Restricted Shares that have vested, and (b) shall cause to be delivered to the Grantee any Retained Distributions with respect to such vested shares. If delivery of certificates is by mail, delivery of shares of Common Stock will be deemed effected for all purposes when a stock transfer agent of the Company has deposited the certificates in the United States mail, addressed to the Grantee.

11. **Nontransferability of Restricted Shares Before Vesting.** Restricted Shares that have not vested are not transferable (either voluntarily or involuntarily), before or after the Grantee's death, except as follows: (a) during the Grantee's lifetime, pursuant to a Domestic Relations Order, issued by a court of competent jurisdiction, that is not contrary to the terms and conditions of the Plan or this Agreement, and in a form acceptable to the Committee; or (b) after the Grantee's death, by will or pursuant to the applicable laws of descent and distribution, as may be the case. Any person to whom Restricted Shares are transferred in accordance with the provisions of the preceding sentence shall take such Restricted Shares subject to all of the terms and conditions of the Plan and this Agreement, including that the vesting and termination provisions of this Agreement will continue to be applied with respect to the Grantee. Certificates representing Restricted Shares that have vested may be delivered (or, in the case of book entry registration, registered) only to the Grantee (or during the Grantee's lifetime, to the Grantee's court appointed legal representative) or to a person to whom the Restricted Shares have been transferred in accordance with this Section.

12. **Company's Rights.** The existence of this Agreement will not affect in any way the right or power of the Company or its stockholders to accomplish any corporate act, including without limitation, the acts referred to in Section 10.19 of the Plan.

13. **Restrictions Imposed by Law.** Without limiting the generality of Section 10.10 of the Plan, the Grantee will not require the Company to deliver any Restricted Shares and the Company will not be obligated to deliver any Restricted Shares if counsel to the Company determines that such exercise, delivery or payment would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of Common Stock are listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the delivery of any Restricted Shares to comply with any such law, rule, regulation or agreement. In addition to its other powers under this Agreement or the Plan, the Committee has the authority to suspend any transactions under the Plan as it deems necessary or appropriate for administrative reasons.

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

Starz  
8900 Liberty Circle  
Englewood, Colorado 80112  
Attn: General Counsel

Unless the Company elects to notify the Grantee electronically pursuant to the online grant and administration program or via email, any notice or other communication to the Grantee with respect to this Agreement will be in writing and will be delivered personally, or will be sent by first class mail,

postage prepaid, to the Grantee's address as listed in the records of the Company or any Subsidiary of the Company on the Grant Date, unless the Company has received written notification from the Grantee of a change of address.

15. **Amendment.** Notwithstanding any other provision hereof, this Agreement may be supplemented or amended from time to time as approved by the Committee as contemplated by Section 10.9(b) of the Plan. Without limiting the generality of the foregoing, without the consent of the Grantee:

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

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

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

17. **Nonalienation of Benefits.** Except as provided in Section 11 and prior to the vesting of any Restricted Share with respect to such vested Restricted Share, (a) no right or benefit under this Agreement will be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same will be void, and (b) no right or benefit hereunder will in any manner be subjected to or liable for the debts, contracts, liabilities or torts of the Grantee or other person entitled to such benefits.

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

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



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

21. **Entire Agreement.** This Agreement is in satisfaction of and in lieu of all prior discussions and agreements, oral or written, between the Company and the Grantee regarding the subject matter hereof. The Grantee and the Company hereby declare and represent that no promise or agreement not herein expressed has been made and that this Agreement contains the entire agreement between the parties hereto with respect to the Restricted Shares and replaces and makes null and void any prior agreements between the Grantee and the Company regarding the Restricted Shares. Subject to the restrictions set forth in Sections 11 and 17, this Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

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

23. **Code Section 409A Compliance.** The Plan and the Awards made under the Plan are intended to be: (a) “stock rights” exempt from Section 409A of the Code (“Section 409A”) pursuant to Treasury Regulations § 1.409A-1(b)(5); (b) “short-term deferrals” exempt from Section 409A; or (c) payments which are deferred compensation and paid in compliance with Section 409A, and the Plan and this Agreement shall be interpreted and administered accordingly. Any adjustments of Awards intended to be “stock rights” exempt from Section 409A pursuant to Treasury Regulations § 1.409A-1(b)(5) shall be conducted in a manner so as not to constitute a grant of a new stock right or a change in the time and form of payment pursuant to Treasury Regulations § 1.409A-1(b)(5)(v). In the event an Award is not exempt from Section 409A: (x) payment pursuant to the relevant Agreement shall be made only on a permissible payment event or at a specified time in compliance with Section 409A; (y) no accelerated payment shall be made pursuant to Section 10.1(b) unless the Board Change, Approved Transaction or Control Purchase constitutes a “change in control event” under Treasury Regulations § 1.409A-3(i)(5) or otherwise constitutes a permissible payment event under Section 409A; and (z) no amendment or modification of such Award may be made except in compliance with the anti-deferral and anti-acceleration provisions of Section 409A. No deferrals of compensation otherwise payable under the Plan or any Award shall be allowed, whether at the discretion of the Company or the Holder, except in a manner consistent with the requirements of Section 409A. If the Grantee is identified by the Company as a “specified employee” within the meaning of Code Section 409A(a)(2)(B)(i) on the date on which the Grantee has a “separation from service” (other than due to death) within the meaning of Treasury Regulation § 1.409A-1(h), any Award payable or settled on account of a separation from service that is deferred compensation subject to Code Section 409A shall be paid or settled on the earliest of: (1) the first business day following the expiration of six months from the Grantee’s separation from service; (2) the date of the Grantee’s death or (3) such earlier date as complies with the requirements of Code Section 409A. If any provision of this Agreement would result in the imposition of an excise tax under Section 409A or the related regulations and Treasury pronouncements, that provision will be reformed to avoid imposition of the excise tax. The Grantee will cooperate with the Company in taking such actions as the Company may reasonably request to assure that this Agreement will meet the requirements of Section 409A and related regulations and Treasury pronouncements. No action taken to comply with Section 409A shall be deemed to impair a benefit under this Agreement.

