

Description of the Transaction and Public Interest Statement

On February 25, 2008, the FCC approved Liberty Media Corporation's ("Liberty Media") acquisition of *de facto* control of the FCC licenses and authorizations held by The DIRECTV Group, Inc. and its subsidiaries (collectively, "DIRECTV"). *See In the Matter of News Corporation and The DIRECTV Group, Inc., Transferors, and Liberty Media Corporation, Transferee*, 23 FCC Rcd. 3265 (2008) ("Liberty Media-DIRECTV Approval Order"). This application seeks the FCC's consent to the *pro forma* transfer of control of the experimental authorization listed in this application that may result from the implementation of DIRECTV's Share Repurchase Program as described below.

I. Liberty Media's De Facto Controlling Interest in DIRECTV and The DIRECTV Share Repurchase Program

The Liberty Media-DIRECTV Approval Order noted that, upon completion of the DIRECTV transaction, Liberty Media would "have a 40.36 percent interest in DIRECTV, making it the largest stockholder" in DIRECTV "by far." *See Liberty Media-DIRECTV Approval Order at ¶2.* The Liberty Media - DIRECTV transaction was completed on February 27, 2008. On April 3, 2008, Liberty Media announced the purchase of an additional 78.3 million DIRECTV common shares, thereby increasing Liberty Media's ownership in DIRECTV to approximately 48 percent.

On May 7, 2008, DIRECTV announced that it had increased its program to repurchase its common stock (the "DIRECTV Share Repurchase Program") to three billion dollars. *See DIRECTV Form 8-K, filed May 7, 2008 ("DIRECTV 8-K"), at 2.* DIRECTV has stated that its repurchase of its common stock through the DIRECTV Share Repurchase Program may result in Liberty Media "having Beneficial Ownership in the aggregate of 50% or more" of DIRECTV's issued and outstanding shares.¹

¹ *See Letter Agreement Dated May 6, 2008 Among The DIRECTV Group, Inc., Liberty Media Corporation, Greenlady Corporation and Greenlady II, LLC, DIRECTV 8-K, Exhibit 10.1, § 1(e) ("Letter Agreement").* The Letter Agreement sets forth certain agreements between DIRECTV and Liberty Media regarding the DIRECTV Share Repurchase Program. Among other things, the Letter Agreement provides that Liberty Media will cause the shares that exceed Liberty Media's percentage ownership of DIRECTV's issued and outstanding stock at the time of the Letter Agreement (47.888%) "to be voted in the same manner as, and in the same proportion to," the shares held by all other DIRECTV stockholders. *See Letter Agreement, §3(a)(i).* Thus, although Liberty Media's equity interest in DIRECTV may increase to 50 percent or higher as a result of DIRECTV's Share Repurchase Program, Liberty Media's percentage voting interest that exceeds the 47.888% interest in DIRECTV will be voted in accordance with the Letter Agreement.

II. DIRECTV's Share Repurchase Program Will Likely Result in Liberty Media Owning More Than 50 Percent of DIRECTV

Implementation of DIRECTV's Share Repurchase Program is expected to reduce the number of outstanding shares of common stock such that the shares of DIRECTV common stock currently beneficially owned by Liberty Media will constitute 50 percent or more of DIRECTV's issued and outstanding shares of common stock. Such an increase in Liberty Media's ownership percentage of DIRECTV's common stock would result in a *pro forma* transfer of control of DIRECTV.

"Through long administrative interpretation," the FCC has developed the following test for determining whether a transaction constitutes a substantial or *pro forma* transfer of control: (1) is 50 percent or more of the stock being transferred; and (2) will 50 percent or more of the outstanding stock be held by a person or persons whose qualifications have not been approved or "passed upon" by the FCC in previous application(s). See, e.g., *Barnes Enterprises, Inc.* 55 FCC 2d 721 (1975), at ¶8. "[W]here a 'passed upon' individual is going from *de facto* control to *de jure* control, the use of a short form is appropriate because such transactions do not involve a substantial change of control." *Metromedia, Inc.; For Consent to the Transfer of Corporate Control from John W. Kluge (De Facto Control) to John W. Kluge (De Jure Control)*, 98 FCC 2d 300 (1984), at ¶9, *recon. denied*, 56 RR 2d 1198 (1984).

Here, DIRECTV's implementation of the DIRECTV Share Repurchase Program is likely to cause Liberty Media, which is currently considered to have *de facto* control of DIRECTV, to increase its beneficial ownership of DIRECTV common shares to 50 percent or more of DIRECTV's issued and outstanding stock. The FCC already has approved, or "passed upon," Liberty Media's acquisition of *de facto* control of DIRECTV. Thus, even if Liberty Media is treated as "acquiring" *de jure* control of DIRECTV as a result of DIRECTV's Share Repurchase Program, the transaction would be deemed a *pro forma* transfer.

III. The *Pro Forma* Transfer of Control of DIRECTV is Consistent with the Public Interest, Convenience and Necessity

The FCC already has determined that Liberty Media's acquisition of *de facto* control of DIRECTV is consistent with the public interest, convenience and necessity. *See* Liberty Media - DIRECTV Approval Order at ¶157. The increase in Liberty Media's ownership percentage in DIRECTV's common stock, which is expected to occur through the implementation of the DIRECTV Share Repurchase Program, will not affect the primary public interest benefit of the Liberty Media-DIRECTV transaction recognized by the FCC. Further, the implementation of the DIRECTV Share Repurchase Program will not affect the operations associated with the experimental authorization listed in this application. Liberty Media respectfully submits that any *pro forma* transfer of DIRECTV that may result from the DIRECTV Share Repurchase Program is consistent with the public interest, convenience and necessity.