

DirecTV, Liberty Media detail spinoff plans

May 4 2009, By DEBORAH YAO , AP Business Writer

(AP) -- DirecTV Group Inc., the nation's largest satellite TV provider, said Monday it will be combined with the entertainment unit of Liberty Media Corp. and spun off into a separately traded company.

The deal will enable Liberty Media, an entity controlled by media mogul John Malone, to boost its stake in DirecTV to 54 percent from 48 percent.

Liberty Media has traded as three separate tracking stocks that represent its holdings in interactive, entertainment and other businesses. DirecTV shareholders have been buying another tracking stock that holds the [satellite TV](#) business and other assets.

Now, by spinning off Liberty's entertainment unit and combining it with the satellite business, DirecTV shareholders can more directly invest in the TV business with less overhang from other, unrelated units.

As part of the entertainment group, DirecTV will own the Game Show Network, FUN Technologies and the three regional sports networks, which all had been held by Liberty Media.

Shares of DirecTV were up 96 cents, or 4 percent, to \$25.29 in morning trading.

DirecTV has done well even in this recession as consumers opt to stay home for entertainment. It adhered to a successful strategy of focusing on the most creditworthy customers who value their TV programming

more than they want to get a good deal. DirecTV's next quarterly earnings report is Thursday.

The new company will have \$30 million in cash and \$2 billion of debt. It also will have access to \$650 million in funding through a term loan facility.

The new DirecTV will have two classes of stock. One will have one vote per share while the other holds 15 votes per share. Malone, his wife and associated trusts will hold DirecTV shares that give them 24 percent voting control in the new company.

The rest of the entertainment unit not included in the spin-off will operate under the name Liberty Starz.

Each Series A group tracking share in the pre-split Liberty Entertainment unit will be exchanged for 0.9 common share of the new company. Holders will also get 0.1 share of Liberty Starz stock for each Series B tracking stock.

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