24. **Forfeiture for Misconduct and Repayment of Certain Amounts.** If the Grantee holds the office of Vice President or above as of the Grant Date, and if (a) a material restatement of any financial statement of the Company (including any consolidated financial statement of the Company and its consolidated Subsidiaries) is required and (b) in the reasonable judgment of the Committee, (i) such restatement is due to material noncompliance with any financial reporting requirement under applicable securities laws and (ii) such noncompliance is a result of misconduct on the part of the Grantee, the

Grantee will repay to the Company Forfeitable Benefits received by the Grantee during the Misstatement Period in such amount as the Committee may reasonably determine, taking into account, in addition to any other factors deemed relevant by the Committee, the extent to which the market value of Common Stock during the Misstatement Period was affected by the error(s) giving rise to the need for such restatement. "Forfeitable Benefits" means (y) any and all cash and/or shares of Common Stock received by the Grantee (i) upon the exercise during the Misstatement Period of any SARs held by the Grantee or (ii) upon the payment during the Misstatement Period of any Cash Award or Performance Award held by the Grantee, the value of which is determined in whole or in part with reference to the value of Common Stock and (z) any proceeds received by the Grantee from the sale, exchange, transfer or other disposition during the Misstatement Period of any shares of Common Stock received by the Grantee upon the exercise, vesting or payment during the Misstatement Period of any Award held by the Grantee. By way of clarification, "Forfeitable Benefits" will not include any shares of Common Stock received upon vesting of any Restricted Shares during the Misstatement Period that are not sold, exchanged, transferred or otherwise disposed of during the Misstatement Period. "Misstatement Period" means the 12-month period beginning on the date of the first public issuance or the filing with the Securities and Exchange Commission, whichever occurs earlier, of the financial statement requiring restatement. Notwithstanding any other provisions in this Agreement or the Plan, the Restricted Shares will also be subject to recovery or clawback by the Company under any other clawback policy adopted by the Company whether before or after the Grant Date.

**Schedule 1**  
**to**  
**Starz**  
**Restricted Stock Award Agreement**  
**SRA160\_**

Grant Date: \_\_\_\_\_, 2016  
Plan: Starz 2016 Omnibus Incentive Plan  
Restricted Stock Grant: Series A Common Stock ("STRZA")  
Vesting Percentage: 25%  
Vesting Dates: \_\_\_\_\_, 2017; \_\_\_\_\_, 2018; \_\_\_\_\_, 2019; and \_\_\_\_\_, 2020.  
Vesting Terms: Annually in equal amounts over four years with \_\_\_\_\_, 2017 as the first vest date.

**Information for Recipients of  
Starz Performance-Based Restricted Stock Units Award  
2016 Omnibus Incentive Plan**

**Notice of Grant. Congratulations!** You have been granted performance-based restricted stock units with respect to shares of Starz Series A Common Stock (“STRZA”) (the “Restricted Stock Units Award”). A Performance-Based Restricted Stock Units Agreement (the “Agreement”) setting forth the terms of the Restricted Stock Units follows this informational page. The Restricted Stock Units were granted under the Starz 2016 Omnibus Incentive Plan (the “2016 Incentive Plan”).

**Acknowledgment of Grant.** By your electronic acknowledgment of the Restricted Stock Units Award, you are acknowledging the terms and conditions of the award set forth in the Agreement that follows as though you and Starz (the “Company”) had signed an original copy of the Agreement. The Restricted Stock Units Award was granted and became effective as of the Grant Date (as that term is defined in the Agreement) and was granted on the terms and conditions reflected in the Agreement. The number of Restricted Stock Units granted to you was approved by the Compensation Committee of the Board of Directors of the Company, and was communicated to you via memo and the Company’s online grant and administration program.

**2016 Incentive Plan - Exhibit A.** The 2016 Incentive Plan that governs the Restricted Stock Units Award is incorporated into the Agreement as Exhibit A. You can access the 2016 Incentive Plan via the link at the end of the Agreement or in the UBS online library.

**SEC Registration Statements.** Any STRZA shares issuable upon vesting of Restricted Stock Units were registered with the Securities and Exchange Commission on a Form S-8 filed on [] (Registration No. []). These statements can be found on the Company’s website at <http://ir.starz.com/sec.cfm>. Also available on the Company’s website are the most recent annual, quarterly and current reports as filed with the Securities and Exchange Commission. Please refer to these reports as well as the Company’s future filings with the Securities and Exchange Commission (also available on the Company’s website) for important information regarding the Company and its common stock.

