

Discovery Communications, Inc.

Form S-4/A

August 01, 2008

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As filed with the Securities and Exchange Commission on July 31, 2008

Registration No. 333-151586

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

**Amendment No. 2
to
Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

DISCOVERY COMMUNICATIONS, INC.

(Exact name of Registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

4841

*(Primary Standard Industrial
Classification code number)*

35-2333914

*(I.R.S. Employer
Identification No.)*

12300 Liberty Boulevard, Englewood, Colorado 80112, (720) 875-4000

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

**Joseph A. LaSala, Jr.
Discovery
Communications, LLC
One Discovery Place
Silver Spring, Maryland
20910
(240) 662-2000**
*(Name, address, including
zip
code, and telephone number,
including area code,
of agent for service)*

**Copy to:
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Discovery Holding
Company
12300 Liberty Boulevard
Englewood, Colorado
80112
(720) 875-4000**

**Copy to:
Robert W. Murray Jr.
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**Copy to:
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Wilmer Cutler Pickering
Hale and Dorr LLP
1875 Pennsylvania
Avenue, NW
Washington, DC 20006
(202) 663-6000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective and all other conditions to the proposed transaction described herein have been satisfied or waived, as applicable.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering.

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. (Check one):

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>
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The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this proxy statement/prospectus is not complete and may be changed. We may not sell the securities offered by this proxy statement/prospectus until the registration statement of which this proxy statement/prospectus forms a part is declared effective by the Securities and Exchange Commission. This proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where an offer or solicitation is not permitted.

SUBJECT TO COMPLETION, DATED JULY 31, 2008

[], 2008

Dear Stockholders,

We are pleased to present for your consideration and approval four related proposals, which, if approved, would result in Discovery Communications, LLC (**Discovery**) becoming a wholly-owned subsidiary of our company. Today, Discovery is jointly owned by our company, with a 662/3% interest, and Advance/Newhouse Programming Partnership, with a 331/3% interest.

Pursuant to the first proposal, which we refer to as the **merger proposal**, our company will become a subsidiary of a new public holding company, Discovery Communications, Inc., which we refer to as **New Discovery**, in which you will be entitled to receive, for each share of Series A common stock or Series B common stock of our company owned by you, 0.50 of a share of the same series of common stock of New Discovery *plus* 0.50 of a share of Series C common stock of New Discovery. All three series of New Discovery common stock (Series A, B and C) will have the same rights, powers and preferences except as to voting, with Series B having 10 votes per share, Series A having one vote per share, and Series C not having any voting rights except as required by Delaware law.

Pursuant to the second proposal, which we refer to as the **preferred stock issuance proposal**, New Discovery will issue two series of New Discovery convertible preferred stock (Series A and Series C) to Advance/Newhouse, in exchange for its contribution to New Discovery of its entire interest in Discovery and its interest in Animal Planet, L.P. The convertible preferred stocks will initially be convertible, on an as-converted basis, into one-third of the common equity of New Discovery, with the Series A convertible preferred stock being convertible into shares of New Discovery Series A common stock and the Series C convertible preferred stock being convertible into shares of New Discovery Series C common stock. Advance/Newhouse will be entitled to additional shares of convertible preferred stock following the merger upon exercise of certain options and stock appreciation rights that will be outstanding immediately after the merger. The New Discovery convertible preferred stock will have certain class voting rights and will elect three members of New Discovery's board of directors. Otherwise, the preferred stock will vote with the New Discovery common stock on an as-converted basis, except that it will not vote on directors elected by the holders of New Discovery common stock. We refer to our merger and the contribution by Advance/Newhouse of its interest in Discovery and Animal Planet, L.P. in exchange for the New Discovery convertible preferred stock as the **Transaction**.

Pursuant to the third proposal, which we refer to as the **authorized stock proposal**, we seek your approval of that portion of New Discovery's charter which authorizes the issuance of up to 3.8 billion shares of common stock and 200 million shares of preferred stock. Today, our charter provides for 1.25 billion shares of common stock and 50 million shares of preferred stock. The increased capitalization is sought in order to effectuate the issuance of the convertible preferred stock to Advance/Newhouse and the merger, as well as to provide New Discovery with flexibility in the future by assuring the availability of sufficient authorized but unissued shares for a variety of

corporate purposes, such as financings, stock dividends, and mergers and acquisitions.

Pursuant to the fourth proposal, which we refer to as the **incentive plan proposal**, in connection with the Transaction, the number of shares of common stock with respect to which awards may be granted under the Discovery Holding Company 2005 Incentive Plan, as amended, overall and to any person in any single calendar year will be increased, and other revisions intended to clarify certain terms of the plan will be made. The plan will be assumed by New Discovery in the Transaction, as the successor to DHC. We will not implement the incentive plan proposal unless we complete the Transaction.

Just prior to the Transaction, we will spin off to our current stockholders the businesses of our subsidiary Ascent Media Corporation. We are not seeking stockholder approval for the spin-off.

We believe that the Transaction, together with the spin-off, will create tremendous value for our stockholders by transforming our company into a pure-play high quality programming company. Your board of directors has approved the Transaction, believes it is in the best interests of our stockholders, and recommends that you vote in favor of the merger proposal, the preferred stock issuance proposal, the authorized stock proposal and the incentive plan proposal, which we refer collectively to as the **transaction proposals**.

The vote on the transaction proposals will occur at our 2008 Annual Meeting of Stockholders, which will be held at the _____ in _____ on _____, 2008. We will also be attending to annual business matters at the Annual Meeting, including a proposal to re-elect Messrs. John Malone and Robert Bennett as Class III directors, as explained in the accompanying Notice of Annual Meeting. Before voting on any of the proposals submitted for your consideration, please be sure to read the accompanying proxy statement/prospectus because it contains important information about the matters to be acted upon.

New Discovery will have an eleven-member board of directors after completion of the Transaction, which will initially be composed of the existing members of our board of directors, including Messrs. Malone and Bennett, a new independent director, two new directors who are current executives of Discovery and three additional directors who are to be elected by Advance/Newhouse pursuant to the terms of the New Discovery convertible preferred stock. Two of the initial electees of Advance/Newhouse will be Robert J. Miron, Chairman of Advance/Newhouse, and Steven A. Miron, the Chief Executive Officer of Advance/Newhouse. The management team of New Discovery will consist of the current management team of Discovery.

We expect to list the New Discovery Series A and Series B common stock on the Nasdaq Global Select Market under the symbols DISCA and DISCB, the same symbols under which our existing Series A and Series B common stock are listed, and the New Discovery Series C common stock to be listed on the Nasdaq Global Select Market under the symbol DISCK.

We are very excited about the proposed Transaction, and we look forward to obtaining your approval at the Annual Meeting. As discussed in the accompanying proxy statement/prospectus, the Transaction is subject to a number of conditions in addition to approval by our stockholders at the Annual Meeting.

Your vote is very important, regardless of the number of shares you own. Whether or not you plan to attend the Annual Meeting, please vote as soon as possible to make sure that your shares are represented.

Thank you for your continued support and interest in our company.

Sincerely,

John C. Malone
Chief Executive Officer and Chairman of the Board

Discovery Holding Company

This letter to stockholders also serves as the cover of the prospectus of New Discovery. Pursuant to the Registration Statement of which this proxy statement/prospectus forms a part, New Discovery will offer up to 134,633,813 shares of its Series A common stock, 7,433,111 shares of its Series B common stock, and 142,066,922 shares of its Series C common stock in the Transaction, based on the number of outstanding shares of DHC common stock as of June 30, 2008.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Transaction or the securities being offered in the Transaction, has passed upon the merits of the Transaction or passed upon the adequacy or accuracy of the disclosure in this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

Investing in our securities involves risks. See Risk Factors beginning on page 25.

The accompanying proxy statement/prospectus is dated [], 2008 and is first being mailed on or about [], 2008 to our stockholders of record as of 5:00 p.m., New York City time, on [], 2008.

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REFERENCES TO ADDITIONAL INFORMATION

Discovery Holding Company is subject to the information and reporting requirements of the Securities Exchange Act of 1934 and, in accordance with the Exchange Act, DHC files periodic reports and other information with the Securities and Exchange Commission. In addition, this proxy statement/prospectus incorporates important business and financial information about DHC from other documents that are not included in or delivered with this proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain copies of documents filed by DHC with the SEC, including the documents incorporated by reference in this proxy statement/prospectus, through the SEC website at <http://www.sec.gov> or by contacting DHC by writing or telephoning the office of Investor Relations:

Discovery Holding Company
12300 Liberty Boulevard
Englewood, Colorado 80112
Telephone: (877) 772-1518

If you would like to request any documents, please do so by [], 2008 in order to receive them before the Annual Meeting. If you request any documents, they will be mailed to you by first class mail, or another equally prompt means, within one business day after your request is received.

See Additional Information Where You Can Find More Information beginning on page 162.

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DISCOVERY HOLDING COMPANY
a Delaware Company

12300 Liberty Boulevard
Englewood, Colorado 80112
(720) 875-4000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held [], 2008

Dear Discovery Holding Company Stockholder:

You are cordially invited to attend, and notice is hereby given of, the 2008 Annual Meeting of Stockholders of Discovery Holding Company (**DHC**) to be held at [], on [], 2008 at [] a.m., local time, for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of June 4, 2008, among DHC, Discovery Communications, Inc. (**New Discovery**) and Merger Sub, Inc. (**Merger Sub**), a wholly-owned subsidiary of New Discovery, pursuant to which, among other things, Merger Sub would merge with and into DHC, and each outstanding share of DHC Series A and Series B common stock would be exchanged for 0.50 of a share of the same series of New Discovery common stock *plus* 0.50 of a share of New Discovery Series C common stock. We refer to this proposal as the **merger proposal**.
2. To consider and vote upon a proposal to issue New Discovery Series A and Series C convertible preferred stock to Advance/Newhouse Programming Partnership in exchange for its contribution to New Discovery of its entire indirect interest in Discovery Communications, LLC and Animal Planet, L.P. (**Animal Planet**). We refer to this proposal as the **preferred stock issuance proposal**.
3. To consider and vote upon a proposal to include in the charter of New Discovery, as to the total number of shares which New Discovery shall have authority to issue, 4,000,000,000 shares, of which 3,800,000,000 shall be of a class designated as common stock, and of which 200,000,000 shall be of a class designated as preferred stock. We refer to this proposal as the **authorized stock proposal**.
4. To consider and vote upon a proposal to increase the number of shares of common stock with respect to which awards may be granted under the Discovery Holding Company 2005 Incentive Plan, as amended (as the same is assumed by New Discovery, the **DHC incentive plan**), overall and to any person in any single calendar year and to make other revisions intended to clarify certain terms of the plan. We refer to this proposal as the **incentive plan proposal**.

We refer to the merger proposal, the preferred stock issuance proposal, the authorized stock proposal and the incentive plan proposal, collectively, as the **transaction proposals**. *Each of the merger proposal, the preferred stock issuance proposal and the authorized stock proposal is dependent on the other two, and none will be implemented unless they are all approved at the Annual Meeting. None of the merger proposal, the preferred stock issuance proposal or the authorized stock proposal is dependent on the approval of the incentive plan proposal. The incentive plan proposal is, however, dependent on the approval of the merger proposal, preferred stock issuance proposal and the authorized stock proposal and will not be implemented unless all three of these proposals are approved at the Annual Meeting and implemented thereafter.*

In addition to the transaction proposals, at the Annual Meeting you will be asked:

5. To consider and vote upon a proposal to re-elect John C. Malone and Robert R. Bennett to serve as Class III members of our board of directors until the 2011 Annual Meeting of stockholders or until their successors are elected. We refer to this proposal as the **election of directors proposal**.

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6. To consider and vote upon a proposal to ratify the selection of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2008. We refer to this proposal as the **auditors ratification proposal**.

We refer to the election of directors proposal and the auditors ratification proposal together as the **annual business proposals**. We will also transact such other business as may properly be presented at the Annual Meeting or any postponements or adjournments of the meeting.

We describe the transaction proposals and the annual business proposals in more detail in the accompanying proxy statement/prospectus. We encourage you to read the proxy statement/prospectus in its entirety before voting.

Holders of record of DHC common stock as of 5:00 p.m., New York City time, on [], 2008, the record date (**record date**) for the Annual Meeting, will be entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof. The affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of both series of DHC common stock outstanding on the record date, voting together as a single class, is required to approve each of the merger proposal, the preferred stock issuance proposal and the authorized stock proposal. The affirmative vote of the holders of a plurality of the votes of the shares of both series of DHC common stock outstanding on the record date, voting as a single class, that are voted at the Annual Meeting, in person or by proxy, is required to re-elect each of Messrs. Malone and Bennett as a Class III member of our board of directors pursuant to the election of directors proposal. The affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of both series of DHC common stock outstanding on the record date and present at the Annual Meeting, in person or by proxy, voting together as a single class, is required to approve each of the incentive plan proposal and the auditors ratification proposal. A list of stockholders entitled to vote at the Annual Meeting will be available at the office of DHC for review by any DHC stockholder, for any purpose germane to the Annual Meeting, for at least 10 days prior to the Annual Meeting.

The board of directors of DHC unanimously recommends that you vote FOR approval of the merger proposal, the preferred stock issuance proposal, the authorized stock proposal and the incentive plan proposal, FOR the re-election of Messrs. Malone and Bennett as Class III directors, and FOR the auditor ratification proposal.

Your vote is very important, regardless of the number of shares you own. To make sure your shares are represented at the Annual Meeting, please vote as soon as possible, whether or not you plan to attend the Annual Meeting. You may vote by proxy in any one of the following ways:

Use the toll-free telephone number shown on the proxy card;

Use the Internet website shown on the proxy card; or

Complete, sign, date and promptly return the enclosed proxy card in the postage-paid envelope. It requires no postage if mailed in the United States.

You may revoke your proxy in the manner described in the accompanying proxy statement/prospectus. If you attend the Annual Meeting, you may vote your shares in person even if you have previously submitted a proxy.

By Order of the Board of Directors,

Charles Y. Tanabe
Senior Vice President, General Counsel and

Secretary

Englewood, Colorado

[], 2008

PLEASE COMPLETE, EXECUTE AND RETURN THE ENCLOSED PROXY CARD PROMPTLY OR VOTE BY TELEPHONE OR OVER THE INTERNET, WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE ANNUAL MEETING. IF YOU HAVE ANY QUESTIONS ABOUT THE PROPOSALS OR ABOUT VOTING YOUR DHC SHARES, PLEASE CALL DHC'S INVESTOR RELATIONS DEPARTMENT AT (877) 772-1518.

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<u>APPENDIX A:</u>	Information Concerning Discovery Communications Holding, LLC Including Its Wholly-Owned Subsidiary Discovery Communications, LLC Part 1: Business Description Part 2: Management's Discussion and Analysis of Financial Condition and Results of Operations Part 3: Historical Consolidated Financial Statements
<u>APPENDIX B:</u>	Transaction Agreement, dated as of June 4, 2008, by and among Discovery Holding Company, Discovery Communications, Inc., DHC Merger Sub, Inc., Advance/Newhouse Programming Partnership, and with respect to Section 5.14 only Advance Publications, Inc., and Newhouse Broadcasting Corporation
<u>APPENDIX C:</u>	Agreement and Plan of Merger, dated as of June 4, 2008, by and among Discovery Holding Company, Discovery Communications, Inc., and DHC Merger Sub, Inc.
<u>APPENDIX D:</u>	Form of Restated Certificate of Incorporation of Discovery Communications, Inc.
<u>APPENDIX E:</u>	Form of Bylaws of Discovery Communications, Inc.
<u>APPENDIX F:</u>	Ascent Media Corporation Audited Financial Statements
<u>APPENDIX G:</u>	Form of Discovery Communications, Inc. 2005 Incentive Plan (As Amended and Restated)

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QUESTIONS AND ANSWERS

The questions and answers below highlight only selected information from this proxy statement/prospectus. They do not contain all of the information that may be important to you. You should read carefully the entire proxy statement/prospectus, including the appendices included herein, and the additional documents incorporated by reference in this proxy statement/prospectus to fully understand the matters being considered at the Annual Meeting.

Concerning the Transaction

Q: What is the proposed Transaction?

A: DHC and Advance/Newhouse have agreed to combine their interests in Discovery pursuant to the terms of a transaction agreement (**Transaction Agreement**). Advance/Newhouse will contribute its entire interest in Discovery and Animal Planet L.P. (**Animal Planet**) to a new parent company named Discovery Communications, Inc. (**New Discovery**), in exchange for two series of convertible preferred stock of New Discovery, and DHC will merge with a wholly-owned subsidiary of New Discovery. After the contribution by Advance/Newhouse in exchange for the convertible preferred stock and the merger of DHC, DHC stockholders and Advance/Newhouse will be stockholders of New Discovery and Discovery will be an indirect wholly-owned subsidiary of New Discovery.

Q: What is the purpose of the Transaction?

A: Currently, DHC holds a two-thirds equity interest in Discovery's parent, Discovery Communications Holding, LLC (**Discovery Communications Holding**), and Advance/Newhouse holds the other one-third equity interest and special voting rights. As a result of these special voting rights, DHC is unable to consolidate Discovery for financial reporting purposes. DHC desired to structure a transaction with Advance/Newhouse that would allow DHC to consolidate Discovery for financial reporting and tax purposes while also preserving for its stockholders not less than the level of control over Discovery that DHC currently holds as a two-thirds owner of Discovery Communications Holding. Advance/Newhouse desired to structure a transaction with DHC that would enable Advance/Newhouse to obtain liquidity with respect to its interests in Discovery while also preserving its special voting rights (subject to mutually acceptable modifications appropriate for a public company). Advance/Newhouse also desired that Discovery's ultimate parent company be a pure-play, programming company, which would require the divestiture (**AMC spin-off**) of DHC's interests in Ascent Media Corporation (**AMC**), prior to the completion of the Transaction. At the time of the AMC spin-off, AMC would include all of DHC's Ascent Media Group businesses other than certain businesses that provide sound, music, mixing, sound effects and other related post-production audio services under brand names such as Sound One, POP Sound, Soundelux and Todd A-O (**Ascent Media Sound**). Lastly, both DHC and Advance/Newhouse desired that the Transaction be generally tax-free to each of DHC, DHC's stockholders and Advance/Newhouse. The Transaction was structured to accomplish the foregoing goals.

Q: What will holders of DHC common stock receive as a result of the Transaction?

A: If the Transaction is completed, each share of DHC Series A common stock or DHC Series B common stock owned by a DHC stockholder at the effective time of the merger will be exchanged for 0.50 of a share of the same series of New Discovery common stock and 0.50 of a share of New Discovery Series C common stock. All three series of New Discovery common stock (Series A, B and C) will have the same rights, powers and preferences, except (1) the Series B common stock will be convertible into the Series A common stock and (2) the Series B will have 10 votes per share, the Series A will have one vote per share, and the Series C will not

have any voting rights except as required by Delaware law.

Q: Why will holders of DHC common stock receive Series C common stock of New Discovery?

A: One of the anticipated benefits of the Transaction is the ability of New Discovery to issue equity on more favorable terms in connection with future acquisitions. Using a publicly traded, non-voting series of stock as acquisition currency will enable New Discovery to issue stock without diluting the voting rights of its existing stockholders, including the former DHC stockholders and Advance/Newhouse. Issuing Series C common stock

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of New Discovery in the Transaction will allow a market to develop in this stock prior to the need for its use in an acquisition.

Q: What will Advance/Newhouse receive as a result of the Transaction?

A: In exchange for its contribution to New Discovery of its entire indirect interest in Discovery and Animal Planet in accordance with the Transaction Agreement, Advance/Newhouse will receive shares of New Discovery Series A convertible preferred stock and New Discovery Series C convertible preferred stock. The convertible preferred stocks will initially be convertible, on an as-converted basis, into one-third of the common equity of New Discovery. Accordingly, the Series A convertible preferred stock will be convertible into a number of shares of New Discovery Series A common stock equal to one-half of the aggregate number of shares of New Discovery Series A and Series B common stock issued in the merger, and the Series C convertible preferred stock will initially be convertible into a number of shares of New Discovery Series C common stock equal to one-half of the shares of New Discovery Series C common stock issued in the merger, in each case, subject to anti-dilution adjustments. Advance/Newhouse is receiving convertible preferred stock rather than shares of common stock because the convertible preferred stock will enable Advance/Newhouse to exercise its special voting rights through a separate class vote in its capacity as a stockholder of New Discovery, which reflects how Advance/Newhouse currently exercises its special voting rights with respect to Discovery.

Advance/Newhouse will also be entitled to additional shares of the same series of convertible preferred stock following the merger upon exercise of certain options and stock appreciation rights in respect of New Discovery common stock that will be outstanding immediately after the merger. These additional shares will be deposited by Advance/Newhouse into an escrow account upon closing for the benefit of Advance/Newhouse and released from escrow contingent upon any such exercise. The shares are being issued and escrowed to avoid dilution to Advance/Newhouse as a result of the rollover of outstanding equity awards at DHC.

The New Discovery preferred stock will vote as a single class with the holders of New Discovery common stock on all matters submitted for a vote to the common stockholders of New Discovery, except for the election of directors. The New Discovery convertible preferred stock will have the right to elect three members of New Discovery's board of directors (who we refer to as the **preferred stock directors**) and will have the special voting rights referenced above on matters such as fundamental changes in the business of New Discovery, certain acquisitions and dispositions and future issuances of New Discovery capital stock.

Q: How will the Transaction affect the proportionate equity interests of the existing stockholders of DHC in Discovery and AMC?

A: Following the completion of the Transaction and the AMC spin-off, former DHC stockholders will own 662/3% of the equity of New Discovery (which will own 100% of the equity of Discovery and 100% of the equity of Ascent Media Sound) and 100% of the equity of AMC. Today, DHC owns 662/3% of the equity of Discovery, 100% of the equity of AMC and 100% of the equity of Ascent Media Sound. Following the completion of the Transaction and the AMC spin-off, Advance/Newhouse will own 331/3% of the equity of New Discovery, which will own 100% of the equity of Discovery and 100% of the equity of Ascent Media Sound. Today, Advance/Newhouse owns 331/3% of the equity of Discovery and no interest in AMC or Ascent Media Sound. For financial information on AMC, see its Audited Financial Statements included as Appendix F to this proxy statement/prospectus. Although no formal valuation was performed with respect to Ascent Media Sound, DHC believes that it would have an enterprise value of up to \$50 million. As a result of the Transaction, the DHC stockholders' equity interest in Ascent Media Sound will be diluted by 331/3%. The DHC board considered the dilutive effect on the DHC stockholders of retaining Ascent Media Sound at New Discovery but determined that the benefits to the Transaction of retaining Ascent Media Sound at New Discovery outweighed the dilution to the

DHC stockholders.

Q: How will the Transaction affect the proportionate voting interests of the existing stockholders of DHC?

A: Following the completion of the Transaction, former DHC stockholders will hold 74% of the aggregate voting power of New Discovery (other than with respect to the election of directors), based upon the number of shares of DHC common stock outstanding on June 30, 2008, and former DHC stockholders will own 100% of the aggregate voting power of New Discovery with respect to the election of the eight directors that are not elected by the holders of the New Discovery convertible preferred stock.