**Tax and Estate Advice.** We recommend that you consult with your personal tax and/or estate advisor regarding the effect of the award of Restricted Stock Units on your personal tax and estate situation.

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**STARZ**

**2016 OMNIBUS INCENTIVE PLAN**

**PERFORMANCE-BASED RESTRICTED STOCK UNITS AWARD AGREEMENT**

**THIS PERFORMANCE-BASED RESTRICTED STOCK UNITS AWARD AGREEMENT** (this “Agreement”) is made as of \_\_\_\_\_, 2016 (the “Grant Date”), by and between STARZ, a Delaware corporation (the “Company”), and the recipient (the “Grantee”) of an Award of Restricted Stock Units granted by the Compensation Committee of the Board of Directors of the Company as set forth in this Agreement.

The Company has adopted the Starz 2016 Incentive Plan (as has been or may hereafter be amended, the “Plan”), a copy of which is attached via a link at the end of this online Agreement as Exhibit A (and which can also be accessed in the UBS online library) and by this reference made a part hereof, for the benefit of eligible employees of the Company and its Subsidiaries. Capitalized terms used and not otherwise defined in this Agreement will have the meanings ascribed to them in the Plan.

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

The Company and the Grantee therefore agree as follows:

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

“Cause” has the meaning specified as “cause” in Section 10.2(b) of the Plan.

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

“Committee” has the meaning specified in the recitals to this Agreement.

“Common Stock” means the Company’s Series A Common Stock.

“Company” has the meaning specified in the preamble to this Agreement.

“Competitive Activities” occur when the Grantee, during the Post-Retirement Period, directly or indirectly:

(a) as principal or agent, or in any other capacity, owns, manages, operates, participates in, or is employed by (including, but not limited to, service as a freelance employee or freelance contractor, an independent contractor, or consultant) HBO, Showtime, Amazon, Epix or Netflix, or any successor in interest to or affiliate of the foregoing entities; provided, that Competitive Activities does not include Grantee owning securities of any such entity, so long as such securities are listed on a national securities exchange or quoted on the Nasdaq Stock Market, to the extent of an aggregate of 5% of the outstanding shares of such securities;

(b) solicits or diverts any business or any customer from any Starz Group member or assists any person in doing so or attempting to do so, or causes or seeks to cause any person to refrain from dealing or doing business with any member of the Starz Group or assists any person in doing so or attempting to do so,

(c) solicits or induces or causes or authorizes others to solicit or induce, directly or indirectly, any person employed by any member of the Starz Group to leave such employment with the Starz Group member, or

(d) discloses or furnishes to, or uses for the benefit of, any other person, firm or corporation any Confidential Information, except in the course of the proper performance of the Grantee's employment duties or as required by law (in which event the Grantee shall give prior written notice to the Company and shall cooperate with the Company in complying with such legal requirements).

"Confidential Information" means any and all non-public information as to which any member of the Starz Group takes reasonable steps to protect the confidentiality of and that affects or relates to the business of the Starz Group, including, without limitation: (a) financial data, customer lists and data, licensing arrangements, business strategies, pricing information, product development, intellectual, artistic, literary, dramatic or musical rights, works, or other materials of any kind or nature (whether or not entitled to protection under applicable copyright laws, or reduced to or embodied in any medium or tangible form), including, without limitation, all copyrights, patents, trademarks, service marks, trade secrets, contract rights, titles, themes, stories, treatments, ideas, concepts, technologies, art work, logos, hardware, and software; (b) such information as may be embodied in any and all computer programs, tapes, diskettes, disks, mailing lists, lists of actual or prospective customers and/or suppliers, notebooks, documents, memoranda, reports, files, correspondence, charts and lists; and (c) all other written, printed or otherwise recorded material of any kind whatsoever and any other information, whether or not reduced to writing, including "know-how," ideas, concepts, research, processes, and plans. "Confidential Information" does not include information relating to the Grantee's working conditions or wages, information that is in the public domain, information that is generally known in the trade, or information that the Grantee can prove he or she acquired wholly independently of his or her employment with the Company.

"Contingently Earned RSUs" means a number of Restricted Stock Units, if any, equal to the percentage of the Restricted Stock Units that could become Contingently Earned RSUs, as specified on Schedule 1, based on the amount of the Company's Two-Year Operating Segment Revenue and the percentage of Target Two-Year Operating Segment Revenue that such Two-Year Operating Segment Revenue represents, as determined and certified by the Committee in accordance with Section 3(b) (with any fractional Restricted Stock Unit rounded up to the nearest whole Restricted Stock Unit).

"Disability" has the meaning specified in the Plan.

"Dividend Equivalents" has the meaning specified in the Plan.

"Forfeitable Benefits" has the meaning specified in Section 22.

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

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

"Misstatement Period" has the meaning specified in Section 22.

"Operating Segment Revenue" means, for any calendar year, the revenue for the Starz Networks operating segment of the Company, based on revenue for such operating segment as reported in the Company's Annual Report on Form 10-K for that calendar year.

"Performance Period" means the two-year period beginning January 1, 2016 and ending December 31, 2017.

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

"Post-Retirement Period" means the period from the date of Grantee's termination of employment pursuant to a Retirement Event through December 31, 2018.

“Premiere Episode” means an episode of original programming series premiering during the Performance Period on STARZ, STARZ ENCORE or other linear networks, on-demand services or online services operated by the Starz Networks operating segment of the Company (as defined in the Company’s Annual Report on Form 10-K during the Performance Period).

“Premiere Episodes Limit” means 200 Premiere Episodes, or such higher number of Premiere Episodes as may be approved by the Board of Directors of the Company.

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

“restricted stock unit” means a unit evidencing the right to receive, under the circumstances specified in the Plan and this Agreement, one share of Common Stock.

“Restricted Stock Units” has the meaning specified in Section 2.

“Retirement Event” means the termination of Grantee’s employment for any reason other than Cause, death or Disability if (a) the Grantee is age 62 or older on the date of such termination of employment or (b) the Grantee is at least age 55 but not yet age 62 on the date of such termination of employment, and the Grantee has, as of such termination date, been continuously employed by the Company or any Subsidiary for at least ten consecutive 12-month periods measured from the Grantee’s hire date with the Company or any Subsidiary (as reflected in the payroll records of the Company) to the anniversaries of that date, without interruption by resignation, discharge, layoff, or other termination of employment for any reason.

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

“Starz Group” means Starz, a Delaware corporation (and any successor thereto) and its (or its successor’s) direct and indirect subsidiaries (defined for this purpose as any entity which is more than 50% owned).

“Target Two-Year Operating Segment Revenue” has the meaning specified on Schedule 1.

“Two-Year Operating Segment Revenue” means cumulative Operating Segment Revenue for the Performance Period.

“Unpaid Dividend Equivalents” has the meaning specified in Section 3(e).

“Vested Dividend Equivalents” has the meaning specified in Section 9.

“Vesting Date” means each date on which any Restricted Stock Units cease to be subject to a risk of forfeiture, as determined in accordance with this Agreement.

“Voluntary Termination for Good Reason” has the meaning specified in Section 6.B.

2. **Award.** Pursuant to the terms of the Plan and in consideration of the covenants and promises of the Grantee herein contained, the Company hereby awards to the Grantee as of the Grant Date, that number of performance-based restricted stock units set forth on Schedule 1, each representing the right to receive one share of the Company’s Common Stock, as authorized by the Committee and set forth in the notice of online grant delivered to the Grantee pursuant to the Company’s online grant and administration program, subject to the conditions and restrictions set forth in this Agreement and in the Plan (the “Restricted Stock Units”).

3. **Vesting and Forfeiture of Restricted Stock Units.**

(a) Subject to Section 10.1(b) of the Plan and to earlier vesting in accordance with Section 6, Restricted Stock Units will vest, in whole or in part, only in accordance with the conditions stated in this Section 3.

(b) On or prior to March 30, 2018, (the “Committee Certification Date”), the Committee will certify whether the Premiere Episodes Limit has been exceeded. If the Premiere Episodes Limit has been exceeded, no Restricted Stock Units will become Contingently Earned RSUs, and all Restricted Stock Units will automatically be forfeited as of the Close of Business on the Committee Certification Date. If the Premiere Episodes Limit has not been exceeded, the Committee will certify on the Committee Certification Date (i) the amount of Two-Year Operating Segment Revenue, (ii) the percentage of Target Two-Year Operating Segment Revenue that such Two-Year Operating Segment Revenue represents and (iii) the number of Contingently Earned RSUs.

(c) Any Contingently Earned RSUs, if not earlier terminated or vested in accordance with the Plan or this Agreement, will vest on December 31, 2018, subject to the Grantee’s continuous employment with the Company from the Grant Date through such date.

(d) Any Restricted Stock Units that do not become Contingently Earned RSUs on the Committee Certification Date in accordance with Section 3(b) will automatically be forfeited as of the Close of Business on the Committee Certification Date. Upon forfeiture of any unvested Restricted Stock Units pursuant to this Section 3 or Section 6, such Restricted Stock Units and any related Unpaid Dividend Equivalents will be immediately cancelled, and the Grantee will cease to have any rights with respect thereto.

(e) Any Dividend Equivalents with respect to Restricted Stock Units that have not theretofore become Vested Dividend Equivalents (“Unpaid Dividend Equivalents”) will become vested only to the extent that the Restricted Stock Units related thereto shall have become vested in accordance with this Agreement.

4. **Settlement of Restricted Stock Units.** Settlement of Restricted Stock Units that vest in accordance with Section 3 or Section 6 shall be made as soon as administratively practicable after the applicable Vesting Date, but in no event later than March 15 of the calendar year following the calendar year in which such Vesting Date occurs. Settlement of vested Restricted Stock Units shall be made in payment of shares of Common Stock, together with any related Dividend Equivalents, in accordance with Section 7.