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Immediately following the completion of the Transaction, Advance/Newhouse will hold 26% of the aggregate voting power of New Discovery (other than with respect to the election of directors), based upon the number of shares of DHC common stock outstanding on June 30, 2008. In addition, the New Discovery convertible preferred stock will have the right to elect three directors and special voting rights on select matters for so long as Advance/Newhouse (or a permitted transferee) owns a specified minimum amount of Series A convertible preferred stock.

Although Advance/Newhouse will hold 33 1/3% of the equity of New Discovery, its aggregate voting power is less than this percentage (and, conversely, former DHC stockholders will hold 66 2/3% of the equity of New Discovery but their aggregate voting power will exceed this percentage) because the holders of DHC Series B common stock will receive shares of Series B common stock of New Discovery in the Transaction, which have the same per share voting rights as the DHC Series B shares.

Q: What is the incentive plan proposal?

A: The DHC incentive plan provides the compensation committee of the DHC board with the ability to grant equity based incentive awards and certain cash awards to employees and consultants. Under the current DHC incentive plan, the aggregate number of shares with respect to which awards may be granted is 20 million and the aggregate number of shares with respect to which awards may be granted to a person in a single calendar year is 2 million. New Discovery will assume the DHC incentive plan upon the consummation of the Transaction and going forward New Discovery's compensation committee will be responsible for the administration of the DHC incentive plan.

The DHC board has determined that the limits described above should be increased in connection with New Discovery's assumption of the DHC incentive plan in the Transaction because it is the expectation of DHC and Advance/Newhouse that, as a result of the Transaction, participants under the Discovery Appreciation Program (DAP), the current incentive plan of Discovery, and other current and future employees of Discovery will become grantees under the DHC incentive plan and, generally, new awards under the DAP will not be made after completion of the Transaction. The terms of the future grants under the DHC incentive plan (other than those contemplated by (i) a term sheet entered into between the compensation committee of Discovery and John Hendricks, the Founder and Chairman of Discovery, on July 29, 2008 and (ii) the employment agreement with Discovery's new chief financial officer, Bradley Singer) have not yet been determined; rather, it is the expectation of DHC and Advance/Newhouse that the compensation committee of the New Discovery board will be tasked with making those determinations. In determining that the limits under the DHC incentive plan should be increased in connection with the Transaction, DHC and Advance/Newhouse also took into account that, pursuant to the term sheet relating to Mr. Hendricks' awards, he would receive a grant of stock options under the DHC incentive plan relating to approximately 4.8 million DAP units that are vesting in 2008, thereby requiring an increase in the DHC incentive plan's per-person, per year grant cap. For a description of the term sheet relating to Mr. Hendricks' awards and Mr. Singer's employment agreement, please see Management of New Discovery Executive Compensation Arrangements John Hendricks Equity Stake Transition Term Sheet and Executive Compensation Arrangements Singer Employment Agreement, respectively. The DHC Board also noted that:

New Discovery's outstanding equity will be significantly larger than DHC's due to the preferred stock issuance in the contribution;

New Discovery will have a much larger base of potential grantees because the Discovery organization has many more employees than DHC;

there are 5 years remaining under the original term of the DHC incentive plan, during which time New Discovery's compensation committee may continue to grant awards thereunder; and

to change the name of the DHC incentive plan.

In addition, in order to facilitate the transition of the DHC incentive plan from DHC to New Discovery, the DHC board decided to make various clarifying revisions to the DHC incentive plan.

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For these reasons, the DHC board and its compensation committee determined that it would seek the approval of the DHC stockholders to amend and restate the DHC incentive plan to: (i) increase the aggregate number of shares with respect to which awards may be granted during the term of the DHC incentive plan to 42 million, (ii) increase the aggregate number of shares with respect to which awards may be granted to a person in a single calendar year to 6 million, and (iii) make other clarifying revisions as described in The DHC Incentive Plan Proposal Background and Purpose below.

Q: Why do you want New Discovery to have a greater number of authorized shares of capital stock than DHC has?

A: If the authorized stock proposal is approved, New Discovery will be authorized by its restated charter to issue 3.8 billion shares of common stock and 200 million shares of preferred stock. By comparison, DHC today has authorized stock of 1.25 billion shares of common stock and 50 million shares of preferred stock. We estimate that approximately 281.2 million shares of common stock and 142 million shares of preferred stock (including preferred shares to be deposited in escrow) will be issued in connection with the Transaction, based on the number of shares of DHC common stock and DHC options outstanding on June 30, 2008. An estimated 144.8 million additional shares of common stock will be reserved for issuance upon potential conversion of the convertible preferred stock to be issued to Advance/Newhouse and upon potential exercise of New Discovery options and SARs. The greater number of authorized shares at New Discovery is also necessary in the event of a rights distribution date under the rights plan adopted by New Discovery, and to provide flexibility to New Discovery in the future by assuring the availability of sufficient authorized but unissued shares for a variety of other corporate purposes, such as financings, stock dividends, incentive compensation plans, and mergers and acquisitions. The authorized stock of New Discovery is set forth in Article IV of its restated charter, a copy of which is included as Appendix D to this proxy statement/prospectus.

Q: Where will New Discovery common stock trade?

A: We expect the New Discovery Series A and Series B common stock to be listed on the Nasdaq Global Select Market under DISCA and DISCB, the same symbols under which DHC Series A and Series B common stock currently trade, and the New Discovery Series C common stock to be listed on the Nasdaq Global Select Market under the symbol DISCK .

Q: What do I need to do to vote on the transaction proposals?

A: After carefully reading and considering the information contained in this proxy statement/prospectus, you should complete, sign, date and return the enclosed proxy card by mail, or vote by the telephone or through the Internet, in each case as soon as possible so that your shares are represented and voted at the Annual Meeting. Instructions for voting by using the telephone or the Internet are printed on the proxy voting instructions attached to the proxy card. In order to vote via the Internet, have your proxy card available so you can input the required information from the card, and log into the Internet website address shown on the proxy card. When you log on to the Internet website address, you will receive instructions on how to vote your shares. The telephone and Internet voting procedures are designed to authenticate votes cast by use of a personal identification number, which will be provided to each voting shareholder separately.

Stockholders who have shares registered in the name of a broker, bank or other nominee should follow the voting instruction card provided by their broker, bank or other nominee in instructing them how to vote their shares. We recommend that you vote by proxy even if you plan to attend the Annual Meeting. You may change your vote at the Annual Meeting.

Q: What stockholder approvals are required before the Transaction can be completed?

A: In order for the Transaction to be completed, the DHC stockholders must approve each of the merger proposal, the preferred stock issuance proposal and the authorized stock proposal at the Annual Meeting. If any of these three proposals are not approved, then the Transaction will not happen. The approval of the merger proposal, preferred stock issuance proposal and the authorized stock proposal each require the affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of both series of DHC common stock

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outstanding on the record date for the Annual Meeting, voting together as a single class. The completion of the Transaction is not dependent on the approval of the incentive plan proposal at the Annual Meeting.

Q: What stockholder approval is required to approve the incentive plan proposal?

A: The incentive plan proposal requires the affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of DHC common stock outstanding on the record date for the Annual Meeting and present at the Annual Meeting, in person or by proxy, voting together as a single class.

Q: If my DHC shares are held in street name by a broker, bank or other nominee, will the broker, bank or other nominee vote those shares for me on any of the transaction proposals?

A: If you hold your shares in street name and do not provide voting instructions to your broker, bank or other nominee, your shares will not be voted on any of the transaction proposals. Accordingly, your broker, bank or other nominee will vote your shares held in street name only if you provide instructions on how to vote. If a broker, who is a record holder of shares, indicates on a form of proxy that the broker does not have discretionary authority to vote those shares on any proposal, or if those shares are voted in circumstances in which proxy authority is defective or has been withheld with respect to any proposal, these shares are considered **broker non-votes**. Broker non-votes will have the same effect as a vote **AGAINST** the merger proposal, preferred stock issuance proposal and the authorized stock proposal but will have no effect on the incentive plan proposal. You should follow the directions your broker, bank or other nominee provides to you regarding how to vote your shares.

Q: What if I do not vote on the transaction proposals?

A: If you fail to respond with a vote on the transaction proposals, it will have the same effect as a vote **AGAINST** the merger proposal, preferred stock issuance proposal and the authorized stock proposal but will have no effect on the incentive plan proposal. If you respond but do not indicate how you want to vote, your proxy will be counted as a vote **FOR** each of the transaction proposals. If you respond and indicate that you are abstaining from voting, your proxy will have the same effect as a vote **AGAINST** each of the transaction proposals.

Q: May I change my vote on the transaction proposals after returning a proxy card or voting by telephone or over the Internet?

A: *Yes.* Before your proxy is voted at the Annual Meeting, you may change your vote on the transaction proposals by telephone or over the Internet (if you originally voted by telephone or over the Internet), by voting in person at the Annual Meeting or by delivering a signed proxy revocation or a new signed proxy with a later date to: Discovery Holding Company, c/o Computershare Trust Company, N.A., P.O. Box 43102, Providence, Rhode Island 02940.

Any signed proxy revocation or new signed proxy must be received before the start of the Annual Meeting. Your attendance at the Annual Meeting will not, by itself, revoke your proxy.

If your shares are held in an account by a broker, bank or other nominee who you previously contacted with voting instructions, you should contact your broker, bank or other nominee to change your vote.

Q: When do you expect to complete the Transaction?

A:

We expect to complete the Transaction as quickly as possible once all the conditions to the Transaction, including obtaining the approvals of each of the merger proposal, the preferred stock issuance proposal and the authorized stock proposal at the Annual Meeting, are satisfied or, if applicable, waived. We currently expect to complete the Transaction within a few days following the Annual Meeting.

Q: If the Transaction is completed, what should I do with my shares?

A: If you are a holder of certificated shares of DHC common stock, you will receive written instructions from the stock transfer agent after the Transaction is completed on how to exchange your shares of DHC common stock for shares of New Discovery common stock.

If you hold shares of DHC common stock through book-entry (whether through a bank, broker or nominee or through the transfer agent's book-entry registry), those shares will be debited from your account, and your

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account will be credited with the applicable number and series of shares of New Discovery and cash in lieu of any fractional share interest you are entitled to receive with respect to such shares of DHC common stock.

Q: Who can help answer my questions about the voting procedures and the Transaction?

A: DHC stockholders who have questions about the Annual Meeting, including the voting procedures, or the transaction proposals should call DHC's Investor Relations Department at (877) 772-1518 with their questions.

Concerning the AMC Spin-off

Q: What is the AMC spin-off?

A: In the AMC spin-off, DHC will distribute to its current stockholders, on a pro rata basis, all of the issued and outstanding shares of stock of a newly formed, wholly-owned subsidiary, AMC, which will hold cash and all of the businesses of DHC's wholly-owned subsidiaries, Ascent Media CANS, LLC (dba AccentHealth) and Ascent Media Group, LLC (collectively, **Ascent Media**), except for Ascent Media Sound. Ascent Media Sound, which provides sound supervision, sound design, sound editorial, music, mixing and sound effects services for the production and post-production of feature films, television programs and commercials, is not a necessary or integral component of the other businesses of Ascent Media and is being retained by DHC to address, among other things, certain tax considerations. For financial information on AMC, see its Audited Financial Statements included as Appendix F to this proxy statement/prospectus. Although no formal valuation was performed with respect to Ascent Media Sound, DHC believes that it would have an enterprise value of up to \$50 million. As a result of the Transaction, the DHC stockholders' equity interest in Ascent Media Sound will be diluted by 33 1/3%. The DHC board considered this dilution to the DHC stockholders but determined that it was outweighed by the benefits to the Transaction of retaining Ascent Media Sound at New Discovery. For more information regarding Ascent Media Sound, see The Companies' Discovery Communications, Inc.

Q: Is the AMC spin-off conditioned on the completion of the Transaction?

A: Yes, the AMC spin-off is conditioned on all of the conditions precedent to the Transaction (other than the spin-off itself, and other matters that will be completed at the closing of the Transaction) having been satisfied or, to the extent waivable, waived.

Q: Why is the AMC spin-off happening?

A: The obligations of DHC and Advance/Newhouse to complete the Transaction are subject to the completion of the AMC spin-off. The AMC spin-off will facilitate the Transaction by resolving differing views with respect to the value of Ascent Media that could otherwise preclude the consummation of the Transaction on terms acceptable to both DHC and Advance/Newhouse. DHC wishes to complete the Transaction for the reasons summarized above.

Further, the AMC spin-off will provide certain benefits for investors in AMC, including making it easier for investors to understand and value the Ascent Media assets (other than Ascent Media Sound), which DHC's board of directors believes may currently be overshadowed by DHC's interest in Discovery.

Q: Where can I find more information about the AMC spin-off?

A: An information statement concerning the AMC spin-off will be mailed to all DHC stockholders in advance of the distribution date for the AMC spin-off and as of a record date to be determined by the DHC board. You should read the information statement when you receive it carefully as it will contain important information about the

mechanics of the AMC spin-off as well as detailed information about the assets of Ascent Media that are involved in the AMC spin-off.

Concerning the DHC Annual Meeting and the Annual Business Proposals

Q: Why is DHC having its Annual Meeting instead of a Special Meeting at this time?

A: DHC's common stock is traded on the Nasdaq Global Select Market, and it is a requirement of The Nasdaq Stock Market that all issuers of securities traded on that market hold an annual meeting once a year. The Annual Meeting will satisfy this requirement. If the merger proposal, preferred stock issuance proposal and authorized

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stock proposal are approved and the Transaction is completed, New Discovery, as the successor to DHC, will not be required to hold an annual meeting until 2009.

Q: In addition to the transaction proposals, what other proposals are to be considered and voted upon at the Annual Meeting?

A: DHC stockholders will be attending to annual business matters and are being asked to consider and vote on the following two proposals, in addition to the transaction proposals:

the *election of directors proposal*, a proposal to re-elect John C. Malone and Robert R. Bennett to serve as Class III members of DHC's board of directors until DHC's 2011 annual meeting of stockholders or until their successors are elected; and

the *auditors ratification proposal*, a proposal to approve the selection of KPMG LLP as DHC's independent auditors for the fiscal year ending December 31, 2008.

We will also transact such other business as may properly be presented at the meeting or at any postponements or adjournments of the meeting. However, we are not aware of any other matters to be acted upon at the Annual Meeting.

Q: What stockholder approval is required to approve the election of directors proposal?

A: The election of Messrs. Malone and Bennett requires a plurality of the affirmative votes of the shares of DHC's Series A and Series B common stock outstanding on the record date, voting together as a single class, that are voted in person or by proxy at the Annual Meeting. This means that the nominees will be elected if they receive more affirmative votes than any other person.

If you submitted a proxy card on which you indicate that you abstain from voting, it will have no effect on the election of directors proposal.

Broker non-votes will have no effect on the election of directors proposal.

Q: How will the vote on the transaction proposals impact the DHC directors elected pursuant to the election of directors proposal?

A: If the merger proposal, preferred stock issuance proposal and authorized stock proposal receive the requisite stockholder approval at the Annual Meeting, the DHC directors elected pursuant to the election of directors proposal will serve, together with DHC's other directors, until the closing of the Transaction. At that time, the board of directors of New Discovery will be comprised of common stock directors and preferred stock directors, with the current DHC board of directors (including Messrs. Malone and Bennett, regardless of whether or not they are elected at the Annual Meeting) constituting the common stock directors of New Discovery, along with one new independent director and two executive officers of Discovery. Advance/Newhouse, as the holder of the New Discovery convertible preferred stock, will appoint the three preferred stock directors, but will not vote on the election of any common stock director. Two of the initial preferred stock directors will be Robert J. Miron, Chairman of Advance/Newhouse, and Steven A. Miron, Chief Executive Officer of Advance/Newhouse.

If the merger proposal, preferred stock issuance proposal and authorized stock proposal do not receive the requisite stockholder approval, or if for any other reason the Transaction is not completed, then the persons elected as Class III directors at the Annual Meeting will serve until the 2011 annual meeting of DHC

stockholders or until their successors are elected.

Q: What stockholder approval is required to approve the auditors ratification proposal?

A: The auditors ratification proposal requires the affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of DHC common stock outstanding on the record date for the Annual Meeting and present at the Annual Meeting, in person or by proxy, voting together as a single class.

If you submit a proxy card on which you indicate that you abstain from voting, it will have the same effect as a vote **AGAINST** the auditors ratification proposal.

Broker non-votes will have no effect on the auditors ratification proposal.

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Q: What do I need to do to vote on the annual business proposals?

A: After carefully reading and considering the information relating to the annual business proposals contained in this proxy statement/prospectus, you should complete, sign, date and return the enclosed proxy card, or vote by the telephone or through the Internet, in each case as soon as possible so that your shares are represented and voted at the Annual Meeting. Instructions for voting by using the telephone or the Internet are printed on the proxy voting instructions attached to the proxy card. In order to vote via the Internet, have your proxy card available so you can input the required information from the card, and log into the Internet website address shown on the proxy card. When you log on to the Internet website address, you will receive instructions on how to vote your shares. The telephone and Internet voting procedures are designed to authenticate votes cast by use of a personal identification number, which will be provided to each voting shareholder separately.

Stockholders who have shares registered in the name of a broker, bank or other nominee should follow the voting instruction card provided by their broker, bank or other nominee in instructing them how to vote their shares on each of the annual business proposals. We recommend that you vote by proxy even if you plan to attend the Annual Meeting. You may change your vote at the Annual Meeting.

Q: If my DHC shares are held in street name by a broker, bank or other nominee, will the broker, bank or other nominee vote my shares on each of the annual business proposals?

A: If you hold your shares in street name and do not provide voting instructions to your broker, bank or other nominee, your shares may, in the discretion of the broker, bank or other nominee, be voted on the election of directors proposal and the auditors ratification proposal.

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SUMMARY

*The following summary includes information contained elsewhere in this proxy statement/prospectus. This summary does not purport to contain a complete statement of all material information relating to the Transaction and the other matters discussed herein and is subject to, and is qualified in its entirety by reference to, the more detailed information and financial statements contained or incorporated in this proxy statement/prospectus, including the appendices included herein. You may obtain the information about DHC that we incorporate by reference into this proxy statement/prospectus without charge by following the instructions in the section entitled *Additional Information Where You Can Find More Information*. You should carefully read this proxy statement/prospectus in its entirety, as well as the Transaction Agreement included with this proxy statement/prospectus as Appendix B and the other Appendices included herein.*

The Companies

(see page 38)

*Discovery Holding Company
12300 Liberty Boulevard
Englewood, Colorado 80112
Telephone: (720) 875-4000*

Discovery Holding Company (**DHC**) is a holding company. Through its two wholly-owned operating subsidiaries, Ascent Media Group, LLC and Ascent Media CANS, LLC (dba AccentHealth), and through its 662/3% owned equity affiliate Discovery Communications Holding, DHC is engaged primarily in (1) the provision of creative and network services to the media and entertainment industries and (2) the production, acquisition and distribution of entertainment, educational and informational programming and software. DHC's subsidiaries and affiliates operate in the United States, Europe, Latin America, Asia, Africa and Australia. Discovery Communications Holding is an intermediary holding company that owns 100% of the operating company Discovery Communications, LLC (**Discovery**). DHC's company website is www.discoveryholdingcompany.com.

*Discovery Communications, LLC
One Discovery Place
Silver Spring, MD 20910
(240) 662-2000*

Discovery is a leading global media and entertainment company that provides original and purchased programming across multiple distribution platforms in the United States and more than 170 other countries, including television networks offering customized programming in 35 languages. Discovery also develops and sells consumer and educational products and services in the United States and internationally, and owns and operates a diversified portfolio of website properties and other digital services. Discovery operates through three divisions: (1) Discovery networks U.S., (2) Discovery networks international and (3) Discovery commerce and education. Upon consummation of the Transaction, Discovery will become a wholly-owned subsidiary of New Discovery. Discovery is not a party to the Transaction Agreement. Discovery's website is www.discoverycommunications.com.

*Discovery Communications, Inc.
Prior to the Transaction:
12300 Liberty Boulevard
Englewood, Colorado 80112*

Telephone: (720) 875-4000

Following the Transaction:

One Discovery Place

Silver Spring, MD 20910

Telephone: (240) 662-2000

New Discovery is a newly-formed corporation. New Discovery has not conducted any activities other than those incident to its formation, the matters contemplated by the Transaction Agreement and the preparation of

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applicable filings under the federal securities laws. Upon completion of the Transaction, New Discovery will become the new publicly-traded parent of DHC, Discovery and Ascent Media Sound.

Ascent Media Sound, which is currently part of the creative services division of the Ascent Media Group, provides facilities and support services for sound supervision, sound design, sound editorial, music mixing and sound effects for the production and post-production of feature films, television programming, commercials and multimedia games. Through its Soundelux brand, Ascent Media Sound maintains an extensive sound effects library with over 3,000 unique sounds.

*Merger Sub, Inc.
12300 Liberty Boulevard
Englewood, Colorado 80112
Telephone: (720) 875-4000*

Merger Sub, Inc. (which we refer to as **Merger Sub**) is a wholly-owned transitory merger subsidiary of New Discovery, recently formed solely for the purpose of merging with and into DHC.

*Advance/Newhouse Programming Partnership
5000 Campuswood Drive
E. Syracuse, NY 13057
Telephone: (315) 438-4100*

Advance/Newhouse is a privately held partnership headquartered in Syracuse, New York. The owners of Advance/Newhouse operate Bright House Networks, the sixth largest U.S. cable company serving over two million customers. Their other interests include Conde Nast magazines such as the *New Yorker*, *Vogue*, *Vanity Fair*, and *Wired*; *PARADE* magazine; daily newspapers serving 26 cities; American City Business Journals, which publishes business journals in over 45 cities; and a direct 33 1/3% interest in Discovery Communications Holding.

Purpose of the Transaction (see page 43)

Currently, DHC holds a two-thirds equity interest in Discovery's parent, Discovery Communications Holding, and Advance/Newhouse holds the other one-third equity interest and special voting rights. As a result of these special voting rights, DHC is unable to consolidate Discovery for financial reporting purposes. DHC desired to structure a transaction with Advance/Newhouse that would allow DHC to consolidate Discovery for financial reporting and tax purposes while also preserving for its stockholders not less than the level of control over Discovery that DHC currently holds as a two-thirds owner of Discovery Communications Holding. Advance/Newhouse desired to structure a transaction with DHC that would enable Advance/Newhouse to obtain liquidity with respect to its interests in Discovery while also preserving its special voting rights (subject to mutually acceptable modifications appropriate for a public company). Advance/Newhouse also desired that Discovery's ultimate parent company be a pure-play, programming company, which would be effected by spinning off DHC's interests in Ascent Media, except for Ascent Media Sound, prior to the completion of the Transaction. Lastly, both DHC and Advance/Newhouse desired that the Transaction be generally tax-free to each of DHC, DHC's stockholders and Advance/Newhouse. The Transaction was structured to accomplish the foregoing goals.