5. **Mandatory Withholding for Taxes.** To the extent that the Company is subject to withholding tax requirements under any national, state, local or other governmental law with respect to the award of the Restricted Stock Units to the Grantee or the vesting or settlement thereof, or the designation of any Dividend Equivalents as payable or distributable or the payment or distribution thereof, the Grantee must make arrangement satisfactory to the Company to make payment to the Company or its designee of the amount required to be withheld under such tax laws, as determined by the Company (collectively, the “Required Withholding Amount”). To the extent such withholding is required, the Company shall withhold (a) from the shares of Common Stock represented by such vested Restricted Stock Units and otherwise deliverable to the Grantee a number of shares of Common Stock and/or (b) from any related Dividend Equivalents otherwise deliverable to the Grantee an amount of such Dividend Equivalents, which collectively have a value (or, in the case of securities withheld, a Fair Market Value) as of the date the obligation to withhold arises equal to the Required Withholding Amount, unless the Grantee remits the Required Withholding Amount to the Company or its designee in cash in such form and by such time as the Company may require or other provisions for withholding such amount satisfactory to the Company have been made. Notwithstanding any other provisions of this Agreement, the delivery of any shares of Common Stock represented by vested Restricted Stock Units and any related Dividend Equivalents may be postponed until any required withholding taxes have been paid to the Company.

6. **Early Termination or Early Vesting of Restricted Stock Units.**

A. Unless otherwise determined by the Committee in its sole discretion, if the Grantee’s employment with the Company or a Subsidiary terminates prior to December 31, 2018:

(a) Except as provided in Section 6.A.(d) or Section 6.A.(e), if the Grantee's employment with the Company or a Subsidiary terminates for any reason other than death or Disability, then the Restricted Stock Units (including any Restricted Stock Units that are then Contingently Earned RSUs) will be forfeited as of the Close of Business on the date of such termination of employment;

(b) If the Grantee dies while employed by the Company or a Subsidiary, then (i) if such event occurs prior to the Committee Certification Date, the Grantee shall become fully vested as of the Committee Certification Date in a number of Restricted Stock Units equal to: (y) the number of Contingently Earned RSUs (if any) multiplied by (z) a fraction, the numerator of which is the number of days between January 1, 2016 and the date of death, and the denominator of which is 1,096, and the remainder of any Contingently Earned RSUs will be forfeited immediately or (ii) if such event occurs on or after the Committee Certification Date, any Contingently Earned RSUs will become fully vested as of the date of death;

(c) If the Grantee's employment with the Company or a Subsidiary terminates by reason of Disability, then (i) if such event occurs prior to the Committee Certification Date, the Grantee shall become fully vested as of the Committee Certification Date in a number of Restricted Stock Units equal to: (y) the number of Contingently Earned RSUs (if any) multiplied by (z) a fraction, the numerator of which is the number of days between January 1, 2016 and the date of such termination, and the denominator of which is 1,096, and the remainder of any Contingently Earned RSUs will be forfeited immediately, or (ii) if such event occurs on or after the Committee Certification Date, any Contingently Earned RSUs will become fully vested as of the date of such termination;

(d) If the Grantee's employment with the Company or a Subsidiary is terminated by the Company or such Subsidiary without Cause or if the Grantee voluntarily terminates the Grantee's employment pursuant to a Voluntary Termination for Good Reason, as defined in Section 6.B. (either, a "Protected Termination"), and the Protected Termination occurs (i) within the 30-day period immediately preceding the closing date of an Approved Transaction in which any Restricted Stock Units that remain outstanding and unvested as of such closing date are not otherwise accelerated in connection with such Approved Transaction in accordance with the terms of the Plan or (ii) prior to the first anniversary of the closing date of an Approved Transaction in which any Restricted Stock Units that remain outstanding and unvested as of such closing date are not otherwise accelerated in connection with such Approved Transaction in accordance with the terms of the Plan, then, effective as of the Close of Business on the date of such Protected Termination, (y) if the date of such Protected Termination occurs prior to the Committee Certification Date, a number of then outstanding and unvested Restricted Stock Units equal to the positive difference (if any), between (I) 50% of the number of Restricted Stock Units granted pursuant to Section 2 of this Agreement and (II) the number of Restricted Stock Units (if any) that were accelerated in connection with the Approved Transaction, will immediately become fully vested, and the remainder of the Restricted Stock Units that are then outstanding and unvested will be forfeited immediately, or (z) if the date of such Protected Termination occurs on or after the Committee Certification Date, any Contingently Earned RSUs that are then outstanding and unvested will become fully vested as of the date of the Protected Termination; and

(e) If the Grantee's employment with the Company or a Subsidiary is terminated by the Grantee, the Company or such Subsidiary in circumstances constituting a Retirement Event and the Grantee does not engage in any Competitive Activities during the Post-Retirement Period as reasonably determined by the Company, the Grantee will become vested on December 31, 2018 in a number of Restricted Stock Units equal to: (i) the number of Contingently Earned RSUs, if any, multiplied by (ii) a fraction, the numerator of which is the number of days between January 1, 2016 and the date of termination of employment pursuant to the Retirement Event, and the denominator of which is 1,096. The requirement that the Grantee not engage in Competitive Activities in order to vest in Restricted Stock Units pursuant to this Section 6.A.(e) is intended to protect the trade secrets and other business interests of the Company. If the Grantee elects to engage in any Competitive Activities during the Post-Retirement Period, the Grantee shall deliver to the Company, at least ten (10) business days prior to commencing any such Competitive Activities, a written notice advising the Company of (y) the Grantee's intent to commence Competitive Activities, and (z) the commencement date for such Competitive Activities. If the Grantee engages in Competitive Activities prior to the expiration of the Post-Retirement Period, the Grantee will not become vested in any Restricted Stock Units pursuant to this Section 6.A.(e), and any Restricted Stock Units that are outstanding and unvested as of December 31, 2018 will be forfeited as of such date.

Unless the Committee otherwise determines, a change of the Grantee's employment from the Company to a Subsidiary or from a Subsidiary to the Company or another Subsidiary will not be considered a termination of the Grantee's employment for purposes of this Agreement if such change of employment is made at the request or with the express consent of the Company. Unless the Committee otherwise determines, however, any such change of employment that is not made at the request or with the express consent of the Company will be a termination of the Grantee's employment within the meaning of this Agreement.

B. For purposes of this Agreement, a "Voluntary Termination for Good Reason" means a voluntary termination by the Grantee of the Grantee's employment with the Company and its Subsidiaries upon the occurrence of any of the following events without the Grantee's prior consent:

(a) a significant reduction in the Grantee's then current base salary (defined as the Grantee's weekly base pay in effect for the payroll period during which the Grantee's employment is terminated or, if the Grantee is a part-time employee, the Grantee's average weekly wages from the Company for the most recent 8 weeks during which the Grantee worked at least two days, but not including in either case, overtime, bonuses, commissions, piece rate, incentive pay or taxable or nontaxable fringe benefits or payments);

(b) a significant reduction in the Grantee's title, duties or reporting relationship with the Grantee's employer or the assignment to the Grantee of duties that are inconsistent with the Grantee's position with the Grantee's employer; or

(c) the relocation of the Grantee's primary place of employment to a location that is more than 50 miles from the Grantee's primary place of employment as of the Grantee's termination date.

No termination shall constitute a Voluntary Termination for Good Reason unless all of the following provisions shall have been complied with: (i) the Grantee shall have given the Company written notice of the Grantee's intention to effect a Voluntary Termination for Good Reason, such notice to state in detail the particular circumstances that constitute the grounds on which the proposed Voluntary Termination for Good Reason is based and to be given no later than 90 days after the initial occurrence of such circumstances; (ii) the Company shall have 30 days after receiving such notice in which to cure such grounds; and (iii) if the Company fails, within such 30-day period, to cure such grounds to the Grantee's reasonable satisfaction, the Grantee terminates the Grantee's employment with the Company and its Subsidiaries within 30 days following the last day of such 30-day period. If the Company timely cures such grounds in accordance with the preceding sentence, the Grantee shall not be entitled to terminate the Grantee's employment pursuant to a Voluntary Termination for Good Reason based on such grounds.

7. **Delivery by the Company.** As soon as practicable after the vesting of Restricted Stock Units, and any related Unpaid Dividend Equivalents, pursuant to Section 3 or Section 6 (but in no event later than March 15 of the calendar year following the year in which such vesting occurs) and subject to the withholding referred to in Section 5, the Company will (a) register in a book entry account in the name of the Grantee, or cause to be issued and delivered to the Grantee (in certificate or electronic form), that number of shares of Common Stock represented by such vested Restricted Stock Units and any securities representing related vested Unpaid Dividend Equivalents, and (b) cause to be delivered to the Grantee any cash payment representing vested Unpaid Dividend Equivalents. Any delivery of securities will be deemed



effected for all purposes when a certificate representing, or statement of holdings reflecting, such securities and, in the case of any Unpaid Dividend Equivalents, any other documents necessary to reflect ownership thereof by the Grantee, have been delivered personally to the Grantee or, if delivery is by mail, when the Company or its stock transfer agent has deposited the certificate or statement of holdings and/or such other documents in the United States mail, addressed to the Grantee. Any cash payment will be deemed effected when a check from the Company, payable to the Grantee and in the amount equal to the amount of the cash owed, has been delivered personally to the Grantee or deposited in the United States mail, addressed to the Grantee.

8. **Nontransferability of Restricted Stock Units.** Restricted Stock Units and any related Unpaid Dividend Equivalents that have not vested, are not transferable (either voluntarily or involuntarily) before or after the Grantee's death, except as follows: (a) during the Grantee's lifetime, pursuant to a Domestic Relations Order issued by a court of competent jurisdiction that is not contrary to the terms and conditions of the Plan or this Agreement, and in a form acceptable to the Committee; or (b) after the Grantee's death, by will or pursuant to the applicable laws of descent and distribution, as may be the case. Any person to whom Restricted Stock Units are transferred in accordance with the provisions of the preceding sentence shall take such Restricted Stock Units subject to all of the terms and conditions of the Plan and this Agreement, including that the vesting and termination provisions of this Agreement will continue to be applied with respect to the Grantee. Certificates representing Restricted Stock Units that have vested may be delivered (or, in the case of book entry registration, registered) only to the Grantee (or during the Grantee's lifetime, to the Grantee's court appointed legal representative) or to a person to whom the Restricted Stock Units have been transferred in accordance with this Section.