Structure of The Transaction (see page 42)

Upon satisfaction (or waiver, where permissible) of all conditions to the Transaction set forth in the Transaction Agreement (other than the AMC spin-off and other conditions to be satisfied at closing), DHC will effect the AMC spin-off. Immediately after completion of the AMC spin-off, Advance/Newhouse will contribute to New Discovery all of its indirect interests in Discovery and Animal Planet in exchange for shares of New Discovery Series A and Series C convertible preferred stock, initially convertible into one-third of the common equity of New Discovery, on an as-converted basis. Immediately upon completion of the Advance/Newhouse contribution, Merger

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Sub with merge with and into DHC with DHC surviving the merger. In the merger, each outstanding share of DHC common stock will automatically be converted as follows:

each share of DHC Series A common stock outstanding immediately prior to the effective time of the merger will be converted into the right to receive 0.50 shares of New Discovery Series A common stock and 0.50 shares of New Discovery Series C common stock; and

each share of DHC Series B common stock outstanding immediately prior to the effective time of the merger will be converted into the right to receive 0.50 shares of New Discovery Series B common stock and 0.50 shares of New Discovery Series C common stock.

Structure Charts

The following diagrams illustrate the Transaction in general terms and are not comprehensive. They reflect the economic substance of the Transaction, but do not precisely reflect the legal and corporate entities used to implement the Transaction. The contribution of Advance/Newhouse's interest in Animal Planet is not reflected in the following diagrams because the value of this contribution is insignificant relative to the value of the overall Transaction. Currently, Animal Planet is 85% owned by Discovery, 10% owned by DHC and 5% owned by Advance/Newhouse. Upon the consummation of the Transaction and the AMC spin-off, New Discovery will indirectly own 100% of Animal Planet. For a more complete description of the Transaction, see The Transaction starting on page 40 and The Transaction Agreements starting on page 51.

Current Structure

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Post-Transaction and AMC Spin-Off Structure

What Will DHC Stockholders Receive in the Transaction

(see page 51)

If the Transaction is completed, each share of DHC Series A common stock or DHC Series B common stock owned by a DHC stockholder at the effective time of the merger will be exchanged for 0.50 of a share of the same series of New Discovery common stock *and* 0.50 of a share of New Discovery Series C common stock. All three series of New Discovery common stock (Series A, B and C) will have the same rights powers and preferences, except (1) the Series B common stock will be convertible into the Series A common stock, and (2) the Series B common stock will have 10 votes per share, the Series A common stock will have one vote per share, and the Series C common stock will not have any voting rights except as required by Delaware law.

The AMC spin-off will occur shortly before the effective time of the merger and the consummation of the Transaction. A separate information statement describing the AMC spin-off will be mailed in advance of the distribution date for the AMC spin-off to those DHC stockholders of record as of a separate record date to be set by the DHC board. For financial information on AMC, see its Audited Financial Statements included as Appendix F to this proxy statement/prospectus.

Following the completion of the Transaction, former DHC stockholders will own 66 $\frac{2}{3}$ % of the equity of New Discovery and 74% of the aggregate voting power of New Discovery (other than with respect to the election of directors), based upon the number of shares of DHC common stock outstanding on June 30, 2008, and former DHC stockholders will own 100% of the aggregate voting power of New Discovery with respect to the election of the eight directors (**common stock directors**) that are not elected by the holders of the New Discovery convertible preferred stocks described below.

What Will Advance/Newhouse Receive in the Transaction

(see page 51)

In exchange for its contribution to New Discovery of its entire interest in Discovery and Animal Planet, Advance/Newhouse will receive shares of New Discovery Series A convertible preferred stock and New Discovery Series C convertible preferred stock, representing 33 $\frac{1}{3}$ % of the equity of New Discovery and 26% of the aggregate voting power of New Discovery (other than with respect to the election of directors), in each case, immediately following the Transaction, based upon the number of shares of DHC common stock outstanding on June 30, 2008.

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The Series A convertible preferred stock will be convertible into a number of shares of New Discovery Series A common stock equal to one-half of the aggregate number of shares of New Discovery Series A and Series B common stock issued in the merger, and the Series C convertible preferred stock will initially be convertible into a number of shares of New Discovery Series C common stock equal to one-half of the shares of New Discovery Series C common stock issued in the merger, in each case subject to anti-dilution adjustments. Advance/Newhouse is receiving convertible preferred stock rather than shares of common stock because the convertible preferred stock will enable Advance/Newhouse to exercise its special voting rights through a separate class vote in its capacity as a stockholder of New Discovery, which reflects how Advance/Newhouse currently exercises its special voting rights with respect to Discovery.

Advance/Newhouse will also be entitled to additional shares of the same series of convertible preferred stocks following the Transaction upon exercise of certain stock options and stock appreciation rights in respect of New Discovery common stock that will be outstanding immediately after the Transaction. These additional shares will be deposited by Advance/Newhouse into an escrow account upon closing for the benefit of Advance/Newhouse and released from escrow contingent upon any such exercise. The shares are being issued and escrowed to avoid dilution to Advance/Newhouse as a result of the rollover of outstanding equity awards at DHC.

The New Discovery preferred stock will vote as a single class with the holders of New Discovery common stock on all matters submitted for vote to the common stockholders of New Discovery, except for the election of directors. The New Discovery preferred stock will have the right to elect three directors (**preferred stock directors**), and will have special voting rights on select matters for so long as Advance/Newhouse or its permitted transferee owns at least 80% of the shares of Series A convertible preferred stock outstanding immediately following the closing of the Transaction, including fundamental changes in the business of New Discovery, mergers and business combinations, certain acquisitions and dispositions and future issuances of New Discovery capital stock.

Effect of Transaction on Relative Ownership Percentages (page 51)

Equity Interests

Following the completion of the Transaction and the AMC spin-off, the former DHC stockholders will own 662/3% of the equity of New Discovery (which will own 100% of the equity of Discovery and 100% of the equity of Ascent Media Sound) and 100% of the equity of AMC. Today, DHC owns 662/3% of the equity of Discovery and 100% of the equity of Ascent Media (which is comprised of both AMC and Ascent Media Sound). Following the completion of the Transaction and the AMC spin-off, Advance/Newhouse will own 331/3% of the equity of New Discovery, which will own 100% of the equity of Discovery and 100% of the equity of Ascent Media Sound. Today, Advance/Newhouse owns 331/3% of the equity of Discovery and no interest in AMC or Ascent Media Sound. For financial information on AMC, see its Audited Financial Statements included as Appendix F to this proxy statement/prospectus. Although no formal valuation was performed with respect to Ascent Media Sound, DHC believes that it would have an enterprise value of up to \$50 million. As a result of the Transaction, the DHC stockholders' equity interest in Ascent Media Sound will be diluted by 331/3%. The DHC board considered the dilutive effect on the DHC stockholders of retaining Ascent Media Sound at New Discovery but determined that the benefits to the Transaction of retaining Ascent Media Sound at New Discovery outweighed the dilution to the DHC stockholders. For more information regarding Ascent Media Sound, see The Companies' Discovery Communications, Inc.

Voting Interests

As described above, following the completion of the Transaction, former DHC stockholders and Advance/Newhouse will hold 74% and 26%, respectively, of the aggregate voting power of New Discovery (other than with respect to the election of directors), based upon the number of shares of DHC common stock outstanding on June 30, 2008.

Although Advance/Newhouse will hold 33 1/3% of the equity of New Discovery, its aggregate voting power is less than this percentage (and, conversely, former DHC stockholders will hold 66 2/3% of the equity of New Discovery but their aggregate voting power will exceed this percentage) because the holders of DHC Series B

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common stock will receive shares of Series B common stock of New Discovery in the Transaction, which have the same per share voting rights (10 votes per share) as the DHC Series B shares.

The Annual Meeting and Proxy Solicitations

(see page 141)

Where and When. The Annual Meeting will take place at [], [], [], on [], 2008, at [] a.m., local time.

What You Are Being Asked to Vote on. At the Annual Meeting, DHC stockholders will vote on the transaction proposals and the annual business proposals. DHC stockholders also may be asked to consider other matters that properly come before the Annual Meeting. At the present time, DHC knows of no other matters that will be presented for consideration at the Annual Meeting.

Who May Vote. You may vote at the Annual Meeting if you were the record holder of DHC Series A common stock or DHC Series B common stock as of 5:00 p.m., New York City time, on [], 2008, the record date for the Annual Meeting. On that date, there were [] shares of DHC Series A common stock and [] shares of DHC Series B common stock outstanding and entitled to vote. The holders of DHC Series A common stock and the holders of DHC Series B common stock will vote together as a single class. You may cast one vote for each share of DHC Series A common stock that you owned on that date and ten votes for each share of DHC Series B common stock that you owned on that date.

What Vote is Needed on the Transaction Proposals The affirmative vote, cast in person or by proxy, of the holders of at least a majority of the aggregate voting power of the shares of DHC Series A common stock and DHC Series B common stock outstanding on the record date for the Annual Meeting, voting together as a single class, is required to approve each of the merger proposal, preferred stock issuance proposal and authorized stock proposal.

The affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of DHC common stock outstanding on the record date for the Annual Meeting and present at the Annual Meeting, in person or by proxy, voting together as a single class, is required to approve the incentive plan proposal.

The directors and executive officers of DHC, who together beneficially own shares of DHC common stock representing approximately 34.4% of DHC's aggregate voting power as of June 30, 2008, have indicated to DHC that they intend to vote **FOR** all of the transaction proposals at the Annual Meeting.

What Vote is Needed on the Annual Business Proposals. The affirmative vote of the holders of a plurality of the votes of the shares of DHC Series A common stock and DHC Series B common stock outstanding on the record date, voting as a single class, that are voted at the Annual Meeting, in person or by proxy, is required to re-elect Messrs. Malone and Bennett as Class III directors pursuant to the election of directors proposal. The affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of DHC Series A common stock and DHC Series B common stock outstanding on the record date and present at the Annual Meeting, in person or by proxy, voting together as a single class, is required to approve the auditors ratification proposal.

Recommendations to Stockholders

DHC's board of directors (and, with respect to DHC incentive plan concerns, the compensation committee of the DHC board) unanimously approved the Transaction, including the Transaction Agreement and the merger agreement, the merger, the preferred stock issuance, the New Discovery charter (including the provisions for the authorized capital stock of New Discovery) and the amendment and restatement of the DHC incentive plan, and determined that the

Transaction is advisable and in the best interests of DHC and its stockholders. Accordingly, DHC's board of directors recommends that DHC stockholders vote **FOR** each of the transaction proposals at the Annual Meeting.

DHC's board of directors has also approved each of the annual business proposals and recommends that the DHC stockholders vote **FOR** the election of each of Messrs. Malone and Bennett as Class III directors pursuant to the election of directors proposal and **FOR** the auditors ratification proposal.

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Reasons for the Transaction

DHC's Reasons for the Transaction (see page 43)

DHC's board of directors considered various beneficial factors in approving the Transaction, the Transaction Agreement, the merger agreement and the preferred stock issuance to Advance/Newhouse, including, among others:

that the Transaction will provide DHC stockholders with a direct interest in Discovery, which will effectively become a public company;

that the Transaction will create a pure-play programming company, New Discovery, in a manner that is generally expected to be tax-free to both DHC and its stockholders and Advance/Newhouse, and completion of the Transaction will allow the board of directors and management of New Discovery to focus almost entirely on the programming businesses of Discovery;

that the Transaction will enable DHC stockholders, as well as potential investors and analysts, to obtain significantly improved disclosure regarding Discovery, including more transparent financial information;

that the stock of New Discovery is expected to constitute an improved currency, when compared with current alternatives, in connection with issuing equity to raise capital and in acquisitions of other media and entertainment businesses;

that the Transaction, together with the AMC spin-off, will enable New Discovery to more effectively tailor employee benefit plans and retention programs, when compared with current alternatives, to provide improved incentives to the employees and future hires of Discovery that will better and more directly align the incentives for management at DHC and Discovery with their performance; and

the other matters referred to under "The Transaction - Purposes and Reasons for the Transaction; Recommendation of the DHC Board."

DHC's board also considered various risks in approving the Transaction, the Transaction Agreement, the merger agreement and the preferred stock issuance to Advance/Newhouse, including, among other things:

the risk that the market overhang resulting from the outstanding shares of convertible preferred stock may depress the public market price of New Discovery's equity;

the risk that Advance/Newhouse could transfer its entire block of stock to a third party without the approval of the New Discovery board, which could diminish the effectiveness of New Discovery's rights plan;

the potentially significant indemnification obligation of New Discovery to Advance/Newhouse with respect to all liabilities incurred by DHC (but not Discovery) prior to the closing of the Transaction; and

the risk that Advance/Newhouse could exercise its registration rights at inopportune times.

The DHC board evaluated the positive and negative aspects fully and, after careful deliberation, determined that the benefits of the Transactions outweighed the risks.

Management of New Discovery

(see page 103)

Following the closing of the Transaction, the board of directors of New Discovery will consist of eight common stock directors and three preferred stock directors. The members of the New Discovery board of directors will be:

Common Stock Directors:

John S. Hendricks, currently Chairman of Discovery;

David M. Zaslav, currently President and Chief Executive Officer of Discovery;

John C. Malone, currently Chief Executive Officer and Chairman of the Board of Directors of DHC;

Robert R. Bennett, currently President and a director of DHC;

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Paul A. Gould, currently a director of DHC;

M. LaVoy Robison, currently a director of DHC;

J. David Wargo, currently a director of DHC; and

Robert R. Beck, a new independent director.

Preferred Stock Directors:

Robert J. Miron, Chairman of Advance/Newhouse;

Steven A. Miron, Chief Executive Officer of Advance/Newhouse; and

Lawrence S. Kramer, a new independent director.

The management of New Discovery will be comprised of the management of Discovery, including Mr. Zaslav who will serve as the Chief Executive Officer and President of New Discovery. For more information on those individuals who will be the directors and executive officers of New Discovery immediately following the completion of the Transaction, see Management of New Discovery and Management of DHC. Mr. Malone and Mr. Bennett will serve on the New Discovery board of directors regardless of whether they are re-elected as Class III directors of DHC at the Annual Meeting.

Interests of Certain Persons in the Transaction

(see page 46)

In considering the recommendation of DHC's board of directors to vote to approve the transaction proposals, stockholders of DHC should be aware that members of DHC's board of directors and members of DHC's executive management teams have relationships, agreements or arrangements that provide them with interests in the Transaction that may be in addition to or different from those of DHC's public stockholders. Upon the consummation of the Transaction, directors of DHC will receive options to purchase shares of New Discovery common stock and, in the case of Mr. Bennett, options to purchase shares of AMC common stock (in addition to options to purchase New Discovery common stock), and DHC executive officers (other than those who are also directors of DHC) will receive share appreciation rights relating to shares of New Discovery common stock. In addition, as of June 30, 2008, the DHC executive officers and directors beneficially owned shares of DHC common stock representing in the aggregate approximately 34.4% of the aggregate voting power of DHC. DHC's board of directors were aware of these interests and considered them when approving the transaction proposals.

Material United States Federal Income Tax Consequences of the Transaction

(see page 48)

In connection with the filing of this proxy statement/prospectus, Skadden, Arps, Slate, Meagher & Flom LLP, tax counsel to DHC, has provided an opinion as to the material U.S. federal income tax consequences of the merger and the AMC spin-off. Generally, as set forth in further detail in Material United States Federal Income Tax Consequences of the Merger and the AMC spin-off, Material U.S. Federal Income Tax Consequences of the Merger and Material United States Federal Income Tax Consequences of the Merger and the AMC spin-off, Material U.S. Federal Income Tax Consequences of the AMC Spin-Off, for U.S. federal income tax purposes, (x) DHC stockholders will not recognize gain or loss for U.S. federal income tax purposes as a result of the exchange of DHC stock for New

Discovery stock pursuant to the merger, other than with respect to fractional shares of common stock of New Discovery for which cash is received, and (y) no gain or loss should be recognized by, and no amount should be included in the income of, a DHC stockholder upon the receipt of shares of the common stock of AMC in the AMC spin-off, other than with respect to fractional shares of common stock of AMC for which cash is received.

Tax matters are very complicated and the tax consequences of the merger and the AMC spin-off to each DHC stockholder may depend on such stockholder's particular facts and circumstances. Please see Material United States Federal Income Tax Consequences of the Merger and the AMC Spin-Off. **DHC stockholders are encouraged to consult their tax advisors to understand fully the tax consequences to them of the merger and the AMC spin-off.**

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Transaction Agreement and Merger Agreement

(see pages 51 and 58 and Appendices B and C)

The Transaction Agreement and the merger agreement are included as Appendix B and Appendix C, respectively, to this proxy statement/prospectus. We encourage you to read both agreements because they are the legal documents that govern the Transaction.

Conditions to Completion of the Transaction

The respective obligations of DHC and Advance/Newhouse under the Transaction Agreement and the merger agreement are subject to the satisfaction or waiver (if applicable) of a number of conditions, including, among others:

the requisite stockholder approval of the merger proposal, the preferred stock issuance proposal and the authorized stock proposal having been obtained at the Annual Meeting;

the shares of New Discovery common stock having been approved for listing on the Nasdaq Global Select Market, subject only to official notice of issuance;

the registration statement on Form 10, as amended, for the AMC spin-off having been declared effective under the Exchange Act, and no stop order suspending the effectiveness thereof having been issued or threatened by the SEC;

the receipt by DHC of the opinion of Skadden, Arps, Slate, Meagher & Flom LLP, tax counsel to DHC (which opinion will confirm the conclusions set forth in the opinion of Skadden, Arps, Slate, Meagher & Flom LLP in *Material United States Federal Income Tax Consequences of the Merger and the AMC Spin-Off*), substantially to the effect that, on the basis of facts and representations and assumptions as to factual matters set forth or referred to in such opinion, for U.S. federal income tax purposes, (1) the merger (in conjunction with the contribution by Advance/Newhouse) will qualify as a tax-free exchange within the meaning of Section 351 of the Internal Revenue Code of 1986, as amended (the **Code**), and (2) the AMC spin-off should qualify as a transaction under Sections 368(a) and 355 of the Code;

the receipt by Advance/Newhouse of the opinion of its tax counsel substantially to the effect that, on the basis of facts and representations and assumptions as to factual matters set forth or referred to in such opinion, the contribution of its entire interest in Discovery and its interest in Animal Planet in exchange for New Discovery convertible preferred stock (in conjunction with the merger) will qualify as a tax-free exchange within the meaning of Section 351 of the Code for U.S. federal income tax purposes; and

the New Discovery rights agreement being in full force and effect.

We expect to consummate the Transaction, including the Advance/Newhouse contribution and the merger, promptly after (i) all conditions to the Transaction have been satisfied or, if applicable, waived and (ii) the completion of the AMC spin-off. The condition relating to stockholder approval may *not* be waived.

Termination of the Transaction Agreement and the Merger Agreement

DHC and Advance/Newhouse may jointly agree to terminate the Transaction Agreement at any time without completing the Transaction, even after receiving the requisite stockholder approval of the transaction proposals. If the

Transaction is not completed, DHC will not effect the AMC spin-off. Either DHC or Advance/Newhouse may terminate the Transaction Agreement if, among other things:

all conditions precedent to consummation of the Transaction have not been obtained by December 31, 2008; or

any court or governmental authority issues an order, decree or ruling, or takes other action, permanently restraining, enjoining or otherwise prohibiting the Transaction.

The merger agreement will automatically be terminated if the Transaction Agreement is terminated. No termination or other fee is payable if the Transaction Agreement or the merger agreement is terminated.

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Restated Certificate of Incorporation

(see pages 76 and 90 and Appendix D)

The restated certificate of incorporation of New Discovery (**restated charter**) is included as Appendix D to this proxy statement/prospectus. We encourage you to read the restated charter because it is the legal document that governs the rights of the holders of New Discovery common stock.

Appraisal or Dissenters Rights

(see page 47)

Under Delaware law, DHC stockholders are not entitled to appraisal rights in connection with the Transaction.

Regulatory Matters

(see page 47)

The parties have obtained all regulatory consents and approvals required by the Transaction Agreement with respect to the Transaction.

Risk Factors

(see page 25)

If the Transaction is completed, stockholders of New Discovery will face a number of risks and uncertainties including, among others:

New Discovery has no financial or operating history on which to evaluate its future performance;

It will be difficult for a third party to acquire New Discovery, as the restated charter and bylaws of New Discovery include a number of provisions that could prevent or delay a change of control of New Discovery;

Mr. John Malone, a director of New Discovery, and Advance/Newhouse will each have significant voting power with respect to any matters considered by New Discovery stockholders, and Advance/Newhouse will have significant special class voting rights over certain corporate actions by New Discovery by virtue of its ownership of the Series A convertible preferred stock;

the entertainment and media programming businesses in which New Discovery will operate are highly competitive;

the business of New Discovery will be inherently risky, as its revenues will be derived, and its ability to distribute its content will depend, primarily on shifting consumer tastes and preferences; and

the various other risks and uncertainties described under **Risk Factors** and elsewhere in this proxy statement/prospectus.

Please carefully read the information included under the heading **Risk Factors.**

DHC Annual Business Proposals

(see page 145)

At the Annual Meeting, DHC stockholders are also being asked to vote on the following proposals:

Election of directors proposal: a proposal to re-elect John C. Malone and Robert R. Bennett to serve as Class III members of DHC's board of directors until the 2011 annual meeting of DHC (or New Discovery) stockholders or until their successors are elected; and

Auditors ratification proposal: a proposal to ratify the selection of KPMG LLP as DHC's independent auditors for the fiscal year ending December 31, 2008.

Table of Contents**Selected Summary Historical Financial Data of DHC**

The following tables present selected historical information relating to DHC's financial condition and results of operations for the three months ended March 31, 2008 and 2007 and for each of the years in the five-year period ended December 31, 2007. The financial data for the quarterly periods has been derived from DHC's unaudited financial statements for such periods, and the financial data for the annual periods has been derived from DHC's audited financial statements for the corresponding periods. The data should be read in conjunction with DHC's financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in DHC's Quarterly Report on Form 10-Q for the three months ended March 31, 2008 and DHC's Annual Report on Form 10-K, as amended, for the year ended December 31, 2007, as filed with the SEC, which are incorporated by reference herein.