9. **No Stockholder Rights; Dividend Equivalents.** The Grantee will not be deemed for any purpose to be, or to have any of the rights of, a stockholder of the Company with respect to any shares of Common Stock represented by any Restricted Stock Units unless and until such time as shares of Common Stock represented by vested Restricted Stock Units have been delivered to the Grantee in accordance with Section 7, nor will the existence of this Agreement affect in any way the right or power of the Company or any stockholder of the Company to accomplish any corporate act, including, without limitation, any reclassification, reorganization or other change of or to its capital or business structure, merger, consolidation, liquidation or sale or other disposition of all or any part of its business or assets. The Grantee will have no right to receive, or otherwise with respect to, any Dividend Equivalents until such time, if ever, as (a) the Restricted Stock Units with respect to which such Dividend Equivalents relate shall have become vested, or (b) such Dividend Equivalents shall have become Vested Dividend Equivalents as described below, and, if vesting does not occur, the related Dividend Equivalents will be forfeited. Dividend Equivalents shall not bear interest or be segregated in a separate account. Notwithstanding the foregoing, the Committee may, in its sole discretion, accelerate the vesting of any portion of the Dividend Equivalents (the "Vested Dividend Equivalents"). The settlement of any Vested Dividend Equivalents shall be made as soon as administratively practicable after the accelerated vesting date, but in no event later than March 15 of the calendar year following the year in which such accelerated vesting date occurs. With respect to any Restricted Stock Units and Dividend Equivalents, the Grantee is a general unsecured creditor of the Company.

10. **Adjustments; Early Vesting in Certain Events.**

(a) The Restricted Stock Units will be subject to adjustment (including, without limitation, as to the number of Restricted Stock Units) in such manner as the Committee, in its sole discretion, deems equitable and appropriate in connection with the occurrence of any of the events described in Section 4.2 of the Plan following the Grant Date.

(b) In the event of any Approved Transaction, Board Change or Control Purchase following the Grant Date, the Restricted Stock Units may vest in accordance with Section 10.1(b) of the Plan.

11. **Restrictions Imposed by Law.** Without limiting the generality of Section 10.10 of the Plan, the Company will not be obligated to deliver any shares of Common Stock represented by vested Restricted Stock Units or securities constituting any Unpaid Dividend Equivalents if counsel to the Company determines that the issuance or delivery thereof would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of Common Stock or such other securities are listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the delivery of shares of Common Stock represented by vested Restricted Stock Units or securities constituting or cash payment related to any Unpaid Dividend Equivalents to comply with any such law, rule, regulation or agreement. In addition to its other powers under this Agreement or the Plan, the Committee has the authority to suspend any transactions under the Plan as it deems necessary or appropriate for administrative reasons.

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

Starz  
8900 Liberty Circle  
Englewood, Colorado 80112  
Attn: General Counsel

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

13. **Amendment.** Notwithstanding any other provision hereof, this Agreement may be amended from time to time as approved by the Committee as contemplated by Section 10.9(b) of the Plan. Without limiting the generality of the foregoing, without the consent of the Grantee,

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

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

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

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

16. **Governing Law.** This Agreement will be governed by, and construed in accordance with, the internal laws of the State of

Colorado. Each party irrevocably submits to the general jurisdiction of the state and federal courts located in the State of Colorado in any action to interpret or enforce this Agreement and irrevocably waives any objection to jurisdiction that such party may have based on inconvenience of forum.

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

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

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

20. **Grantee Acceptance.** The Grantee will signify acceptance of the terms and conditions of this Agreement by acknowledging the acceptance of this Agreement via the procedures described in the online grant and administration program utilized by the Company or by such other method as may be agreed by the Grantee and the Company.

21. **Code Section 409A Compliance.** The Plan and the Awards made under the Plan are intended to be: (a) “stock rights” exempt from Section 409A of the Code (“Section 409A”) pursuant to Treasury Regulations § 1.409A-1(b)(5); (b) “short-term deferrals” exempt from Section 409A; or (c) payments which are deferred compensation and paid in compliance with Section 409A, and the Plan and this Agreement shall be interpreted and administered accordingly. Any adjustments of Awards intended to be “stock rights” exempt from Section 409A pursuant to Treasury Regulations § 1.409A-1(b)(5) shall be conducted in a manner so as not to constitute a grant of a new stock right or a change in the time and form of payment pursuant to Treasury Regulations § 1.409A-1(b)(5)(v). In the event an Award is not exempt from Section 409A: (x) payment pursuant to the relevant Agreement shall be made only on a permissible payment event or at a specified time in compliance with Section 409A; (y) no accelerated payment shall be made pursuant to Section 10.1(b) unless the Board Change, Approved Transaction or Control Purchase constitutes a “change in control event” under Treasury Regulations § 1.409A-3(i)(5) or otherwise constitutes a permissible payment event under Section 409A; and (z) no amendment or modification of such Award may be made except in compliance with the anti-deferral and anti-acceleration provisions of Section 409A. No deferrals of compensation otherwise payable under the Plan or any Award shall be allowed, whether at the discretion of the Company or the Holder, except in a manner consistent with the requirements of Section 409A. If the Grantee is identified by the Company as a “specified employee” within the meaning of Code Section 409A(a)(2)(B)(i) on the date on which the Grantee has a “separation from service” (other than due to death) within the meaning of Treasury Regulation § 1.409A-1(h), any Award payable or settled on account of a separation from service that is deferred compensation subject to Code Section 409A shall be paid or settled on the earliest of: (1) the first business day following the expiration of six months from the Grantee’s separation from service; (2) the date of the Grantee’s death or (3) such earlier date as complies with the requirements of Code Section 409A. If any provision of this Agreement would result in the imposition of an excise tax under Section 409A or the related regulations and Treasury pronouncements, that provision will be reformed to avoid imposition of the excise tax. The Grantee will cooperate with the Company in taking such actions as the Company may reasonably request to assure that this Agreement will meet the requirements of Section 409A and related regulations and Treasury pronouncements. No action taken to comply with Section 409A shall be deemed to impair a benefit under this Agreement.