	March 31, 2008	2007	2006	December 31, 2005	2004	2003
	amounts in thousands					
<i>Summary Balance Sheet Data:</i>						
Current assets	\$ 414,277	371,707	317,362	400,386	198,969	131,437
Investment in Discovery	\$ 3,330,030	3,271,553	3,129,157	3,018,622	2,945,782	2,863,0003
Goodwill	\$ 1,909,823	1,909,823	2,074,789	2,133,518	2,135,446	2,130,897
Total assets	\$ 5,935,838	5,865,752	5,870,982	5,819,236	5,564,828	5,396,627
Current liabilities	\$ 137,402	120,137	121,887	93,773	108,527	60,595
Stockholders' equity	\$ 4,524,573	4,494,321	4,549,264	4,575,425	4,347,279	4,260,269

	Three Months Ended March 31,			Years Ended December 31,			
	2008	2007	2007	2006	2005	2004	2003
	amounts in thousands, except per share amounts						
<i>Summary Statement of Operations Data:</i>							
Net revenue	\$ 189,305	173,882	707,214	688,087	694,509	631,215	506,103
Operating income (loss)(1)	\$ (7,629)	(1,201)	(167,643)	(115,137)	(1,402)	16,935	(2,404)
Share of earnings of Discovery	\$ 66,402	21,557	141,781	103,588	79,810	84,011	37,271
Net earnings (loss)(1)	\$ 33,991	20,464	(68,392)	(46,010)	33,276	66,108	(52,394)
Basic and diluted net earnings (loss) per common share Series A and Series B	\$.12	.07	(.24)	(.16)	.12		

Unaudited pro forma basic and diluted net earnings (loss) per common share Series A and Series B(2)	\$.24	(.19)
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(1) Includes impairment of goodwill and other long-lived assets of \$165,347,000, \$93,402,000, \$51,000 and \$562,000 for the years ended December 31, 2007, 2006, 2004 and 2003, respectively.

(2) Unaudited pro forma basic and diluted net earnings (loss) per common share for the periods prior to DHC's July 21, 2005 spin-off (**DHC spin-off**) from Liberty Media Corporation (**Liberty**) is based on 280,199,000 common shares which is the number of shares of DHC common stock issued in the DHC spin-off.

Table of Contents**Selected Summary Historical Financial Data of Discovery Communications Holding**

The following tables present selected historical information relating to Discovery Communications Holding's financial condition and results of operations for the three months ended March 31, 2008 and 2007 and for each of the years in the five-year period ended December 31, 2007. The financial data for the quarterly periods has been derived from Discovery Communications Holding's unaudited financial statements for such periods, and the financial data for the annual periods has been derived from Discovery Communications Holding's audited financial statements for the corresponding periods. The data should be read in conjunction with Discovery Communications Holding's financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Appendix A-2 of this proxy statement/prospectus.

	Successor(1)		Predecessor (1)			
	March 31,	December 31,		December 31,		
	2008	2007	2006	2005	2004	2003
	amounts in thousands					
<i>Summary Balance Sheet Data:</i>						
Current assets	\$ 1,090,312	1,077,233	970,636	831,369	835,450	858,383
Goodwill and intangible assets, net	\$ 5,041,554	5,051,843	472,939	397,927	445,221	466,968
Programming rights, long term	\$ 1,045,593	1,048,193	1,253,553	1,175,988	1,027,379	881,735
Total assets	\$ 7,921,337	7,960,430	3,376,553	3,174,620	3,235,686	3,194,211
Current liabilities	\$ 681,805	850,495	734,524	692,465	880,561	1,538,798
Long-term debt	\$ 4,088,607	4,109,085	2,633,237	2,590,440	2,498,287	1,833,942
Mandatorily redeemable interest in subsidiaries	\$ 48,721	48,721	94,825	272,502	319,567	410,252
Members equity/stockholders (deficit)	\$ 2,801,594	2,708,262	(261,288)	(482,358)	(627,926)	(801,765)

	Successor(1)		Predecessor(1)			
	Period from May 15, 2007 through December 31, 2007		Period from January 1, 2007 through May 14, 2007		Years Ended December 31,	
	2008	2007	2006	2005	2004	2003
	amounts in thousands					
<i>Summary Statement of Operations Data:</i>						

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Revenue	\$ 794,578	710,198	2,027,906	1,099,427	2,883,671	2,544,358	2,240,670	1,863,670
Operating income	\$ 284,069	135,275	456,136	166,164	585,497	545,626	523,249	375,290
Interest expense	\$ (68,720)	(44,558)	(180,157)	(68,600)	(194,255)	(184,585)	(167,429)	(159,429)
Earnings from continuing operations	\$ 105,218	51,414	237,202	49,812	229,494	180,188	192,350	100,310

- (1) Discovery Communications Holding was formed in the second quarter of 2007 as part of a restructuring (the **Restructuring**) completed by Discovery, in which Discovery was converted from a corporation into a limited liability company and became a wholly-owned subsidiary of Discovery Communications Holding, and the former shareholders of Discovery, including DHC and Advance/Newhouse, became members of Discovery Communications Holding. Discovery Communications Holding is the successor reporting entity to Discovery. In connection with the Restructuring, Discovery Communications Holding applied pushdown accounting and each shareholder's basis in Discovery as of May 14, 2007 has been pushed down to Discovery Communications Holding. The result was \$4.3 billion in goodwill being recorded by Discovery Communications Holding. Since goodwill is not amortizable, there is no income statement impact for this change in basis.

Table of Contents**Selected Unaudited Condensed Pro Forma Combined Financial Data of New Discovery**

The following table presents (i) New Discovery's unaudited pro forma combined financial position as of March 31, 2008, after giving effect to the AMC spin-off and the Transaction as though they had occurred as of such date and (ii) New Discovery's unaudited pro forma combined results of operations for the three months ended March 31, 2008 and for the year ended December 31, 2007, after giving effect to the AMC spin-off and the Transaction as though they had occurred as of January 1, 2007. The unaudited pro forma combined data does not purport to be indicative of the results of operations or financial position that may be obtained in the future or that actually would have been obtained had such transactions occurred on such dates. The following information should be read in conjunction with the

Selected Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations of DHC and Discovery and is qualified in its entirety by reference to the Unaudited Condensed Pro Forma Combined Financial Statements of New Discovery included elsewhere herein.

Summary Pro Forma Balance Sheet Data:

	March 31, 2008
	(amounts in thousands)
<u>ASSETS</u>	
Cash	\$ 72,606
Other current assets	1,032,836
Property and equipment, net	383,357
Content rights	1,091,022
Goodwill	7,130,994
Other assets	802,792
Total assets	\$ 10,513,607
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	
Current liabilities	\$ 691,950
Long-term debt	4,088,607
Deferred tax liabilities	133,676
Other liabilities	284,905
Total liabilities	5,199,138
Minority interest	48,721
Stockholders' equity	
Preferred stock	143,993
Common stock	2,811
Additional paid-in capital	6,337,364
Accumulated deficit	(1,219,492)
Accumulated other comprehensive income	1,072
Total equity	5,265,748
Total liabilities and stockholders' equity	\$ 10,513,607

Table of Contents***Summary Pro Forma Statement of Operations Data:***

	Three Months Ended March 31, 2008	Year Ended December 31, 2007
	(amounts in thousands, except per share amounts)	
Revenue	\$ 810,040	3,152,929
Cost of sales	(243,632)	(1,210,617)
Selling, general and administrative expenses	(250,714)	(1,317,514)
Depreciation and amortization	(46,502)	(192,766)
Gain from dispositions		283
Operating income	269,192	432,315
Interest expense	(68,720)	(291,857)
Other expense, net	(22,439)	(2,891)
Earnings from continuing operations before income taxes	178,033	137,567
Income tax expense	(80,172)	(29,229)
Earnings from continuing operations	\$ 97,861	108,338
Basic and fully diluted pro forma earnings from continuing operations per common share	\$ 0.23	0.26

Comparative Per Share Financial Data

The following table shows (1) the basic and diluted loss per common share and book value per share data for each of DHC and Discovery Communications Holding on a historical basis, (2) the basic and diluted loss per common share and book value per share for New Discovery on a pro forma basis and (3) the equivalent pro forma net income and book value per share attributable to the shares of New Discovery common stock issuable for outstanding Discovery Communications Holding member units. The historical Discovery Communications Holding earnings per common share for the Predecessor period and the Successor period is based on 50,400 and 37,800 weighted average shares/units, respectively.

The following information should be read in conjunction with (1) the separate historical financial statements and related notes of DHC incorporated by reference to DHC's Quarterly Report on Form 10-Q for the three months ended March 31, 2008 and DHC's Annual Report on Form 10-K, as amended, for the year ended December 31, 2007, (2) the separate historical financial statements and related notes of Discovery Communications Holding included elsewhere herein and (3) the unaudited condensed pro forma combined financial statements of New Discovery included elsewhere herein. The pro forma information is not necessarily indicative of the results of operations that would have resulted if the Transaction and the AMC spin-off had been completed as of the assumed dates or of the results that will be achieved in the future.

We calculate historical book value per share by dividing stockholders' equity by the number of shares of common stock outstanding at March 31, 2008. We calculate pro forma book value per share by dividing pro forma stockholders' equity by the pro forma number of shares of New Discovery common stock that would have been outstanding had the Transaction and the AMC spin-off been completed as of March 31, 2008.

New Discovery pro forma combined loss applicable to common stockholders, pro forma stockholders' equity and the pro forma number of shares of New Discovery common stock outstanding have been derived from the unaudited condensed pro forma combined financial information for New Discovery appearing elsewhere herein.

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We calculate the Discovery Communications Holding equivalent pro forma per unit data by multiplying the pro forma per share amounts by the imputed exchange ratio of 11,153 shares of New Discovery common stock for each unit of Discovery Communications Holding.

	Discovery Communications Holding			
	DHC Historical	New Discovery Pro Forma	Historical	Pro Forma Equivalent
Basic and fully diluted net earnings (loss) per common share:				
Three months ended March 31, 2008	\$.12	.23	2,783.54	2,565.19
Year ended December 31, 2007	\$ (.24)	.26		2,899.78
Period from January 1, 2007 through May 14, 2007 (Predecessor period)	\$		739.66	
Period from May 15, 2007 through December 31, 2007 (Successor period)	\$		4,886.56	
Book value per common share as of:				
March 31, 2008	\$ 16.10	12.49	74,116.24	139,300.97
Cash dividends	\$			

Comparative Per Share Market Price and Dividend Information**Market Price**

The following table sets forth high and low sales prices for the DHC Series A common stock and DHC Series B common stock for the periods indicated.

DHC Series A common stock and DHC Series B common stock trade on The Nasdaq Global Select Market under the symbols DISCA and DISCB, respectively.

	DHC			
	Series A		Series B	
	High	Low	High	Low
2006				
First quarter	\$ 15.65	\$ 13.88	\$ 15.96	\$ 13.58
Second quarter	\$ 15.18	\$ 13.61	\$ 15.21	\$ 13.73
Third quarter	\$ 14.82	\$ 12.81	\$ 14.54	\$ 12.97
Fourth quarter	\$ 16.96	\$ 14.18	\$ 16.85	\$ 13.97
2007				
First quarter	\$ 19.48	\$ 15.52	\$ 19.46	\$ 15.70
Second quarter	\$ 24.70	\$ 19.12	\$ 24.70	\$ 19.25
Third quarter	\$ 29.33	\$ 21.92	\$ 29.25	\$ 21.98
Fourth quarter	\$ 29.81	\$ 22.55	\$ 30.25	\$ 25.40
2008				

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First quarter	\$ 25.51	\$ 19.57	\$ 31.00	\$ 21.85
Second quarter	\$ 26.83	\$ 21.14	\$ 28.00	\$ 22.10
Third quarter through July []	\$ []	\$ []	\$ []	\$ []

On December 12, 2007, the last trading day before the public announcement of the Transaction, DHC Series A common stock closed at \$27.42 per share and DHC Series B common stock closed at \$28.24 per share. On June 3, 2008, the last trading day before the execution of the Transaction Agreement, DHC Series A common stock closed at \$25.95 per share and DHC Series B common stock closed at \$26.33 per share.

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New Discovery has applied to retain the symbols DISCA and DISCB for its Series A and Series B common stock, respectively, which will trade on the Nasdaq Global Select Market. It has also applied to list its Series C common stock on the Nasdaq Global Select Market under the symbol DISCK .

Dividends

DHC

DHC has never paid any cash dividends on its Series A common stock and Series B common stock, and has no present intention of so doing.

New Discovery

New Discovery has no present intention to pay cash dividends on its stock. Following the consummation of the Transaction, all decisions regarding the payment of dividends by New Discovery will be made by its board of directors, from time to time, in accordance with applicable law after taking into account various factors, including its financial condition, operating results, current and anticipated cash needs, plans for expansion and possible loan covenants which may restrict or prohibit its payment of dividends. In addition, under the terms of the New Discovery convertible preferred stock held by Advance/Newhouse, Advance/Newhouse will have consent rights with respect to certain dividends.

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RISK FACTORS

In addition to the other information contained in, incorporated by reference in or included as an appendix to this proxy statement/prospectus, you should carefully consider the following risk factors in deciding whether to vote to approve the transaction proposals.

Factors Relating to New Discovery and Ownership of New Discovery Common Stock

New Discovery will be a holding company and could be unable in the future to obtain cash in amounts sufficient to service its financial obligations or meet its other commitments.

New Discovery's ability to meet its financial obligations and other contractual commitments will depend upon its ability to access cash. New Discovery will be a holding company, and its sources of cash will include its available cash balances, net cash from the operating activities of its subsidiaries, any dividends and interest New Discovery may receive from its investments, availability under any credit facilities that New Discovery may obtain in the future and proceeds from any asset sales New Discovery may undertake in the future. The ability of New Discovery's operating subsidiaries, including Discovery, to pay dividends or to make other payments or advances to New Discovery will depend on their individual operating results and any statutory, regulatory or contractual restrictions to which they may be or may become subject.

New Discovery has no financial or operating history as a separate company upon which you can evaluate its performance.

New Discovery will first become a public company, and the successor issuer to DHC, at the time the Transaction is completed. You will not be able to evaluate the future performance of New Discovery based on the historical financial information included in this proxy statement/prospectus for DHC, as substantially all of DHC's consolidated businesses will be disposed of in the AMC spin-off. New Discovery's results of operations will be almost entirely attributable to the results of operations of its wholly-owned subsidiary Discovery, which is currently accounted for by DHC as an equity affiliate. While the Transaction, if implemented, will result in greater disclosure regarding Discovery than the limited financial information previously disclosed regarding Discovery, no assurance can be given that such increased disclosure will not reveal new information that is poorly received by investors or analysts.

New Discovery cannot be certain that it will be successful in integrating any businesses it may acquire in the future.

New Discovery's business strategy includes growth through acquisitions in selected markets. Integration of new businesses may present significant challenges, including: realizing economies of scale in programming and network operations; eliminating duplicative overheads; and integrating networks, financial systems and operational systems. We cannot assure you that, with respect to any acquisition, New Discovery will realize anticipated benefits or successfully integrate any acquired business with existing operations. In addition, while we intend to implement appropriate controls and procedures as acquired companies are integrated, New Discovery may not be able to certify as to the effectiveness of these companies' disclosure controls and procedures or internal control over financial reporting (as required by U.S. federal securities laws and regulations) until it has fully integrated them.

New Discovery's businesses are subject to risks of adverse government regulation.

Programming services, satellite carriers, television stations and Internet and data transmission companies are subject to varying degrees of regulation in the United States by the Federal Communications Commission and other entities and in foreign countries by similar entities. Such regulation and legislation are subject to the political process and have been in constant flux over the past decade. Moreover, substantially every foreign country in which New Discovery's subsidiaries may have an investment regulates, in varying degrees, the distribution, content and ownership of programming services and foreign investment in programming companies. Further material changes in the law and regulatory requirements must be anticipated, and there can be no assurance that New Discovery's business will not be adversely affected by future legislation, new regulation or deregulation.

Table of Contents***New Discovery's directors will overlap with those of Liberty Media Corporation and certain related persons of Advance/Newhouse, which may lead to conflicting interests.***

New Discovery's eleven-person board of directors will include five persons who are currently members of the board of directors of Liberty and three designees of Advance/Newhouse, including Robert J. Miron, the Chairman of Advance/Newhouse, and Steven A. Miron, the Chief Executive Officer of Advance/Newhouse. Both Liberty and the parent company of Advance/Newhouse own interests in a range of media, communications and entertainment businesses. DHC does not own any interest in Liberty or Advance/Newhouse, and, to New Discovery's knowledge, neither Liberty nor Advance/Newhouse owns any interest in DHC and, following the Transaction, Liberty will not own any interest in New Discovery. Mr. John C. Malone will be a director of New Discovery and is Chairman of the board of Liberty, and he beneficially owns stock of Liberty representing approximately 33% of the aggregate voting power of its outstanding stock. Mr. Malone is expected to beneficially own stock of New Discovery representing approximately 23% of the aggregate voting power (other than with respect to the election of the common stock directors) of the outstanding stock of New Discovery immediately after completion of the Transaction. Those of the other directors of New Discovery who are also directors of Liberty own Liberty stock and stock incentives and will own New Discovery stock and stock incentives. Advance/Newhouse will elect three directors annually for so long as it owns a specified minimum amount of New Discovery Series A convertible preferred stock, and its initial designees to the board include its Chairman, Robert J. Miron, and its Chief Executive Officer, Steven A. Miron. The Advance/Newhouse Series A convertible preferred stock, which votes with New Discovery common stock on all matters other than the election of directors, will represent approximately 26% of the voting power of the outstanding shares of New Discovery immediately after the Transaction. The Series A convertible preferred stock also grants Advance/Newhouse consent rights over a range of corporate actions by New Discovery, including fundamental changes to its business, the issuance of additional capital stock, mergers and business combinations and certain acquisitions and dispositions. These ownership interests and/or business positions could create, or appear to create, potential conflicts of interest when these individuals are faced with decisions that could have different implications for New Discovery, Liberty and/or Advance/Newhouse. For example, there may be the potential for a conflict of interest when New Discovery, on the one hand, or Liberty and/or Advance/Newhouse, on the other hand, look at acquisitions and other corporate opportunities that may be suitable for the other.

The members of New Discovery's board of directors will have fiduciary duties to New Discovery's stockholders. Likewise, those persons who serve in similar capacities at Liberty or Advance/Newhouse have fiduciary duties to those companies. Therefore, such persons may have conflicts of interest or the appearance of conflicts of interest with respect to matters involving or affecting both respective companies. From time to time, Liberty or its affiliates and Advance/Newhouse or its affiliates may enter into transactions with New Discovery or its subsidiaries. Although the terms of any such transactions or agreements will be established based upon negotiations between employees of the companies involved, there can be no assurance that the terms of any such transactions will be as favorable to New Discovery or its subsidiaries as would be the case where the parties are at arms' length.

New Discovery and Liberty may compete for business opportunities.

Liberty owns interests in various U.S. and international programming companies that have subsidiaries that own or operate domestic or foreign programming services that may compete with the programming services offered by New Discovery's businesses. New Discovery has no rights in respect of U.S. or international programming opportunities developed by or presented to the subsidiaries or Liberty, and the pursuit of these opportunities by such subsidiaries may adversely affect the interests of New Discovery and its stockholders. Because New Discovery and Liberty have overlapping directors, the pursuit of business opportunities may serve to intensify the conflicts of interest or appearance of conflicts of interest faced by the respective management teams. New Discovery's restated charter provides that no director or officer of New Discovery will be liable to New Discovery or any of its subsidiaries for breach of any fiduciary duty by reason of the fact that such individual directs a corporate opportunity to another

person or entity (including Liberty), for which such individual serves as a director or officer, or does not refer or communicate information regarding such corporate opportunity to New Discovery or any of its subsidiaries, unless (x) such opportunity was expressly offered to such individual solely in his or her capacity as a

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director or officer of New Discovery or any of its subsidiaries and (y) such opportunity relates to a line of business in which New Discovery or any of its subsidiaries is then directly engaged.

The personal educational media, lifelong learning, and travel industry investments by John S. Hendricks, a common stock Director of New Discovery and the Founder of Discovery, may conflict with or compete with the business activities of New Discovery.

John S. Hendricks manages his non-Discovery, personal business investments through Hendricks Investment Holdings LLC (HIH), a Delaware limited liability company of which he is the sole owner and member. HIH owns a travel club and travel-related properties including a resort in Gateway, Colorado with plans to create a learning academy for guests that includes online and advanced media offerings in the area of informal and lifelong learning. Certain video productions and offerings of this academy may compete with the educational media offerings of New Discovery. The academy and New Discovery may enter into a business arrangement for the offering of New Discovery video products for sale by the academy and/or for the joint-production of new educational media products.

Through HIH, Mr. Hendricks owns a number of business interests in the automotive field some of which are involved in programming offered by Discovery, in particular the Turbo programming series offered by Discovery.

From time to time, HIH or its subsidiaries may enter into transactions with New Discovery or its subsidiaries. Although the terms of any such transactions or agreements will be established based upon negotiations between employees of the companies involved, there can be no assurance that the terms of any such transactions will be as favorable to New Discovery or its subsidiaries as would be the case where the parties are at arms length.

It may be difficult for a third party to acquire New Discovery, even if doing so may be beneficial to its stockholders.

Certain provisions of New Discovery's restated charter and bylaws may discourage, delay or prevent a change in control of New Discovery that a stockholder may consider favorable. These provisions include the following:

authorizing a capital structure with multiple series of common stock: a Series B that entitles the holders to ten votes per share, a Series A that entitles the holders to one vote per share and a Series C that, except as otherwise required by applicable law, entitles the holders to no voting rights;

authorizing the Series A convertible preferred stock with special voting rights, which prohibits New Discovery from taking any of the following actions, among others, without the prior approval of the holders of a majority of the outstanding shares of such stock:

increasing the number of members of the Board of Directors above 11;

making any material amendment to the restated charter or bylaws of New Discovery;

engaging in a merger, consolidation or other business combination with any other entity; or

appointing or removing the Chairman of the Board or the CEO of New Discovery.

authorizing the issuance of blank check preferred stock, which could be issued by New Discovery's board of directors to increase the number of outstanding shares and thwart a takeover attempt;

classifying New Discovery's common stock directors with staggered three year terms and having three directors elected by the holders of the Series A convertible preferred stock, which may lengthen the time required to gain

control of New Discovery's board of directors;

limiting who may call special meetings of stockholders;

prohibiting stockholder action by written consent (subject to certain exceptions), thereby requiring stockholder action to be taken at a meeting of the stockholders;

establishing advance notice requirements for nominations of candidates for election to New Discovery's board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings;

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requiring stockholder approval by holders of at least 80% of New Discovery's voting power or the approval by at least 75% of New Discovery's board of directors with respect to certain extraordinary matters, such as a merger or consolidation of New Discovery, a sale of all or substantially all of New Discovery's assets or an amendment to New Discovery's restated charter;

requiring the consent of the holders of at least 75% of the outstanding Series B common stock (voting as a separate class) to certain share distributions and other corporate actions in which the voting power of the Series B common stock would be diluted by, for example, issuing shares having multiple votes per share as a dividend to holders of Series A common stock; and

the existence of authorized and unissued stock which would allow New Discovery's board of directors to issue shares to persons friendly to current management, thereby protecting the continuity of its management, or which could be used to dilute the stock ownership of persons seeking to obtain control of New Discovery.

As a condition to and immediately preceding the consummation of the Transaction, New Discovery will adopt a shareholder rights plan in order to encourage anyone seeking to acquire New Discovery to negotiate with its board of directors prior to attempting a takeover. While the plan is designed to guard against coercive or unfair tactics to gain control of New Discovery, the plan may have the effect of making more difficult or delaying any attempts by others to obtain control of New Discovery.

Holders of any single series of New Discovery common stock may not have any remedies if any action by New Discovery's directors or officers has an adverse effect on only that series of New Discovery common stock.