22. **Forfeiture for Misconduct and Repayment of Certain Amounts.** If the Grantee holds the office of Vice President or above as of the Grant Date, and if (a) a material restatement of any financial statement of the Company (including any consolidated financial statement of the Company and its consolidated Subsidiaries) is required and (b) in the reasonable judgment of the Committee, (i) such restatement is due to material noncompliance with any financial reporting requirement under applicable securities laws and (ii) such noncompliance is a result of misconduct on the part of the Grantee, the Grantee will repay to the Company Forfeitable Benefits received by the Grantee during the Misstatement Period in such amount as the Committee may reasonably determine, taking into account, in addition to any other factors deemed relevant by the Committee, the extent to which the market value of Common Stock during the Misstatement Period was affected by the error(s) giving rise to the need for such restatement. “Forfeitable Benefits” means (y) any and all cash and/or shares of Common Stock received by the Grantee (i) upon the exercise during the Misstatement Period of any SARs held by the Grantee or (ii) upon the payment during the Misstatement Period of any Cash Award or Performance Award held by the Grantee, the value of which is determined in whole or in part with reference to the value of Common Stock and (z) any proceeds received by the Grantee from the sale, exchange, transfer or other disposition during the Misstatement Period of any shares of Common Stock received by the Grantee upon the exercise, vesting or payment during the Misstatement Period of any Award held by the Grantee. By way of clarification, “Forfeitable Benefits” will not include any shares of Common Stock received upon vesting of any Restricted Stock Units during the Misstatement Period that are not sold, exchanged, transferred or otherwise disposed of during the Misstatement Period. “Misstatement Period” means the 12-month period beginning on the date of the first public issuance or the filing with the Securities and Exchange Commission, whichever occurs earlier, of the financial statement requiring restatement. Notwithstanding any other provisions in this Agreement or the Plan, the Restricted Stock Units will also be subject to recovery or clawback by the Company under any other clawback policy adopted by the Company whether before or after the Grant Date.

**Schedule 1**  
**to**  
**Starz**  
**Performance-Based Restricted Stock Units Award Agreement**

**Restricted Stock Units That May Become Contingently Earned**  
**Based on Amount of Two-Year Operating Segment Revenue**

**Number of Restricted Stock Units Granted Pursuant to Section 2 of your Award Agreement (i.e., the maximum number of Restricted Stock Units that may become contingently earned under the Award Agreement):** \_\_\_\_\_

**Target Two-Year Operating Segment Revenue:** \$      \*

Percentage of Target Two-Year Operating Segment Revenue Achieved	Percentage of Restricted Stock Units That Will Become Contingently Earned RSUs
105% or more	100%
104%	80%
103%	60%
102%	40%
101%	20%
100% or less	0%

For Percentage of Target Two-Year Operating Segment Revenue Achievements between the numbers set forth in the table above (e.g., more than 101% but less than 102%), there will be applied straight-line linear interpolation between those numbers and corresponding straight-line linear interpolation of the Percentages of Restricted Stock Units That Will Become Contingently Earned RSUs, calculated to two decimal places.

\* Target Two-Year Operating Segment Revenue is subject to adjustment by the Committee as the Committee deems necessary or appropriate to take into account the impact of material or significant acquisitions or dispositions, and changes in law and accounting or tax rules.

## CERTIFICATION

I, Christopher P. Albrecht, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Starz;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
  - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2016

/s/ Christopher P. Albrecht

Christopher P. Albrecht

President and Chief Executive Officer

## CERTIFICATION

I, Scott D. Macdonald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Starz;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
  - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2016

/s/ Scott D. Macdonald

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Scott D. Macdonald

Chief Financial Officer, Executive Vice President and Treasurer

## Certification

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Starz, a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the period ended June 30, 2016 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2016

By: /s/ Christopher P. Albrecht  
Name: Christopher P. Albrecht  
Title: President and Chief Executive Officer (Principal Executive Officer)

Date: August 2, 2016

By: /s/ Scott D. Macdonald  
Name: Scott D. Macdonald  
Title: Chief Financial Officer, Executive Vice President and Treasurer (Principal Financial Officer and Principal Accounting Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.