Principles of Delaware law and the provisions of New Discovery's restated charter may protect decisions of New Discovery's board of directors that have a disparate impact upon holders of any single series of New Discovery common stock. Under Delaware law, the board of directors has a duty to act with due care and in the best interests of all of the stockholders of New Discovery, including the holders of all series of its common stock. Principles of Delaware law established in cases involving differing treatment of multiple classes or series of stock provide that a board of directors owes an equal duty to all common stockholders regardless of class or series and does not have separate or additional duties to any group of stockholders. As a result, in some circumstances, New Discovery's directors may be required to make a decision that is adverse to the holders of one series of New Discovery common stock. Under the principles of Delaware law referred to above, New Discovery stockholders may not be able to challenge these decisions if New Discovery's board of directors is disinterested and adequately informed with respect to these decisions and acts in good faith and in the honest belief that it is acting in the best interests of all of New Discovery's stockholders.

The exercise by Advance/Newhouse of its registration rights could adversely affect the market price of New Discovery's common stock.

As part of the Transaction, Advance/Newhouse has been granted registration rights covering all of the shares of New Discovery common stock issuable upon conversion of the convertible preferred stock being issued to Advance/Newhouse in the Transaction. Advance/Newhouse's preferred stock will be convertible into a number of shares equal to one-half of the number of shares of common stock that are issued to former DHC stockholders in the merger, subject to anti-dilution adjustments. The registration rights, which are immediately exercisable, are transferrable with the sale or transfer by Advance/Newhouse of blocks of shares representing 10% or more of the preferred stock received by it in the Transaction. The exercise of the registration rights, and subsequent sale of possibly large amounts of New Discovery common stock in the public market, could materially and adversely affect the market price of the New Discovery common stock.

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New Discovery will not be fully subject to the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 until the end of 2008 at the earliest. If New Discovery fails to maintain an effective system of internal control over financial reporting, New Discovery's management may not be able to provide the requisite certifications and its auditors may issue adverse attestations, which could, among other things, jeopardize the market's confidence in New Discovery's financial results.

As DHC accounts for Discovery as an equity affiliate, Discovery to date has not been subject to the disclosure and internal controls for financial reporting requirements of Section 404 of The Sarbanes Oxley Act of 2002. We do not expect Discovery to be subject to those requirements until the end of 2008 at the earliest. In the interim, Discovery will be required to document, evaluate and test (and possibly remediate) its system of internal control over financial reporting in order for New Discovery to comply with the management certification and auditor attestation requirements of Section 404. As a result, New Discovery expects to incur substantial expenses and diversion of management's time throughout this coming year. New Discovery cannot be certain as to the timing of completion of its evaluation, testing and remediation actions or their effect on Discovery's operations. If New Discovery is not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, its management may not be able to provide the requisite certifications and its auditors may issue adverse attestations, which could harm investors' confidence in New Discovery's financial results and subject New Discovery to sanctions or investigation by regulatory authorities, such as the SEC or the Financial Industry Regulatory Authority. Any such action could cause New Discovery's stock price to fall.

John C. Malone and Advance/Newhouse will each have significant voting power with respect to corporate matters considered by New Discovery's stockholders.

Following the completion of the Transaction, John C. Malone and Advance/Newhouse are expected to beneficially own shares of New Discovery stock representing approximately 23% and 26%, respectively, of the aggregate voting power represented by New Discovery's outstanding stock (other than voting power relating to the election of directors), based, in each case, on the number of shares of DHC common stock outstanding as of June 30, 2008. With respect to the election of directors, Mr. Malone is expected to control approximately 31% of the aggregate voting power relating to the election of the eight common stock directors, based on the number of shares of DHC common stock outstanding as of June 30, 2008 (and assuming that the convertible preferred stock of New Discovery to be owned by Advance/Newhouse (the **A/N Preferred Stock**) has not been converted into New Discovery common stock). The A/N Preferred Stock will carry with it the right to designate the three preferred stock directors to the board of New Discovery (subject to certain conditions), but will not vote with respect to the election of the eight common stock directors. Also, under the terms of the A/N Preferred Stock, Advance/Newhouse will have special voting rights with respect to certain enumerated matters, including material amendments to the restated charter and bylaws, fundamental changes in the business of New Discovery, mergers and other business combinations involving New Discovery, certain acquisitions and dispositions and future issuances of New Discovery capital stock. Although there is no stockholder agreement, voting agreement or any similar arrangement between Mr. Malone and Advance/Newhouse with respect to New Discovery, by virtue of their respective anticipated New Discovery holdings, each of Mr. Malone and Advance/Newhouse may have significant influence over the outcome of any corporate transaction or other matter submitted to the stockholders of New Discovery.

The AMC spin-off could result in significant tax liability.

At the effective time of the AMC spin-off, DHC expects to have received the tax opinions of Skadden, Arps, Slate, Meagher & Flom LLP, tax counsel to DHC, to the effect that, taking into account, among other things, the issuance of the A/N Preferred Stock to Advance/Newhouse and the special voting rights associated with such A/N Preferred Stock, the AMC spin-off should qualify as a transaction under Sections 368(a) and 355 of the Code for U.S. federal income tax purposes.

The conclusions in the tax opinions are and will be based on existing legal authority and the lack of any authority directly on point. The tax opinions also are and will be based on, among other things, assumptions and representations as to factual matters and certain undertakings that have been and will be received from DHC, AMC and certain DHC stockholders, including those contained in certificates of officers of DHC and AMC and certain DHC stockholders, as requested by counsel. If any of those factual representations or assumptions were to be untrue

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or incomplete in any material respect, any undertaking was not complied with, or the facts upon which the opinions are and will be based were to be materially different from the facts at the time of the AMC spin-off, the AMC spin-off may not qualify for tax-free treatment. Opinions of counsel are not binding on the U.S. Internal Revenue Service (the **IRS**). As a result, the conclusions expressed in the opinions of tax counsel could be challenged by the IRS, and if the IRS were to prevail in such challenge, the tax consequences to DHC stockholders could be materially less favorable.

If the AMC spin-off did not qualify as a transaction under Sections 368(a) and 355 of the Code for U.S. federal income tax purposes, then DHC would recognize taxable gain in an amount equal to the excess, if any, of the fair market value of the shares of common stock of AMC held by DHC immediately prior to the AMC spin-off over DHC's tax basis in such shares. In addition, a DHC stockholder that received shares of common stock of AMC in the AMC spin-off would be treated as having received a distribution of property in an amount equal to the fair market value of such shares (including any fractional shares sold on behalf of the stockholder) on the distribution date. That distribution would be taxable to such stockholder as a dividend to the extent of DHC's current and accumulated earnings and profits. Any amount that exceeded DHC's earnings and profits would be treated first as a non-taxable return of capital to the extent of such stockholder's tax basis in its shares of DHC stock with any remaining amount being taxed as a capital gain. See Material U.S. Federal Income Tax Consequences of the Merger and the AMC spin-off Material U.S. Federal Income Tax Consequences of the AMC spin-off for more information regarding the tax consequences of the AMC spin-off.

In connection with the AMC spin-off, AMC will indemnify New Discovery and DHC for certain liabilities. There can be no assurance that the indemnity will be sufficient to insure New Discovery and DHC against the full amount of such liabilities, or that AMC's ability to satisfy its indemnification obligations will not be impaired in the future.

Pursuant to the reorganization agreement, AMC agreed to indemnify New Discovery and DHC, which indemnity is designed to make AMC financially responsible for all liabilities that may exist relating to the business of AMC, whether incurred prior to or after the AMC spin-off, as well as those obligations of DHC assumed by AMC pursuant to the reorganization agreement, as discussed further in the section entitled The Transaction Agreements Reorganization Agreement. The potential liabilities subject to such indemnity from AMC cannot be predicted or quantified, and such indemnification obligation of AMC is not limited to any maximum amount. Third parties (including Advance/Newhouse who is indemnified by New Discovery under the Transaction Agreement for all liabilities incurred by DHC (but not Discovery) prior to the closing of the Transaction) could seek to hold New Discovery or DHC responsible for any of the liabilities that AMC has agreed to retain, and there can be no assurance that the indemnity from AMC will be sufficient to protect New Discovery or DHC against the full amount of such liabilities, or that AMC will be able to fully satisfy its indemnification obligations. Moreover, even if New Discovery or DHC ultimately succeed in recovering from AMC any amounts for which either such company is held liable, New Discovery and/or DHC, as applicable, will be temporarily required to bear those losses until such recovery. Each of these risks could adversely affect New Discovery's business, results of operations and financial condition.

New Discovery will be required to indemnify Advance/Newhouse for liabilities incurred by DHC and its subsidiaries (other than Discovery and its subsidiaries) prior to the closing of the Transaction. The extent of this potential obligation cannot be predicted or quantified.

New Discovery has agreed, under the transaction agreement, to indemnify Advance/Newhouse against any direct or indirect loss it incurs arising out of or relating to any claim made by a third party that arises out of the operation of DHC and its subsidiaries (other than Discovery and its subsidiaries) prior to the closing or, as to AMC, after the closing of the Transaction. The potential amount of such liability is not subject to any maximum amount and cannot be predicted or quantified at this time. No assurance can be given that any such liability will not be substantial. While New Discovery's indemnification obligation would be reduced by any amount recovered from AMC under its

indemnification obligation under the reorganization agreement, no assurance can be given as to the extent to which AMC will be able to satisfy any indemnification obligations which it may incur.

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Factors Relating to Discovery

Discovery's success is dependent upon U.S. and foreign audience acceptance of its programming and other entertainment content which is difficult to predict.

The production and distribution of pay television programs and other entertainment content are inherently risky businesses because the revenue Discovery derives and its ability to distribute its content depend primarily on consumer tastes and preferences that change in often unpredictable ways. The success of Discovery's businesses depends on its ability to consistently create and acquire content and programming that meets the changing preferences of viewers in general, viewers in special interest groups, viewers in specific demographic categories and viewers in various overseas marketplaces. The commercial success of its programming and other content also depends upon the quality and acceptance of competing programs and other content available in the applicable marketplace at the same time. Other factors, including the availability of alternative forms of entertainment and leisure time activities, general economic conditions, piracy, digital and on-demand distribution and growing competition for consumer discretionary spending may also affect the audience for its content. Audience sizes for its media networks are critical factors affecting both (i) the volume and pricing of advertising revenue that Discovery receives, and (ii) the extent of distribution and the license fees Discovery receives under agreements with its distributors. Consequently, reduced public acceptance of its entertainment content may decrease its audience share and adversely affect all of its revenue streams.

The loss of Discovery's affiliation agreements, or renewals with less advantageous terms, could cause its revenue to decline.

Because Discovery's media networks are licensed on a wholesale basis to distributors such as cable and satellite operators which in turn distribute them to consumers, Discovery is dependent upon the maintenance of affiliation agreements with these operators. These affiliation agreements generally provide for the level of carriage Discovery's networks will receive, such as channel placement and programming package inclusion (widely distributed, broader programming packages compared to lesser distributed, specialized programming packages), and for payment of a license fee to Discovery based on the numbers of subscribers that receive its networks. These per-subscriber payments represent a significant portion of Discovery's revenue. These affiliation agreements generally have a limited term which varies from market to market and from distributor to distributor, and there can be no assurance that these affiliation agreements will be renewed in the future, or renewed on terms that are as favorable to Discovery as those in effect today. A reduction in the license fees that Discovery receives per subscriber or in the number of subscribers for which Discovery is paid, including as a result of a loss or reduction in carriage for Discovery's media networks, could adversely affect its distribution revenue. Such a loss or reduction in carriage could also decrease the potential audience for Discovery's programs thereby adversely affecting its advertising revenue.

Consolidation among cable and satellite operators has given the largest operators considerable leverage in their relationship with programmers, including Discovery. The two largest U.S. cable television system operators provide service to approximately 35% of U.S. households receiving cable or satellite television service and the two largest satellite television operators provide service to an additional 26% of such households. Discovery currently has agreements in place with the major U.S. cable and satellite operators which expire at various times beginning in 2008 through 2014. Discovery is currently in negotiations to renew affiliation agreements for carriage of its networks involving a substantial portion of its domestic subscribers. A failure to secure a renewal or a renewal on less favorable terms may have a material adverse effect on Discovery's results of operations and financial position. In addition, many of the overseas markets in which Discovery distributes its networks also have a small number of dominant distributors. Continued consolidation within the industry could further reduce the number of distributors available to

carry Discovery's programming and increase the negotiating leverage of its distributors which could adversely affect Discovery's revenue.

Discovery operates in increasingly competitive industries.

The entertainment and media programming industries in which Discovery operates are highly competitive. Discovery competes with other programming networks for advertising, distribution and viewers. Discovery also

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competes for viewers with other forms of media entertainment, such as home video, movies, periodicals and online and mobile activities. In particular, online websites and search engines have seen significant advertising growth, a portion of which is derived from traditional cable network and satellite advertisers. In addition, there has been consolidation in the media industry and Discovery's competitors include market participants with interests in multiple media businesses which are often vertically integrated. Discovery's online businesses compete for users and advertising in the enormously broad and diverse market of free internet-delivered services. Discovery's commerce business competes against a wide range of competitive retailers selling similar products. Its educational video business competes with other providers of educational products to schools. Discovery's ability to compete successfully depends on a number of factors, including its ability to consistently supply high quality and popular content, access its niche viewerships with appealing category-specific programming, adapt to new technologies and distribution platforms and achieve widespread distribution. There can be no assurance that Discovery will be able to compete successfully in the future against existing or new competitors, or that increasing competition will not have a material adverse effect on its business, financial condition or results of operations.

Discovery's business is subject to risks of adverse laws and regulations, both domestic and foreign.

Programming services like Discovery's, and the distributors of its services, including cable operators, satellite operators and Internet companies, are highly regulated by U.S. federal laws and regulations issued and administered by various federal agencies, including the FCC, as well as by state and local governments. The U.S. Congress and the FCC currently have under consideration, and may in the future adopt, new laws, regulations and policies regarding a wide variety of matters that could, directly or indirectly, affect the operations of Discovery's U.S. media properties. For example, legislators and regulators continue to consider rules that would effectively require cable television operators to offer all programming on an à la carte basis (which would allow viewers to subscribe for individual networks rather than a package of channels) and/or require programmers to sell channels to distributors on an à la carte basis. Certain cable television operators and other distributors have already introduced tiers, or more targeted channel packages, to their customers that may or may not include some or all of Discovery's networks. The unbundling of program services at the retail and/or wholesale level could reduce distribution of certain of Discovery's program services, thereby leading to reduced viewership and increased marketing expenses, and could affect its ability to compete for or attract the same level of advertising dollars or distribution fees. If the number of channels occupied by leased access programmers expands, it could have an adverse effect on Discovery's ability to obtain carriage for its programming. In addition, a recent decision by the FCC will effectively require cable operators, beginning February 2009 and lasting for at least three years, to carry the signals of must-carry broadcast stations in both digital and analog format unless all subscribers of the cable operator's system can view the digital signal on every television set connected to the system. Carrying these additional signals may result in less capacity for other programming services, such as Discovery's networks, which could adversely affect Discovery's revenue.

Similarly, the foreign jurisdictions in which Discovery's networks are offered have, in varying degrees, government laws and regulations governing Discovery's businesses. Programming businesses are subject to regulation on a country-by-country basis. Such regulations include à la carte pricing, license requirements, local programming quotas, limits on the amounts and kinds of advertising that can be carried, and requirements to make programming available on non-discriminatory terms, and can increase the cost of doing business internationally. Changes in regulations imposed by foreign governments could also adversely affect Discovery's business, results of operations and ability to expand its operations beyond their current scope.

Macroeconomic risks associated with Discovery's business could adversely affect its financial condition.

The current economic downturn in the United States and in other regions of the world in which Discovery operates could adversely affect demand for any of its businesses, thus reducing its revenue and earnings. For example, expenditures by advertisers are sensitive to economic conditions and tend to decline in recessionary periods and other

periods of uncertainty. Because Discovery derives a substantial portion of its revenue from the sale of advertising, a decline or delay in advertising expenditures could reduce advertising prices and volume and result in a decrease in its revenue. The decline in economic conditions could also impact consumer discretionary

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spending. Such a reduction in consumer spending may impact pay television subscriptions, particularly to the more expensive digital service tiers, which could lead to a decrease in Discovery's distribution fees.

Increased programming production and content costs may adversely affect Discovery's results of operations and financial condition.

One of the most significant areas of expense for Discovery is for the licensing and production of content. In connection with creating original content, Discovery incurs production costs associated with, among other things, acquiring new show concepts and retaining creative talent, including actors, writers and producers. Discovery also incurs higher production costs when filming in HD than standard definition. The costs of producing programming have generally increased in recent years. These costs may continue to increase in the future, which may adversely affect Discovery's results of operations and financial condition.

Disruption or failure of satellites and facilities, and disputes over supplier contracts on which Discovery depends to distribute its programming could adversely affect its business.

Discovery depends on transponders on satellite systems to transmit its media networks to cable television operators and other distributors worldwide. The distribution facilities include uplinks, communications satellites and downlinks. Discovery obtains satellite transponder capacity pursuant to long-term contracts and other arrangements with third-party vendors, which expire at various times beginning in 2008 through 2019. Even with back-up and redundant systems, transmissions may be disrupted as a result of local disasters or other conditions that may impair on-ground uplinks or downlinks, or as a result of an impairment of a satellite. Currently, there are a limited number of communications satellites available for the transmission of programming. If a disruption or failure occurs, Discovery may not be able to secure alternate distribution facilities in a timely manner, which could have a material adverse effect on its business and results of operations.

Discovery must respond to and capitalize on rapid changes in new technologies and distribution platforms, including their effect on consumer behavior, in order to remain competitive and exploit new opportunities.

Technology in the video, telecommunications and data services industry is changing rapidly. Discovery must adapt to advances in technologies, distribution outlets and content transfer and storage to ensure that its content remains desirable and widely available to its audiences while protecting its intellectual property interests. Discovery may not have the right, and may not be able to secure the right, to distribute some of its licensed content across these, or any other, new platforms and must adapt accordingly. The ability to anticipate and take advantage of new and future sources of revenue from these technological developments will affect Discovery's ability to expand its business and increase revenue.

Similarly, Discovery also must adapt to changing consumer behavior driven by technological advances such as video-on-demand and a desire for more user-generated and interactive content. Devices that allow consumers to view Discovery's entertainment content from remote locations or on a time-delayed basis and technologies which enable users to fast-forward or skip advertisements may cause changes in audience behavior that could affect the attractiveness of Discovery's offerings to advertisers and could therefore adversely affect its revenue. If Discovery cannot ensure that its content is responsive to the lifestyles of its target audiences and capitalize on technological advances, there could be a negative effect on its business.

Discovery's revenue and operating results are subject to seasonal and cyclical variations.

Discovery's business has experienced and is expected to continue to experience some seasonality due to, among other things, seasonal advertising patterns, seasonal influences on people's viewing habits, and a heavy concentration of

sales in its commerce business during the fourth quarter. For example, due to increased demand in the spring and holiday seasons, the second and fourth quarters normally have higher advertising revenue than the first and third quarters. In addition, advertising revenue in even-numbered years benefit from political advertising. If

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a short-term negative impact on New Discovery's business were to occur during a time of high seasonal demand, there could be a disproportionate effect on the operating results of Discovery's business for the year.

Discovery continues to develop new products and services for evolving markets. There can be no assurance of the success of these efforts due to a number of factors, some of which are beyond Discovery's control.

There are substantial uncertainties associated with Discovery's efforts to develop new products and services for evolving markets, and substantial investments may be required. Initial timetables for the introduction and development of new products and services may not be achieved, and price and profitability targets may not prove feasible. External factors, such as the development of competitive alternatives, rapid technological change, regulatory changes and shifting market preferences, may cause new markets to move in unanticipated directions.

Risks associated with Discovery's international operations could harm its financial condition.

Discovery's networks are offered worldwide. Inherent economic risks of doing business in international markets include, among other things, longer payment cycles, foreign taxation and currency exchange risk. As Discovery continues to expand the provision of its products and services to overseas markets, we cannot assure you whether these risks and uncertainties will harm Discovery's results of operations.

Discovery's international operations may also be adversely affected by export and import restrictions, other trade barriers and acts of disruptions of services or loss of property or equipment that are critical to overseas businesses due to expropriation, nationalization, war, insurrection, terrorism or general social or political unrest or other hostilities.

The loss of key talent could disrupt Discovery's business and adversely affect its revenue.

Discovery's business depends upon the continued efforts, abilities and expertise of its corporate and divisional executive teams and entertainment personalities. Discovery employs or contracts with entertainment personalities who may have loyal audiences. These individuals are important to audience endorsement of its programs and other content. There can be no assurance that these individuals will remain with Discovery or retain their current audiences. If Discovery fails to retain these individuals or if Discovery's entertainment personalities lose their current audience base, Discovery's revenue could be adversely affected.

Piracy of Discovery's entertainment content, including digital piracy, may decrease revenue received from its programming and adversely affect its business and profitability.

The success of Discovery's business depends in part on its ability to maintain the intellectual property rights to its entertainment content. Discovery is fundamentally a content company and piracy of its brands, DVDs, cable television and other programming, digital content and other intellectual property has the potential to significantly affect the company. Piracy is particularly prevalent in many parts of the world that lack copyright and other protections similar to existing law in the U.S. It is also made easier by technological advances allowing the conversion of programming into digital formats, which facilitates the creation, transmission and sharing of high quality unauthorized copies. Unauthorized distribution of copyrighted material over the Internet is a threat to copyright owners' ability to protect and exploit their property. The proliferation of unauthorized use of Discovery's entertainment content may have an adverse effect on its business and profitability because it reduces the revenue that Discovery potentially could receive from the legitimate sale and distribution of its content.

Financial market conditions may impede access to or increase the cost of financing Discovery's operations and investments.

The recent changes in U.S. and global financial and equity markets, including market disruptions and tightening of the credit markets, may make it more difficult for Discovery to obtain financing for its operations or

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investments or increase the cost of obtaining financing. In addition, Discovery's borrowing costs can be affected by short and long-term debt ratings assigned by independent rating agencies which are based, in significant part, on its performance as measured by credit metrics such as interest coverage and leverage ratios. A decrease in these ratings could increase Discovery's cost of borrowing or make it more difficult for Discovery to obtain financing.

Substantial leverage and debt service obligations may adversely affect Discovery.

Discovery has a substantial amount of indebtedness. As of March 31, 2008, Discovery had approximately \$4.1 billion of consolidated debt. Discovery's substantial level of indebtedness increases the possibility that it may be unable to generate cash sufficient to pay when due the principal of, interest on, or other amounts due with respect to its indebtedness. In addition, Discovery draws down its revolving credit facility in the ordinary course, which has the effect of increasing Discovery's indebtedness. Discovery is also permitted, subject to certain restrictions under its existing indebtedness, to obtain additional long-term debt and working capital lines of credit to meet future financing needs. This would have the effect of increasing Discovery's total leverage.

Discovery's substantial leverage could have significant negative consequences on its financial condition and results of operations, including:

- impairing Discovery's ability to meet one or more of the financial ratio covenants contained in its debt agreements or to generate cash sufficient to pay interest or principal, which could result in an acceleration of some or all of its outstanding debt in the event that an uncured default occurs;

- increasing Discovery's vulnerability to general adverse economic and market conditions;

- limiting Discovery's ability to obtain additional debt or equity financing;

- requiring the dedication of a substantial portion of Discovery's cash flow from operations to service its debt, thereby reducing the amount of cash flow available for other purposes;

- requiring Discovery to sell debt or equity securities or to sell some of its core assets, possibly on unfavorable terms, to meet payment obligations;

- limiting Discovery's flexibility in planning for, or reacting to, changes in its business and the markets in which Discovery competes; and

- placing Discovery at a possible competitive disadvantage with less leveraged competitors and competitors that may have better access to capital resources.

Restrictive covenants in the loan agreements for Discovery's revolving credit facilities and term loans, and the note purchase agreements governing Discovery's private placement notes, could adversely affect Discovery's business by limiting flexibility.

The loan agreements for Discovery's revolving credit facilities and term loans and the note purchase agreements governing the terms of its private placement notes contain restrictive covenants, as well as requirements to comply with certain leverage and other financial maintenance tests. These covenants and requirements limit Discovery's ability to take various actions, including incurring additional debt, guaranteeing indebtedness and engaging in various types of transactions, including mergers, acquisitions and sales of assets. These covenants could place Discovery at a disadvantage compared to some of its competitors, who may have fewer restrictive covenants and may not be required to operate under these restrictions. Further, these covenants could have an adverse effect on the business of Discovery

by limiting its ability to take advantage of financing, mergers and acquisitions or other opportunities.

In addition, reporting and information covenants in Discovery's loan agreements and note purchase agreements require that Discovery provide financial and operating information within certain time periods. If Discovery is unable to timely provide the required information, it would be in breach of these covenants.

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this proxy statement/prospectus constitute forward-looking statements which, by definition, involve risks and uncertainties. These statements may be made directly in this proxy statement/prospectus or they may be made a part of this proxy statement/prospectus by appearing in other documents filed with the Securities and Exchange Commission and incorporated by reference in this proxy statement/prospectus. These statements may include statements regarding the period following completion of the Transaction.

We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the federal securities laws. In some cases, you can identify these statements by the use of forward-looking words such as may, will, should, anticipate, estimate, expect, plan, believe, predict, and other terms of similar substance used in connection with any discussion of the Transaction or the future operations or financial performance of DHC, Discovery or New Discovery. You should be aware that these statements and any other forward-looking statements in these documents only reflect DHC, Discovery and New Discovery's expectations and are not guarantees of performance. These statements involve risks, uncertainties and assumptions. Many of these risks, uncertainties and assumptions are beyond the control of DHC, Discovery and New Discovery, and may cause actual results and performance to differ materially from our expectations.

In addition to the risks and uncertainties set forth under the heading Risk Factors on page 25, Business Description in Appendix A-1 and Management's Discussion and Analysis of Financial Condition and Results of Operations, including Quantitative and Qualitative Disclosures About Market Risk, in Appendix A-2 of this proxy statement/prospectus, important factors that could cause actual results to be materially different from expectations include, among others:

general economic and business conditions and industry trends;

spending on domestic and foreign television advertising;

consumer acceptance of the programming content developed for each of Discovery's networks;

changes in the distribution and viewing of television programming, including the expanded deployment of personal video recorders and other technology, and their impact on television advertising revenue;

the regulatory and competitive environment of the industries in which we operate;

continued consolidation of the broadband distribution industry;

uncertainties inherent in the development and integration of new business lines, acquired operations and business strategies;

rapid technological changes;

uncertainties associated with product and service development and market acceptance, including the development and provision of programming for new television and telecommunications technologies;

future financial performance, including availability, terms and deployment of capital;

fluctuations in foreign currency exchange rates and political unrest in international markets;

the ability of suppliers and vendors to deliver products, equipment, software and services;

availability of qualified personnel;

changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission, and adverse outcomes from regulatory proceedings;

changes in the nature of key strategic relationships with partners and joint ventures;

competitor responses to our products and services, and the products and services of the entities in which we have interests; and

threatened terrorist attacks and ongoing military action in the Middle East and other parts of the world.

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You should be aware that the programming, media and entertainment industries are changing rapidly, and, therefore, the forward-looking statements and statements of expectations, plans and intent herein are subject to a greater degree of risk than similar statements regarding certain other industries.

We caution you not to place undue reliance on the forward-looking statements contained or incorporated by reference in this proxy statement/prospectus. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of the applicable document. Except as may be required by law, none of DHC, Discovery or New Discovery has any obligation to update or alter these forward-looking statements, whether as a result of new information, future events or otherwise.

When considering such forward-looking statements, you should keep in mind the factors described in Risk Factors on page 25 and other cautionary statements contained in this proxy statement/prospectus. Such risk factors and statements describe circumstances which could cause actual results to differ materially from those contained in any forward-looking statement.

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THE COMPANIES

Discovery Holding Company

DHC is a holding company. Through its two wholly-owned operating subsidiaries, Ascent Media Group, LLC and Ascent Media CANS, LLC (dba AccentHealth), and through its 662/3% owned equity affiliate Discovery Communications Holding, DHC is engaged primarily in (1) the provision of creative and network services to the media and entertainment industries and (2) the production, acquisition and distribution of entertainment, educational and informational programming and software. DHC's subsidiaries and affiliates operate in the United States, Europe, Latin America, Asia, Africa and Australia.

DHC was incorporated in the state of Delaware on March 9, 2005 as a wholly-owned subsidiary of Liberty Media Corporation. On July 21, 2005, Liberty completed the spin-off of DHC to Liberty's stockholders.

DHC's principal executive offices are located at 12300 Liberty Boulevard, Englewood, Colorado 80112. DHC's main telephone number is (720) 875-4000, and its company website is www.discoveryholdingcompany.com. Information contained on the website is not incorporated by reference in this proxy statement/prospectus.

Additional Information

For more information regarding DHC, please see [Additional Information](#) [Where You Can Find More Information](#).

Discovery Communications, LLC

Discovery, which is a 100% owned subsidiary of DHC's intermediate holding company, Discovery Communications Holding, is a leading global media and entertainment company that provides original and purchased non-fiction programming across multiple distribution platforms in the United States and more than 170 other countries, including television networks offering customized programming in 35 languages. Discovery also develops and sells consumer and educational products and services in the United States and internationally, and owns and operates a diversified portfolio of website properties and other digital services. Discovery operates through three divisions: (1) Discovery networks U.S., (2) Discovery networks international, and (3) Discovery commerce and education.

Discovery is not a party to any of the agreements between DHC and Advance/Newhouse relating to the Transaction. If the merger proposal, the preferred stock issuance proposal and the authorized stock proposal are approved at the Annual Meeting and the Transaction is completed, Advance/Newhouse will combine its 331/3% interest in Discovery Communications Holding and its interest in Animal Planet with DHC's 662/3% interest in Discovery Communications Holding, and Discovery will become a wholly-owned subsidiary of New Discovery.

Discovery's principal executive officers are located at One Discovery Place, Silver Spring, MD 20910. Discovery's main telephone number is (240) 662-2000, and its website is www.discoverycommunications.com. Information contained on the website is not incorporated by reference in this proxy statement/prospectus.

Additional Information

For more information regarding Discovery, please see [Appendix A: Information Concerning Discovery Communications Holding, LLC Including Its Wholly-owned Subsidiary Discovery Communications, LLC](#), which is included as part of this proxy statement/prospectus, including:

Part 1: Description of Business;

Part 2: Management's Discussion and Analysis of Financial Condition and Results of Operations; and

Part 3: Historical Consolidated Financial Statements;

which is incorporated herein in its entirety by this reference.

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Discovery Communications, Inc.

New Discovery is a Delaware corporation, formed on April 28, 2008, for the purpose of effecting the Transaction. Upon consummation of the Transaction, New Discovery will become the parent company of Discovery, which will become its wholly-owned subsidiary. New Discovery will also be the parent company of DHC and Ascent Media Sound.

To date, New Discovery has not conducted any activities other than those incident to its formation and the matters contemplated by the Transaction Agreement, including the formation of Merger Sub as a wholly-owned subsidiary and the preparation of applicable filings under the securities laws.

New Discovery's principal executive offices are currently located at 12300 Liberty Boulevard, Englewood, Colorado 80112, and its main telephone is the same as DHC's ((720) 875-4000). Following the completion of the Transaction, New Discovery's principal executive offices will be located at One Discovery Place, Silver Spring, MD 20910, and its main telephone number will be the same as Discovery's ((240) 662-2000).

Ascent Media Sound provides creative talent, facilities and support services for sound supervision, sound design, sound editorial, music mixing and sound effects for the production and post-production of feature films, television programming, commercials and multimedia games. In providing its services, Ascent Media Sound operates under brand names such as Sound One, POP Sound and Todd A-O. Ascent Media Sound also maintains for use by its clients, under the Soundelux brand, an extensive sound effects library with over 3,000 unique sounds and, under the Hollywood Edge brand, several production music libraries. For more information regarding New Discovery after completion of the Transaction, please carefully read the information provided in this proxy statement/prospectus, including the information provided under the heading "New Discovery Unaudited Condensed Pro Forma Combined Financial Statements."

Merger Sub, Inc.

Merger Sub, a wholly-owned subsidiary of New Discovery, is a Delaware corporation, formed on April 29, 2008, solely for the purpose of effecting the merger with DHC. Merger Sub has not conducted any activities other than those incident to its formation and the matters contemplated by the Transaction Agreement.

Merger Sub's principal executive offices are located at 12300 Liberty Boulevard, Englewood, Colorado 80112.

Advance/Newhouse Programming Partnership

Advance/Newhouse is a privately held partnership headquartered in Syracuse, New York. The owners of Advance/Newhouse operate Bright House Networks, the sixth largest U.S. cable company serving over two million customers. Their other interests include Conde Nast magazines such as the *New Yorker*, *Vogue*, *Vanity Fair*, and *Wired*; *PARADE* magazine; daily newspapers serving 26 cities; American City Business Journals, which publishes business journals in over 45 cities; and a direct 33 1/3% interest in Discovery Communications Holding.

Advance/Newhouse's principal executive offices are located at 5000 Campuswood Drive, E. Syracuse, NY 13057. Advance/Newhouse's main telephone number is (315) 438-4100.

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THE TRANSACTION

Background of the Transaction

Discovery was founded by Mr. John Hendricks in 1982, and launched its flagship Discovery Channel in June 1985. Among the initial investors in Discovery were cable television companies that carried its programming, including Tele-Communications, Inc. (which later transferred its interest to its programming arm Liberty), NewChannels Corp. (which later transferred its interest to Advance/Newhouse) and Cox Communications, Inc. (**Cox**). Discovery for many years was organized as a close corporation, and its business was managed by Discovery's stockholders rather than by a board of directors. Liberty, Advance/Newhouse, Cox and Mr. Hendricks were parties to a stockholders agreement which provided for the management of Discovery's business, including certain rights of Liberty, Advance/Newhouse and Cox to veto the taking of certain actions by Discovery, restrictions on equity transfers and similar matters. As a result, Liberty, Advance/Newhouse and Cox, together with Mr. Hendricks, were for many years directly involved in the strategic direction and business development of Discovery.

In early 2005, for various business reasons, including to permit investors to invest more directly in Liberty's interest in Discovery, the Board of Directors of Liberty decided to pursue the spin-off of a newly formed entity, DHC, which would hold Liberty's then 50% interest in Discovery, its wholly-owned subsidiary Ascent Media Group, and certain other assets. Prior to the proposed spin-off, Liberty held discussions with Advance/Newhouse and Cox regarding their interest in exchanging their respective interests in Discovery for equity interests in DHC following the spin-off. The discussions were preliminary in nature and did not result in the parties reaching any agreement or understanding regarding such a transaction. After pursuing these discussions for several weeks, Liberty determined the discussions were unlikely to lead to a potential transaction and the discussions were terminated.

Liberty thereafter proceeded with the spin-off of DHC, which was completed in July 2005. No further discussions regarding a possible transaction to combine the Discovery interests with those of Advance/Newhouse or Cox were held until August 2006. At that time, discussions proceeded for several weeks, but again talks were broken off after common ground could not be found.

In the first quarter of 2007, Discovery commenced discussions with Cox regarding a redemption of Cox's 25% interest in Discovery in exchange for a subsidiary of Discovery that held Discovery's interest in The Travel Channel, the travelchannel.com and approximately \$1.3 billion in cash. Discovery, with the approval of DHC and Advance/Newhouse, closed the transaction with Cox in May 2007. As a result of that transaction and the reduction in the outstanding equity interests in Discovery, DHC's interest in Discovery increased to 66 $\frac{2}{3}$ % and Advance/Newhouse's equity interest increased to 33 $\frac{1}{3}$ %.

In May 2007, DHC approached Advance/Newhouse concerning its interest in participating in a transaction that would consolidate all of Discovery under a single public company. Over the next several months the parties considered various structures for such a transaction, which involved discussions on, among other things, dilution, capital structure, economic benefits to the parties and their respective stockholders, tax attributes, and governance concerns. Throughout the negotiation process, DHC's primary goal was to convert its non-controlling equity position in Discovery into one which would allow it to have management rights over Discovery and consolidate Discovery for financial reporting and tax purposes. Advance/Newhouse, on the other hand, sought to gain liquidity in its Discovery stake while preserving most of the governance rights it currently has in Discovery.

In structuring a transaction, both parties sought to reflect, to the extent appropriate for a public company, their respective existing governance rights in respect of Discovery. Discovery is currently managed by its parent Discovery

Communications Holding, a limited liability company, and Discovery Communications Holding is currently managed by its members. Advance/Newhouse also holds special voting rights with respect to Discovery under the terms of the limited liability company agreement of Discovery Communications Holding.

To maintain continuity of management, the parties determined that the size of the consolidated company's board would need to accommodate the existing DHC directors, the Advance/Newhouse designees and the addition of John Hendricks (the founder of Discovery) and David Zaslav (the CEO of Discovery), while also complying with the independence requirements of the Nasdaq Stock Market. At that time, the parties did not determine the exact

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number of board designees or the persons who would serve as new directors of the consolidated company. The parties did, however, agree that it would be beneficial for any consolidated company to have an officer slate comprised of the officers who run the business of Discovery on a daily basis.

The parties also focused their negotiations on relative ownership percentages at the consolidated company and Advance/Newhouse's desire to keep its special voting rights. Due to the dual-class voting structure in place at DHC and DHC's unwillingness to provide its existing Series B holders with a lower voting series of stock, the parties agreed that the consolidated company would issue a 10-vote per share Series B stock as well as a 1-vote per share Series A stock. Because both parties believed a benefit of the transaction would be the ability of the consolidated company to use its stock as an improved acquisition currency for the benefit of the Discovery business, the parties agreed that there should also be a Series C non-voting stock which could be issued without diluting the voting control of Advance/Newhouse or the former DHC stockholders. Although the Series C stock could have first been issued in a future acquisition, the parties believed it would be beneficial to have a pre-established market for the securities prior to any attempted use of those securities in an acquisition scenario. Accordingly, in determining the exchange ratio the parties determined that each existing DHC Series A share would be split into 0.5 of a New Discovery Series A share and 0.5 of a New Discovery Series C share, and each existing DHC Series B share would be split into 0.5 of a New Discovery Series B share and 0.5 of a New Discovery Series C share. (The parties had (and continue to have) no present intention to issue the Series C stock in an acquisition; rather, their focus is on the ability to do so.)

The parties further agreed that the number of shares issuable to Advance/Newhouse would be calculated based on the number of shares issued to the former DHC stockholders in the transaction and would preserve Advance/Newhouse's 33 1/3% equity interest. Advance/Newhouse accepted that its voting percentage would be less than 33 1/3% due to the issuance of the higher voting Series B shares in the transaction. Advance/Newhouse was willing to accept this dilution in the interest of keeping its special voting rights (subject to mutually acceptable modifications appropriate for a public company). Following consultation with counsel, Advance/Newhouse suggested receiving convertible preferred stock rather than common stock, because the convertible preferred stock would enable Advance/Newhouse to exercise its special voting rights through a separate class vote in its capacity as a stockholder. This proposal was agreeable to both parties because it reflects how Advance/Newhouse currently exercises its special voting rights with respect to Discovery. Furthermore, the separate class of stock would allow for Advance/Newhouse to have its own group of board designees who would not be subject to election by the holders of New Discovery common stock. As a result, the parties determined to divide the board of New Discovery into two groups—one group to be elected by the holders of the common stock and a second group to be elected solely by the holders of the convertible preferred stock.

Advance/Newhouse also required that the preferred stock it receives be convertible at any time and have the benefit of registration rights to ensure its future liquidity. DHC was amenable to these conditions in exchange for provisions in the charter and corporate documents of New Discovery that require the shares of convertible preferred stock to automatically convert under certain circumstances, including if the number of outstanding shares of Series A convertible preferred stock is less than 80% of the amount of such shares originally issued or upon the transfer of shares of convertible preferred stock (other than a block transfer of all of the Series A convertible preferred stock) to a third party.

Among the final obstacles to a potential deal was DHC's ownership of Ascent Media. The parties discussed the merits and risks of including Ascent Media with Discovery as compared to other alternatives such as a spin-off or its disposition in a sale transaction. It was ultimately decided that all of Ascent Media other than Ascent Media Sound would be distributed to DHC's stockholders in a spin-off transaction, due to disagreements over the proper valuation of Ascent Media and the desire of both DHC and Advance/Newhouse to create a pure-play programming company focused on the business of Discovery. The AMC spin-off is intended to resolve such disagreements and to facilitate the Transaction. The parties agreed that the AMC spin-off would exclude Ascent Media Sound because it is not a necessary or integral component of the other businesses of Ascent Media and retaining it at New Discovery would

also allow the AMC spin-off to be structured to meet the requirements for treatment as a transaction under Sections 368(a) and 355 of the Code for U.S. federal income tax purposes. Although no formal valuation was performed with respect to Ascent Media Sound, DHC believes that Ascent Media Sound would have an enterprise value of up to \$50 million. DHC acknowledged that its stockholders' equity interest in Ascent Media Sound would

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be diluted by 331/3% as a result of the Transaction, but determined that this dilution was outweighed by the benefits to its stockholders resulting from the AMC spin-off being structured to meet the requirements for treatment as a transaction under Sections 368(a) and 355 of the Code for U.S. federal income tax purposes.

On December 13, 2007, DHC and Advance/Newhouse reached an agreement in principle on the terms of the Transaction and signed a non-binding letter of intent to which was attached a term sheet describing the framework of the Transaction, which called for the AMC spin-off, Advance/Newhouse to contribute its interest in Discovery and Animal Planet to a new public company (New Discovery), and a merger by which the new public company would become the new parent company of Discovery. A press release announcing the terms of the proposed Transaction was issued on the same day.

Over the next several months the parties negotiated the terms of the definitive transaction documents based on the final term sheet, and DHC proceeded with plans to spin off AMC. The non-binding letter of intent did not address all material terms of the Transaction and the AMC spin-off. As a result, many details of the Transaction had to be negotiated and finalized prior to signing the definitive documentation, including, by way of example, the structure of the escrow arrangement, the effect of the Transaction on the outstanding DHC equity awards and the terms of the Series A and Series C convertible preferred stock and New Discovery's rights plan. Through the escrow arrangement, Advance/Newhouse sought protection against dilution resulting from the rollover of the DHC equity awards. The parties considered various ways to issue shares to Advance/Newhouse to achieve this protection and ultimately settled on a tax-efficient escrow arrangement. Also, the terms on which the DHC equity awards would rollover to New Discovery were subject to extensive financial analysis and negotiations between the parties and ultimately submitted for the approval of the compensation committee of the board of directors of DHC and the board of directors of DHC. The adjustments to be made to these equity awards were complex due to, among other things, the AMC spin-off, the continuance of the DHC directors on the New Discovery board but the absence of the DHC officers from the New Discovery officer slate. The terms of the New Discovery rights agreement, including those relating to ownership thresholds, permitted transferees and rights recipients, were also heavily negotiated between the parties. During this time, the parties also continued to reevaluate the effect of the varying terms of the Transaction on the tax treatment of the overall Transaction, with the result that it was determined that the contribution should precede the merger (which was a change to the terms of the non-binding term sheet). Following the completion of these negotiations, the parties executed definitive agreements on June 4, 2008.

Structure of the Transaction

Upon satisfaction (or waiver, where permissible) of all conditions to the Transaction set forth in the Transaction Agreement (other than the AMC spin-off and other conditions to be satisfied at closing), DHC will effect the AMC spin-off. Immediately after completion of the AMC spin-off, Advance/Newhouse will contribute to New Discovery all of its indirect interests in Discovery and Animal Planet in exchange for shares of New Discovery Series A and Series C convertible preferred stock, which shares of convertible preferred stock would be initially convertible into one-third of the common equity of New Discovery issued in the merger described below, on an as-converted basis. Immediately upon completion of the Advance/Newhouse contribution, Merger Sub will merge with and into DHC with DHC surviving the merger. In the merger, each outstanding share of DHC common stock will automatically be converted as follows:

each share of DHC Series A common stock outstanding immediately prior to the effective time of the merger will be converted into the right to receive 0.50 shares of New Discovery Series A common stock and 0.50 shares of New Discovery Series C common stock; and

each share of DHC Series B common stock outstanding immediately prior to the effective time of the merger will be converted into the right to receive 0.50 shares of New Discovery Series B common stock and

0.50 shares of New Discovery Series C common stock.

Immediately following the completion of the Transaction:

DHC and Discovery will be wholly-owned subsidiaries of a new public company named Discovery Communications, Inc., or New Discovery;

the current public stockholders of DHC will be the public stockholders of New Discovery; and

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Advance/Newhouse will be a stockholder of New Discovery (rather than a member of Discovery Communications Holding), owning all of the outstanding shares of Series A and Series C convertible preferred stock of New Discovery.

Recommendation of the DHC Board; Purposes and Reasons for the Transaction

DHC's board of directors has unanimously approved the Transaction, and has determined that the Transaction Agreement and the merger agreement, and the transactions contemplated thereby (including the preferred stock issuance, the merger and the New Discovery charter, including the provisions for the authorized capital stock of New Discovery), are advisable and in the best interests of DHC and its stockholders. Accordingly, the DHC board recommends that stockholders of DHC vote **FOR** the merger proposal, the preferred stock issuance proposal and the authorized stock proposal at the Annual Meeting. DHC's board and the compensation committee of DHC's board have also unanimously approved the amendment and restatement of the DHC incentive plan in connection with the Transaction, and the DHC board recommends that stockholders of DHC vote **FOR** the incentive plan proposal. See The DHC Incentive Plan Proposal for more information.

In approving the Transaction, the DHC board determined that the principal benefit to DHC and its stockholders is that it will effectively transform Discovery into a public company, and in doing so provide stockholders of DHC with a direct interest in one of the largest non-fiction programming companies in the world. The DHC board also considered the following benefits of the Transaction in its determination:

that the Transaction will create a pure-play programming company, New Discovery, in a manner that is generally expected to be tax-free to both DHC and its stockholders and Advance/Newhouse;

that completion of the Transaction will allow the board of directors and management of New Discovery to focus almost entirely on the programming businesses of Discovery;

that the Transaction will enable DHC stockholders, as well as potential investors and analysts, to obtain significantly improved disclosure regarding Discovery, including more transparent financial information;

that while the Transaction will be dilutive to the public stockholders of DHC, the economic benefits of their indirect ownership in Discovery will remain largely the same as Discovery will no longer have a minority stockholder;

that New Discovery's management will be comprised of the current management team at Discovery, thereby ensuring a smooth integration of Discovery into New Discovery;

that the Transaction has been structured so as not to trigger any change of control provisions in the benefit plans of DHC or Discovery or the debt instruments of Discovery;

that the Transaction is expected to allow New Discovery to issue equity on more favorable terms with less dilution to existing equity holders in DHC with respect to their interest in Discovery in connection with future acquisitions and management compensation than DHC could under its current ownership structure;

that the stock of New Discovery is expected to constitute an improved currency, when compared with current alternatives, in connection with issuing equity to raise capital and in acquisitions of other media and entertainment businesses; and

that the Transaction, together with the AMC spin-off, will enable New Discovery to more effectively tailor employee benefit plans and retention programs, when compared with current alternatives, to provide improved incentives to the employees and future hires of Discovery that will better and more directly align the incentives for management at DHC and New Discovery with their performance.

The DHC board weighed these benefits against various risks associated with the Transaction, including, among other things:

the risk that the market overhang resulting from the outstanding shares of convertible preferred stock may depress the public market price of New Discovery's equity;

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the risk that Advance/Newhouse could transfer its entire block of stock to a third party without the approval of the New Discovery board, which could diminish the effectiveness of New Discovery's rights plan;

the potentially significant indemnification obligation of New Discovery to Advance/Newhouse with respect to liabilities incurred by DHC (but not Discovery) prior to the closing of the Transaction; and

the risk that Advance/Newhouse could exercise its registration rights at inopportune times.

The DHC board also considered the terms on which Advance/Newhouse will contribute its interests in Discovery and Animal Planet in return for the Series A and Series C convertible preferred stock. The Board recognized that immediately following the Transaction, Advance/Newhouse will own approximately one-third of the equity of DHC, which is the same equity ownership that Advance/Newhouse currently has in Discovery Communications Holding (the intermediate holding company through which DHC holds its two-thirds equity interest in Discovery). The board further recognized that the special class voting rights included in the Series A convertible preferred stock to be issued to Advance/Newhouse are substantially the same as the rights that Advance/Newhouse currently has as a member of Discovery Communications Holding, and that significant corporate actions may be taken by the board of New Discovery that are not subject to such special class voting rights. Hence, the Board determined the terms of Advance/Newhouse's investment in New Discovery are advisable and in the best interests of DHC and its stockholders as that investment will result in the benefits described above in exchange for Advance/Newhouse changing its ownership interest in Discovery from an interest in Discovery Communications Holding to an interest in New Discovery, with substantially the same governance rights.

The DHC board also considered the requirement of the Transaction that Ascent Media (other than Ascent Media Sound) be spun off prior to the preferred stock issuance to Advance/Newhouse. The DHC board determined that the AMC spin-off was advisable in the context of the Transaction as it will facilitate the Transaction and resolve differing views with respect to the value of Ascent Media that could otherwise preclude the consummation of the Transaction on terms acceptable to both DHC and Advance/Newhouse, and eliminate the potential distraction and use of management and other resources related to the AMC businesses. DHC wishes to complete the Transaction for the reasons described above. The AMC spin-off was also viewed as making it easier for investors and analysts to understand and value New Discovery's assets, thereby enhancing its ability to raise capital to pursue its business strategy and to take advantage of acquisition opportunities of other media and entertainment businesses. Further, the AMC spin-off will provide certain benefits for investors in AMC, including making it easier for investors to understand and value the AMC assets, which DHC's board of directors believes may currently be overshadowed by DHC's interest in Discovery, thus enhancing the ability of AMC to raise capital to pursue its business strategy and fund acquisitions, including, possibly, acquisitions using its equity as currency, and internal growth. Finally, the AMC spin-off will enhance AMC's ability to attract and retain qualified personnel, by enabling it to grant equity incentive awards based on its own common stock, which will directly reflect the performance of the businesses of AMC, and will further enable AMC to more effectively tailor employee benefit plans and retention programs, when compared with current alternatives, to provide improved incentives to the employees and future hires of AMC that will better and more directly align the incentives for management at AMC with their performance.

After careful deliberation of the foregoing, the DHC board determined that the Transaction would accomplish DHC's primary goal of converting its non-consolidated equity position in Discovery into a consolidated, pure-play public company, while also accomplishing Advance/Newhouse's goals of having a liquid ownership interest in and significant governance rights over the new public company, in a tax-efficient manner. Because the DHC stockholders would continue to hold their stake in Ascent Media through the shares of AMC they will receive in the AMC spin-off, the only economic dilution to the DHC stockholders would be the loss of an aggregate 33 1/3% interest in Ascent Media Sound, which the DHC board believed to be minor compared to the benefits of the overall Transaction. The DHC

board considered the risk of the AMC spin-off being taxable to DHC given that a should rather than a will tax opinion was to be received from counsel. The DHC board believed that the tax risk was manageable in light of counsel s level of comfort and because DHC has a relatively high basis in the shares of AMC, which would minimize, if not fully eliminate, any taxable gain if the AMC spin-off was ultimately determined to be a taxable distribution by DHC.

In light of the number, variety and complexity of the factors that the board considered in coming to its determination that Transaction is in the best interests of DHC and its stockholders, the DHC board did not believe it

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to be practicable to assign relative weights to the factors it considered. Rather, the DHC board conducted an overall analysis of the factors described above. In doing so, different members of the board may have given different weight to different factors.

Conduct of the Business of DHC if the Transaction is Not Completed

If the Transaction is not completed, DHC intends to continue to operate its business substantially in the manner it is operated today with its existing capital structure and management team remaining. From time to time, DHC will evaluate and review its business operations, properties, dividend policy and capitalization, and make such changes as are deemed appropriate, and continue to seek to identify strategic alternatives to maximize stockholder value.

If the Transaction is not to be completed, the AMC spin-off will not be effected, and the incentive plan proposal, even if approved by DHC stockholders at the Annual Meeting, will not be implemented.

Management and Operations of New Discovery Following the Transaction

New Discovery Business

Following the Transaction and the AMC spin-off, New Discovery will be the new parent company of Discovery. Discovery will constitute substantially all of New Discovery's business and operations. New Discovery's business and operations will be conducted substantially as that of Discovery's prior to the Transaction, except that the business of Ascent Media Sound will also be conducted by New Discovery.

New Discovery Directors and Officers

Following the Transaction, New Discovery's management team will be responsible for the business of Discovery and the remaining sound business of Ascent Media. New Discovery's management team will consist of Discovery's current management team, including David Zaslav who will serve as the Chief Executive Officer and President of New Discovery. New Discovery will have a board that will consist of eleven members, of whom one will be John Hendricks, a current executive officer of Discovery who will serve as the Chairman of New Discovery, one will be Mr. Zaslav, five are current members of DHC's board of directors, one will be a new independent director and three will be designated by Advance/Newhouse pursuant to the terms of the New Discovery convertible preferred stock. Two initial designees of Advance/Newhouse will be Robert J. Miron, the Chairman of Advance/Newhouse and Steven A. Miron, Chief Executive Officer of Advance/Newhouse. For more information on the current directors and executive officers of Discovery and DHC see Management of New Discovery and Management of DHC. As provided in the bylaws of New Discovery, the size of New Discovery's board of directors will automatically be reduced (i) by one member upon the resignation, removal or disqualification of John Hendricks from the position of Chairman of the board of directors and (ii) upon the holders of the Series A preferred stock ceasing to have the right to elect Series A preferred stock directors, by the number of Series A preferred stock directors then in office. For more information about the bylaws of New Discovery, see Comparison of the Rights of Stockholders of DHC and New Discovery.

Listing and Registration

Following the Transaction, DHC Series A common stock and DHC Series B common stock will be delisted from the Nasdaq Global Select Market and deregistered under the Exchange Act.

The shares of New Discovery common stock issuable in connection with the Transaction will be registered under the Exchange Act, and it is a condition of the Transaction that such shares be authorized for listing on the Nasdaq Global Select Market, subject only to official notice of issuance. New Discovery has applied to list its Series A common stock

and Series B common stock on the Nasdaq Global Select Market under the symbols DISCA and DISCB, respectively, the same symbols under which DHC's existing Series A and Series B common stock are listed. New Discovery has applied to list its Series C common stock on the Nasdaq Global Select Market under the symbol DISCK.

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Reporting Obligations

Following the merger, DHC will cease to be a reporting company under the Exchange Act.

New Discovery will become the successor reporting company to DHC under the Exchange Act contemporaneously with the consummation of the merger of DHC with Merger Sub, a transitory merger subsidiary of New Discovery.

Accounting Treatment

The Transaction

For financial reporting purposes, New Discovery will be the successor reporting entity to DHC. Because Advance/Newhouse is a one-third owner of Discovery Communications Holding prior to the completion of the Transaction and will be a one-third owner of New Discovery (whose only significant asset is 100% of Discovery Communications Holding) immediately following completion of the Transaction, there will be no effective change in ownership. The New Discovery convertible preferred stock will not have any special dividend rights and only a de minimus liquidation preference. Additionally, Advance/Newhouse retains significant participatory special class voting rights with respect to New Discovery parent company matters. Pursuant to FASB Technical Bulletin 85-5, and for accounting purposes, the Transaction will be treated as a nonsubstantive merger, and therefore, the Transaction will be recorded at carry over basis. For additional information, see Discovery Communications, Inc. Unaudited Condensed Pro Forma Combined Financial Statements elsewhere herein.

Amount and Source of Funds and Financing of the Transaction; Expenses

It is expected that DHC will incur an aggregate of approximately [\$ million] in expenses in connection with the completion of the Transaction (exclusive of expenses incurred in connection with the AMC spin-off). These expenses will be comprised of:

approximately \$750,000 of printing and mailing expenses associated with this proxy statement/prospectus;

approximately [\$] in legal and accounting fees;

approximately \$270,000 in SEC filing fees; and

approximately [\$] in other miscellaneous expenses (including the payment of Advance/Newhouse's filing fee relating to the Hart-Scott-Rodino Antitrust Improvement Act of 1976 (**HSR**)).

Any such expenses required to be paid prior to the closing of the Transaction will be paid by DHC from its existing cash balances. Any such expenses which are not paid prior to the closing of the Transaction will become the obligations of AMC. See Transaction Agreements Reorganization Agreement for more information.

Interests of Certain Persons in the Transaction

Interests of Directors and Executive Officers

In considering the recommendation of DHC's board of directors to vote to approve the transaction proposals, stockholders of DHC should be aware that members of DHC's board of directors and members of DHC's executive management have relationships, agreements or arrangements that provide them with interests in the Transaction that may be in addition to or different from those of the public stockholders of DHC. In addition, the current directors of

DHC will be entitled to the continuation of certain indemnification arrangements following completion of the Transaction.

Following completion of the Transaction, David Zaslav, President and Chief Executive Officer of Discovery, will become President and Chief Executive Officer of New Discovery. All of DHC's five current directors have agreed to serve on the eleven-member board of New Discovery and John Hendricks, the current Chairman of Discovery, has agreed to serve as the Chairman of New Discovery. In addition, New Discovery's management will be comprised of the members of Discovery's management team. The directors and executive officers of New Discovery are expected to beneficially own shares of New Discovery common stock, immediately following the

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closing of the Transaction, representing in the aggregate approximately 27.3% of the aggregate voting power of New Discovery, based upon their beneficial ownership interests in DHC as of the record date for the Annual Meeting.

In addition, upon the consummation of the Transaction, each outstanding option to purchase shares of DHC common stock held by (i) the current DHC directors (other than Robert R. Bennett) will be converted into options to purchase shares of New Discovery common stock and (ii) the DHC executive officers (other than those who are also directors of DHC) will be converted into share appreciation rights relating to shares of New Discovery. Upon consummation of the Transaction, and in recognition of the services Mr. Bennett will provide to AMC following the AMC spin-off, each outstanding option to purchase shares of DHC common stock held by Mr. Bennett will be converted into options to purchase New Discovery common stock and an option to purchase AMC stock. For additional information regarding the treatment of such options, see [The Transaction Agreements](#) [Merger Agreement](#) [Treatment of Stock Options](#) below.

Upon consummation of the Transaction, each outstanding DAP award held by executive officers of Discovery who become executive officers of New Discovery will be adjusted as described in [Management of New Discovery Executive Compensation](#) [Compensation Discussion and Analysis](#) [Elements of Compensation](#) [Discovery Appreciation Program](#) [Adjustments to DAP Awards](#). In addition, John Hendricks and Brad Singer, who will serve as Chairman and Chief Financial Officer, respectively, of New Discovery have entered into arrangements pursuant to which they would be entitled to receive New Discovery stock options under the DHC incentive plan following the closing of the Transaction. For a description of these arrangements, please see [Management of New Discovery Executive Compensation Arrangements](#) [John Hendricks Equity Stake Transition Term Sheet](#) and [Executive Compensation Arrangements Singer Employment Agreement](#), respectively. Grants under the DHC incentive plan may only be made by action of the New Discovery compensation committee. No directors or executive officers of DHC hold any DAP awards.

DHC's board of directors were aware of these interests and arrangements and considered them when approving the Transaction. For more information regarding these interests and arrangements, see [Management of New Discovery](#) and [Management of DHC](#).

Regulatory Matters

The parties have obtained all regulatory consents and approvals required by the Transaction Agreement with respect to the Transaction.

Appraisal Rights

Under Section 262 of the Delaware General Corporation Law (**DGCL**), DHC stockholders are not entitled to appraisal rights in connection with the Transaction.

Federal Securities Law Consequences

The issuance of shares of New Discovery common stock in connection with the Transaction will be registered under the Securities Act, and the shares of New Discovery common stock so issued will be freely transferable under the Securities Act, except for shares of New Discovery common stock issued to any person who is deemed to be an affiliate of New Discovery after completion of the Transaction. Persons who may be deemed to be affiliates include individuals or entities that control, are controlled by, or are under common control with New Discovery and may include directors, certain executive officers and significant stockholders of New Discovery. Affiliates may not sell their shares of New Discovery common stock, except pursuant to:

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an effective registration statement under the Securities Act covering the resale of those shares;

in compliance with Rule 144 under the Securities Act; or

any other applicable exemption under the Securities Act.

New Discovery's registration statement on Form S-4, of which this document forms a part, does not cover the resale of shares of New Discovery common stock to be received by its affiliates.

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**MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF
THE MERGER AND THE AMC SPIN-OFF**

Subject to the limitations and qualifications described herein, the following discussion constitutes the opinion of Skadden, Arps, Slate, Meagher & Flom LLP, tax counsel to DHC, as to the material U.S. federal income tax consequences to DHC stockholders resulting from the merger and the AMC spin-off. This discussion is based upon the Code, existing and proposed Treasury regulations promulgated thereunder and current administrative rulings and court decisions, all as in effect as of the date of this proxy statement/prospectus, and all of which are subject to change, possibly with retroactive effect. This discussion is limited to DHC stockholders that are U.S. holders, as defined below, that hold their shares of DHC stock as a capital asset within the meaning of Section 1221 of the Code. Further, this discussion does not address all U.S. federal income tax considerations that may be relevant to particular stockholders in light of their particular circumstances, such as tax-exempt entities, partnerships (including entities treated as partnerships for U.S. federal income tax purposes), holders who acquired their shares of DHC stock pursuant to the exercise of employee stock options or otherwise as compensation, holders who hold different blocks of DHC stock (generally shares of DHC stock purchased or acquired on different dates or at different prices), financial institutions, insurance companies, dealers or traders in securities, holders who are subject to alternative minimum tax, and holders who hold their shares of DHC stock as part of a straddle, hedge, conversion, constructive sale, synthetic security, integrated investment or other risk-reduction transaction for U.S. federal income tax purposes. In addition, the following discussion does not address the tax consequences of the merger or the AMC spin-off under U.S. state or local or non-U.S. tax laws. **Accordingly, DHC stockholders are encouraged to consult their tax advisors concerning the U.S. federal, state and local and non-U.S. tax consequences to them of the merger and the AMC spin-off.**

For purposes of this discussion, a U.S. holder is a beneficial owner of DHC stock that is, for U.S. federal income tax purposes:

an individual who is a citizen or a resident of the United States;

a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States or any state or political subdivision thereof;

an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust, if (i) a court within the United States is able to exercise primary jurisdiction over its administration and one or more United States persons have the authority to control all of its substantial decisions, or (ii) in the case of a trust that was treated as a domestic trust under the law in effect before 1997, a valid election is in place under applicable Treasury regulations.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds shares of DHC stock, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding shares of DHC stock should consult its tax advisor regarding the tax consequences of the merger and the AMC spin-off.

Material U.S. Federal Income Tax Consequences of the Merger

Skadden, Arps, Slate, Meagher & Flom LLP, tax counsel to DHC, is of the opinion that for U.S. federal income tax purposes:

No gain or loss will be recognized by DHC stockholders solely as a result of the exchange of DHC common stock for New Discovery common stock pursuant to the merger, other than with respect to fractional shares of New Discovery common stock for which cash is received.

The aggregate tax basis of the shares of New Discovery common stock (including any fractional shares in respect of which cash is received) received by DHC stockholders pursuant to the merger will be the same as the aggregate tax basis of the DHC common stock (adjusted in connection with the AMC spin-off as described below) exchanged for such New Discovery common stock pursuant to the merger. The aggregate tax basis will be allocated between shares of New Discovery Series A common stock and New Discovery Series C common stock received in accordance with their relative fair market values at the time of the merger.

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The holding period of the shares of New Discovery common stock received by DHC stockholders in the merger will include the holding period of the DHC common stock exchanged for such New Discovery common stock pursuant to the merger, provided that such shares of DHC stock were held as a capital asset on the merger date.

A DHC stockholder that receives cash in lieu of a fractional share of New Discovery common stock pursuant to the merger will be treated as though it first received a distribution of the fractional share in the merger and then sold it for the amount of such cash. Such stockholder will generally recognize capital gain or loss, provided that the fractional share is considered to be held as a capital asset, measured by the difference between the cash received for such fractional share and the stockholder's tax basis in that fractional share, as determined above. Such capital gain or loss will generally be a long-term capital gain or loss if the stockholder's holding period for its share of DHC stock exceeds one year on the date of the merger.

Neither DHC, New Discovery nor Merger Sub will recognize gain or loss as a result of the merger.

Holders who hold different blocks of DHC common stock are encouraged to consult with their tax advisors with respect to identifying the tax bases and holding periods of shares of New Discovery common stock received in the merger.

The tax opinion described above is based on, among other things, assumptions and representations as to factual matters and certain undertakings that have been received from DHC and Advance/Newhouse, including those contained in certificates of officers of DHC and Advance/Newhouse, as requested by counsel. The opinion referred to in this paragraph is not binding on the IRS or the courts, and no rulings have been or will be sought from the IRS regarding the tax treatment of the merger or the contribution by Advance/Newhouse. There can be no assurance that the IRS will not challenge the conclusions set forth in the opinion stated above or referred to herein or that any such challenge would not prevail.

The discussion of the material U.S. federal income tax consequences set forth above is not intended to be a complete analysis or description of all potential U.S. federal income tax consequences of the merger and does not address tax consequences that may vary with, or are contingent on, individual circumstances. Moreover, the discussion does not address the tax consequences of the merger under U.S. state or local or non-U.S. tax laws. **Accordingly, DHC stockholders are encouraged to consult their tax advisors concerning the U.S. federal, state and local and non-U.S. tax consequences to them of the merger.**

Material U.S. Federal Income Tax Consequences of the AMC Spin-Off

Skadden, Arps, Slate, Meagher & Flom LLP, tax counsel to DHC, is of the opinion that for U.S. federal income tax purposes:

No gain or loss should be recognized by DHC upon the distribution of shares of common stock of AMC to DHC stockholders pursuant to the AMC spin-off.

No gain or loss should be recognized by, and no amount should be included in the income of, a DHC stockholder upon the receipt of shares of common stock of AMC pursuant to the AMC spin-off, other than with respect to fractional shares of common stock of AMC for which cash is received.

A DHC stockholder that receives shares of common stock of AMC in the AMC spin-off should have an aggregate adjusted basis in its shares of common stock of AMC (including any fractional share in respect of

which cash is received) and its shares of DHC stock immediately after the AMC spin-off equal to the aggregate adjusted basis of such stockholder's shares of DHC stock held prior to the AMC spin-off, which should be allocated in accordance with their relative fair market values.

The holding period of the shares of common stock of AMC received in the AMC spin-off by a DHC stockholder should include the holding period of such stockholder's shares of DHC stock, provided that such shares of DHC stock were held as a capital asset on the distribution date.

The conclusions in the tax opinion set forth above are based on existing legal authority and the lack of any authority directly on point. The tax opinion also is based on, among other things, assumptions and representations as to factual matters and certain undertakings that have been received from DHC, AMC and certain DHC stockholders, including those contained in certificates of officers of DHC and AMC and certain DHC stockholders, as requested by counsel. If any of those factual representations or assumptions were to be incorrect or untrue in any material

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respect, any undertaking was not complied with, or the facts upon which the opinion is based were to be materially different from the facts at the time of the AMC spin-off, the AMC spin-off may not qualify for tax-free treatment. DHC has not sought and does not intend to seek a ruling from the IRS as to the U.S. federal income tax treatment of the AMC spin-off. The tax opinion is not binding on the IRS or the courts, and there can be no assurance that the IRS will not challenge the qualification of the AMC spin-off as a transaction under Sections 368(a) and 355 of the Code for U.S. federal income tax purposes or that any such challenge would not prevail.

Material U.S. Federal Income Tax Consequences if the Distribution Is Taxable

At the effective time of the AMC spin-off, DHC expects to receive a tax opinion from Skadden, Arps, Slate, Meagher & Flom LLP to the effect that, taking into account, among other things, the issuance of the A/N Preferred Stock to Advance/Newhouse and the special voting rights associated with such A/N Preferred Stock, the AMC spin-off should qualify as a transaction under Sections 368(a) and 355 of the Code for U.S. federal income tax purposes. Receipt of such opinion is a condition to closing, and such opinion will confirm the conclusions set forth in the opinion of Skadden, Arps, Slate, Meagher & Flom LLP above. An opinion of counsel represents counsel's best legal judgment and is not binding on the IRS or any court. If the IRS were to assert successfully that the AMC spin-off was taxable, the above consequences would not apply and both DHC and its stockholders that received shares of common stock of AMC in the AMC spin-off could be subject to tax, as described below.

If the AMC spin-off did not qualify as a transaction under Sections 368(a) and 355 of the Code for U.S. federal income tax purposes, then DHC would recognize taxable gain in an amount equal to the excess, if any, of the fair market value of the shares of common stock of AMC held by DHC immediately prior to the AMC spin-off over DHC's tax basis in such shares. In addition, a DHC stockholder that received shares of common stock of AMC in the AMC spin-off would be treated as having received a distribution of property in an amount equal to the fair market value of such shares (including any fractional shares sold on behalf of the stockholder) on the distribution date. That distribution would be taxable to such stockholder as a dividend to the extent of DHC's current and accumulated earnings and profits. Any amount that exceeded DHC's earnings and profits would be treated first as a non-taxable return of capital to the extent of such stockholder's tax basis in its shares of DHC stock with any remaining amount being taxed as a capital gain. Certain stockholders may be subject to additional special rules governing distributions, such as those that relate to the dividends received deduction and extraordinary dividends.

Even if the AMC spin-off otherwise qualifies for tax-free treatment to the DHC stockholders, it may be disqualified as tax-free to DHC under Section 355(e) of the Code if 50% or more of either the total combined voting power or the total fair market value of the stock of New Discovery (or DHC) or AMC is acquired as part of a plan or series of related transactions that includes the AMC spin-off. Any acquisitions of stock of New Discovery (or DHC) or AMC after the AMC spin-off are generally part of such a plan only if there was an agreement, understanding, arrangement or substantial negotiations regarding the acquisition or a similar acquisition at some time during the two-year period ending on the date of the AMC spin-off. All of the facts and circumstances must be considered to determine whether the AMC spin-off and any acquisition of stock are part of such a plan, and certain acquisitions of stock pursuant to public sales are exempted by applicable Treasury regulations. In this regard, while the issuance of the A/N Preferred Stock to Advance/Newhouse should generally be treated as part of a plan or series of related transactions that includes the AMC spin-off, such issuance by itself, taking into account the special voting rights associated with such A/N Preferred Stock, should not result in DHC recognizing gain in connection with the AMC spin-off. If Section 355(e) of the Code applies as a result of such an acquisition of stock of New Discovery (or DHC) or AMC, DHC would recognize taxable gain in an amount equal to the excess, if any, of the fair market value of the shares of common stock of AMC held by DHC immediately prior to the AMC spin-off over DHC's tax basis in such shares, but the AMC spin-off would nevertheless generally be tax-free to each DHC stockholder that received shares of common stock of AMC in the AMC spin-off.

Certain State Income Tax Matters

As noted above, this discussion does not address any tax consequences of the AMC spin-off other than the material U.S. federal income tax consequences set forth above. DHC stockholders are encouraged to consult their tax advisor concerning all possible state tax consequences of the AMC spin-off.

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THE TRANSACTION AGREEMENTS

On June 4, 2008, DHC, New Discovery and Advance/Newhouse and certain of their respective affiliates entered into the Transaction Agreement and certain related agreements that together set forth the terms and conditions of the proposed transactions. The principal documents (in the form in which they exist today) consist of the following:

the Transaction Agreement, which establishes the overall framework for the transactions as well as the terms and conditions of the Advance/Newhouse contribution;

the merger agreement, which establishes the terms and conditions of the merger of Merger Sub and DHC;

the form of escrow agreement, which establishes the terms and conditions of an escrow arrangement for certain shares of New Discovery convertible preferred stock Advance/Newhouse receives in the Transaction;

the reorganization agreement, which establishes certain terms and conditions relating to the AMC spin-off;

the form of tax sharing agreement, which establishes the allocation between DHC and New Discovery on the one hand and AMC on the other hand, of liabilities for taxes arising prior to, as a result of, and subsequent to the AMC spin-off; and

certain other ancillary agreements contemplated by the agreements listed above.

*Set forth below is a summary of the material terms of the principal documents involved in the Transaction. The summary does not purport to be complete and may not contain all of the information that is important to you. The summary is qualified in its entirety by reference to the actual text of the agreements being summarized, which have been filed as Appendices to this proxy statement/prospectus or as exhibits to the registration statement of which this document constitutes a part, and are incorporated by reference into this document. For more information about how you can obtain copies of these agreements that have been filed as exhibits, see *Where You Can Find More Information* below.*

Transaction Agreement

New Discovery, DHC and Advance/Newhouse and certain of their respective affiliates entered into the Transaction Agreement, which establishes important terms and conditions relating to the implementation of the Transaction, including the Advance/Newhouse contribution. The Transaction Agreement sets forth the terms and conditions of each of New Discovery's and DHC's obligation to complete the AMC spin-off, the Advance/Newhouse contribution and the merger, and Advance/Newhouse's obligation to complete the Advance/Newhouse contribution.

AMC Spin-off

Prior to effecting the initial steps of the Transaction, DHC will, subject to the satisfaction of the conditions contained in the Transaction Agreement, complete the AMC spin-off. The Transaction Agreement provides that, prior to effecting the AMC spin-off, DHC will complete an internal corporate restructuring so that DHC will be the sole stockholder of AMC, which will own all of the businesses, assets, properties and liabilities of the creative and network services businesses of Ascent Media, excluding Ascent Media Sound, and the excess cash and cash equivalents held by DHC prior to the AMC spin-off. The Transaction Agreement provides that, subject to the satisfaction of the conditions contained in the Transaction Agreement, DHC will take all actions within its control to complete the AMC

spin-off. See Reorganization Agreement below for more information.

As a result of such internal restructuring and completion of the AMC spin-off, DHC would own a 66 $\frac{2}{3}$ % interest in Discovery, 100% of the businesses, assets, properties and liabilities of Ascent Media Sound, and any cash and cash equivalents not contributed to AMC.

For more information regarding the AMC spin-off, please see Reorganization Agreement below. For financial information on AMC, see its Audited Financial Statements included as Appendix F to this proxy statement/prospectus.

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Advance/Newhouse Contribution

Subject to the satisfaction of the conditions in the Transaction Agreement, immediately following the completion of the AMC spin-off, the Transaction Agreement provides that Advance/Newhouse will contribute to New Discovery all of the interests in Discovery and Animal Planet owned by Advance/Newhouse, in exchange for:

shares of New Discovery Series A convertible preferred stock convertible into a number of shares of Series A common stock equal to one-half of the number of shares of New Discovery Series A common stock and New Discovery Series B common stock issued in the merger;

shares of New Discovery Series C convertible preferred stock convertible into a number of shares of Series C common stock equal to one-half of the number of shares of New Discovery Series C common stock issued in the merger;

additional shares of New Discovery Series A convertible preferred stock convertible into a number of shares of Series A common stock equal to one-half of the aggregate number of shares of New Discovery Series A common stock and New Discovery Series B common stock that may be issued by New Discovery pursuant to stock options and stock appreciation rights in effect immediately following the merger; and

additional shares of New Discovery Series C convertible preferred stock convertible into a number of shares of Series C common stock equal to one-half of the aggregate number of shares of New Discovery Series C common stock that may be issued by New Discovery pursuant to stock options and stock appreciation rights in effect immediately following the merger.

For more information regarding the New Discovery options and stock appreciation rights, see Merger Agreement Treatment of Options below. Following the closing of the Transaction and issuance of additional shares of New Discovery Series A convertible preferred stock referenced in the final two bullet points above to Advance/Newhouse, which are referred to as **escrow shares**, Advance/Newhouse will deposit such escrow shares into an escrow account to be held by the escrow agent pursuant to the terms and conditions of the escrow agreement described below. See Escrow Agreement below.

Merger

Immediately following the completion of the Advance/Newhouse contribution described above, DHC, New Discovery and Merger Sub will complete the merger as contemplated by the Transaction Agreement and merger agreement. For more details regarding the merger, including the effect on each outstanding share of DHC common stock and outstanding stock options, see Merger Agreement below.

We cannot assure you when, or if, all the conditions to completion of the Transaction (including the merger) will be satisfied or, where permissible, waived. See Conditions to Completion of the Transaction below. The parties intend to complete the Transaction as promptly as practicable following the satisfaction (or waiver) of all conditions, including receipt of the requisite approvals of the DHC stockholders to the merger proposal, preferred stock issuance proposal and authorized stock proposal at the Annual Meeting.

Representations and Warranties

The Transaction Agreement contains representations and warranties that the parties made to each other as of the date of the Transaction Agreement or other specific dates. The statements embodied in those representations and warranties are subject to qualifications and limitations agreed to by the parties in connection with negotiating the terms of that

agreement and are qualified by information in a confidential disclosure letter that the parties have exchanged in connection with the signing of the Transaction Agreement. Please note that certain representations and warranties may be subject to contractual standards of materiality different from those generally applicable to stockholders or may have been used for the purpose of allocating risk between the parties rather than establishing matters as facts.

The Transaction Agreement should not be read alone, but should instead be read in conjunction with the other information regarding the parties and the transaction that is contained in this proxy statement/prospectus as well as

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in the filings that the parties make and have made with the SEC. The representations and warranties contained in the Transaction Agreement may or may not have been accurate as of the date they were made and we make no assertion herein that they are accurate as of the date of this proxy statement/prospectus.

The Transaction Agreement contains customary representations and warranties by DHC relating to, among other things:

corporate organization and qualification;

corporate power and authority, absence of conflicts and board approval of the Transaction Agreement;

capitalization of each of DHC, New Discovery and Merger Sub;

subsidiaries;

documents filed with the Securities and Exchange Commission and financial statements included in such documents;

information supplied in connection with this proxy statement/prospectus and the registration statement of which it is a part;

absence of certain changes or events since December 31, 2007;

no default under any material contracts;

compliance with applicable laws;

legal proceedings;

material transactions or arrangements with affiliates;

brokers and finders;

tax and employee matters; and

compliance with takeover laws.

Except as specifically provided in the Transaction Agreement, DHC does not make any representations or warranties under the Transaction Agreement with respect to the businesses, assets and liabilities of Discovery, or of Ascent Media to the extent they are part of the AMC spin-off.

The Transaction Agreement contains customary representations and warranties by Advance/Newhouse relating to, among other things:

organization and qualification;

power and authority, absence of conflicts and requisite approvals of the Transaction Agreement;

ownership of Discovery and Animal Planet interests;

information supplied in connection with this proxy statement/prospectus and the registration statement of which it is a part;

legal proceedings;

brokers and finders; and

acknowledgement of private placement of securities Advance/Newhouse will receive in the Transaction.

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Covenants

Stockholder Vote; Registration Statement and Issuance of Shares

DHC has agreed, subsequent to the date of the Transaction Agreement, to use its reasonable best efforts to, among other things:

convene a stockholders meeting for the purpose of considering and voting on the Transaction Agreement;

prepare and file with the SEC this proxy statement/prospectus and registration statement of which it is a part and to have such filings declared effective by the SEC as soon as reasonably practicable after filing; and

cause the shares of the New Discovery common stock issuable in the merger to be eligible for quotation on the Nasdaq Global Select Market.

Conduct of Business of DHC Prior to Closing

Under the Transaction Agreement, DHC has agreed that, subject to certain exceptions, between the date of the Transaction Agreement and the closing of the Transaction, it will, and will cause certain of its subsidiaries to, conduct its business as currently conducted and not take action that could be expected to result in any of the conditions to the merger and the contribution by Advance/Newhouse not being fulfilled. In addition, each of DHC, New Discovery and Merger Sub agreed, subject to certain exceptions, not to, prior to completion of the Transaction, take any action that would reasonably be expected to create a material liability for New Discovery following the closing of the Transaction. Further, DHC has agreed to not issue, between the date of the Transaction Agreement and the closing of the Transaction, any options exercisable for Series A common stock or Series B common stock of DHC to any director of DHC.

Reasonable Best Efforts

The parties have agreed to use their respective reasonable best efforts to consummate the transactions contemplated by the Transaction Agreement and to cause all of the conditions to the consummation of the Transaction to be satisfied, including:

obtaining all necessary consents and approvals from governmental authorities or other persons;

defending any lawsuits or other actions challenging the Transaction Agreement or the consummation of the Transaction; and

providing notice or obtaining consents from any third-parties necessary for the consummation of the transactions contemplated by the Transaction Agreement.

Advance/Newhouse has agreed, within 10 business days of signing the Transaction Agreement, to file with the Federal Trade Commission and the Antitrust Division of the Department of Justice, the notification and report form required pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and request early termination of the waiting periods relating thereto and use its reasonable best efforts to take all actions required to cause the expiration or early termination of such notice periods. In addition, Advance/Newhouse has agreed, within 10 business days of signing the Transaction Agreement, to make any required filings under the merger regulations of the Republic of Germany, and Advance/Newhouse has agreed, subject to certain limitations, to use its reasonable best efforts to take

all actions required to obtain the clearance required by such merger regulations. The parties have further agreed, subject to certain limitations, to use their respective reasonable best efforts to resolve any objections or challenges of any governmental authorities to the Transaction Agreement or the Transaction. The parties agreed that in order to resolve any objection or to obtain the consent, approval, waiver or permission of any governmental authority in connection with the Transaction, neither DHC nor Advance/Newhouse nor any of their respective stockholders will be required to:

divest itself of any part of its ownership interest of DHC, New Discovery, Discovery, Animal Planet or AMC;

agree to any condition or requirement that would render such person's ownership of such securities, shares, interests or assets illegal or subject to the imposition of a fine or penalty;

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agree to any condition or requirement that would impose material restrictions or limitations on such person's full rights of ownership (including, without limitation, voting) of such securities, shares, interests or assets, or

agree to any condition or requirement that would materially restrict its business or operations as currently conducted.

Parent Guarantee

In the Transaction Agreement, Advance Publications, Inc. and Newhouse Broadcasting Corporation each agreed to cause Advance/Newhouse to perform its obligations under the Transaction Agreement and related transaction documents and to consummate the transaction in accordance with their terms and agreed not to take any action, or fail to take any action, that would result in each of them not being the beneficial owner of the Discovery and Animal Planet interests as of the closing of the Transaction.

Conditions to Completion of the Transaction

Conditions to obligations of each of DHC, New Discovery, Merger Sub and Advance/Newhouse. The respective obligations of DHC, New Discovery, Merger Sub and Advance/Newhouse to consummate the Transaction are subject to the satisfaction or (other than with respect to the stockholder approval requirement described in the third bullet point below) waiver, at or prior to the unconditional time, of the following conditions:

the absence of any law, injunction, order, statute or regulation prohibiting or preventing the consummation of the Transaction;

all authorizations, consents, orders or approvals of, or declarations or filings with, or expiration of waiting periods imposed by, certain specified governmental authorities (including under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and under the merger regulations of the Republic of Germany) necessary for the consummation of the Transaction having been filed, expired or obtained;

DHC having obtained the requisite approval of DHC stockholders to the Transaction;

the restated charter of New Discovery having been filed with the Delaware Secretary of State;

the declaration of effectiveness of the registration statement of New Discovery of which this document is a part by the SEC and the absence of any stop order suspending effectiveness or proceedings seeking a stop order or suspension of effectiveness with respect to such registration statement;

each of the Transaction Agreement, merger agreement, reorganization agreement, registration rights agreement and escrow agreement having been executed;

the shares of New Discovery common stock to be issued pursuant to the merger having been approved for listing on the Nasdaq Global Select Market, subject to official notice of issuance;

the registration statement on Form 10 of AMC having been declared effective by the SEC and the absence of any stop order suspending effectiveness or proceedings seeking a stop order or suspension of effectiveness with respect to such registration statement;

the shares of Series A common stock of AMC to be issued in the AMC spin-off to holders of DHC common stock having been approved for listing on The Nasdaq Stock Market, subject to official notice of issuance; and

all steps required to complete the AMC spin-off having been satisfied, completed or waived, as applicable.

Additional Conditions to obligations of Advance/Newhouse. The obligation of Advance/Newhouse to consummate the Transaction is subject to the satisfaction or waiver, at or prior to the unconditional time, of the following additional conditions:

all representations and warranties of DHC will be true and correct as of the date of the Transaction Agreement and the unconditional time, or as of a specified earlier date, except for inaccuracies in the

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representations made by DHC (other than representations relating to ownership of the shares of Discovery and interests of Animal Planet which must be true and correct in all respects) that would not have a material adverse effect on the business and operations of New Discovery or on the ability of DHC and New Discovery to consummate the Transaction;

each of DHC, New Discovery and Merger Sub will have performed in all material respects all obligations and agreements, and materially complied with all covenants and conditions required to be performed or complied with; and

receipt of the opinion of Ernst and Young LLP or another nationally recognized accounting firm or law firm to the effect that, for U.S. federal income tax purposes, the contribution (in conjunction with the merger) will qualify as a tax-free exchange within the meaning of Section 351 of the Code.

Additional Conditions to obligations of each of DHC, New Discovery and Merger Sub. The obligations of DHC, New Discovery and Merger Sub to consummate the transaction are subject to the satisfaction or waiver, at or prior to the unconditional time, of the following additional conditions:

all representations and warranties of Advance/Newhouse will be true and correct as of the date of the Transaction Agreement and the unconditional time, or as of a specified earlier date, except for inaccuracies in the representations made by Advance/Newhouse (other than representations relating to ownership of the shares of Discovery and interests of Animal Planet which must be true and correct in all respects) that would not have a material adverse effect on the ability of Advance/Newhouse to consummate the Transaction;

Advance/Newhouse will have performed in all material respects all obligations and agreements, and materially complied with all covenants and conditions required to be performed or complied with;

the New Discovery rights agreement will have been executed and delivered and in full force and effect and no act will have been taken or, to the knowledge of DHC, New Discovery or Merger Sub, threatened, seeking to invalidate the rights agreement or any transactions contemplated by the rights agreement; and

receipt of the opinion of Skadden, Arps, Slate, Meagher & Flom LLP or another nationally recognized law firm to the effect that, for U.S. federal income tax purposes, the AMC spin-off should qualify as a reorganization under Sections 368(a) and 355 of the Code, and the merger (in conjunction with the contribution) will qualify as a tax-free exchange within the meaning of Section 351 of the Code. Such opinion will confirm the conclusions set forth in the opinion of Skadden, Arps, Slate, Meagher & Flom LLP in *Material United States Federal Income Tax Consequences of the Merger and the AMC Spin-Off* *Material U.S. Federal Income Tax Consequences of the Merger* and *Material United States Federal Income Tax Consequences of the Merger and the AMC Spin-Off* *Material U.S. Federal Income Tax Consequences of the AMC Spin-Off* .

Under the Transaction Agreement, the term *unconditional time* generally means such time prior to the effective time of the AMC spin-off that all conditions to each party's obligation to consummate the Transaction (other than the delivery of certain documents that can only be delivered at the closing of the Transaction) have been satisfied or waived and the parties have acknowledged in writing that all such conditions have been satisfied or waived.

DHC reserves the right to waive any of the conditions to its obligations to close the Transaction (other than the mutual condition relating to the receipt of DHC stockholder approval, which is non-waivable). To the extent DHC waives any such condition, DHC does not intend to resolicit shareholder approval of the Transaction unless the waived condition relates to (i) the effectiveness of New Discovery's or AMC's registration statement under applicable securities laws, (ii) the stock exchange listing of the New Discovery common stock or the Series A AMC common stock, (iii) the

completion of the AMC spin-off or (iv) the receipt of an opinion from tax counsel to the effect that, for U.S. federal income tax purposes, the merger (in conjunction with the contribution) will qualify as a tax-free exchange within the meaning of Section 351 of the Code. DHC would resolicit stockholder approval in connection with a waiver of any of these enumerated conditions because they affect directly the consideration being received by the DHC stockholders in the Transaction and the AMC spin-off and could affect the tax consequences of the merger.

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Termination of the Transaction Agreement

The Transaction Agreement may be terminated and the Transaction abandoned at any time prior to the unconditional time, whether before or after the approval of DHC's stockholders:

by mutual written agreement of DHC and Advance/Newhouse;

by either DHC or Advance/Newhouse, if the approval of DHC's stockholders is not obtained at the Annual Meeting;

by either DHC or Advance/Newhouse, if any of the conditions precedent to such party's obligations has become incapable of being fulfilled;

by either DHC or Advance/Newhouse, if any court or other governmental authority has issued an order or taken any other action permanently restraining or otherwise prohibiting the Transaction and such order, or other action has become final and nonappealable; or

by either DHC or Advance/Newhouse, if the unconditional time does not occur on or prior to December 31, 2008.

In order to terminate the Transaction Agreement pursuant to any of the final four bullets noted above, the party seeking to terminate the Transaction Agreement must not be in breach of any of its representations, warranties or covenants in the Transaction Agreement in any material respect.

If the closing of the Transaction has not occurred by the 2nd business day after the unconditional time has occurred, then the Transaction Agreement may be terminated and the Transaction abandoned at any time after the close of business on such day by either DHC or Advance/Newhouse; provided that the party seeking to terminate the Transaction Agreement is not in breach of the Transaction Agreement in any material respect.

Indemnification

Indemnification by DHC and New Discovery

Subject to certain limitations in the Transaction Agreement, following completion of the Transaction, DHC and New Discovery will indemnify Advance/Newhouse, its affiliates and their respective officers, directors, stockholders, partners, employees, representatives, agents and trustees, against:

any actual and direct losses incurred by any such person arising out of or resulting from any breach of DHC and New Discovery's representation that DHC owns shares of Discovery and interests of Animal Planet;

any actual and direct losses incurred by any such person arising out of or resulting from any failure by DHC to perform any covenant or agreement made by DHC in the Transaction Agreement in all material respects;

any liability for taxes incurred by Advance/Newhouse as a consequence of the release of any of the Advance/Newhouse escrow shares from the escrow to the extent that the Advance/Newhouse contribution (in conjunction with the merger) otherwise qualified as a tax-free exchange within the meaning of Section 351 of the Code; and

any actual or direct losses incurred by such person arising out of or relating to any claim made by a third party that arises:

solely out of the ownership or operation of the business, assets or liabilities of AMC after the closing of the Transaction; or

out of any state of facts relating to DHC, New Discovery or AMC (but not including any liability of Discovery) existing at or prior to the closing of the Transaction.

With respect to the calculation of the actual and direct losses noted above, the amount that DHC or New Discovery would be obligated to pay Advance/Newhouse will be equal to the amount of such loss multiplied by one plus a fraction, the numerator of which is the loss percentage and the denominator of which is one minus the loss percentage .

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Without duplication of the foregoing indemnity, DHC and New Discovery will indemnify Advance/Newhouse, its affiliates and their respective officers, directors, stockholders, employees, representatives, agents and trustees, from Advance/Newhouse's loss percentage of:

any losses incurred by any such person arising out of or resulting from any failure by DHC to perform any covenant or agreement made by DHC in the Transaction Agreement in all material respects;

any liability of any of DHC, New Discovery or AMC (but not including any liability of Discovery and its subsidiaries or the company holding the assets of Ascent Media Sound and its subsidiaries) arising out of a state of facts existing at or prior to the closing date of the Transaction; and

any liabilities or other obligations incurred, created or assumed by the company holding the assets of Ascent Media Sound or its subsidiaries prior to the closing of the Transaction for which New Discovery or its subsidiaries (other than the company holding the assets of Ascent Media Sound or its subsidiaries) become obligated after the closing of the Transaction.

No indemnification by DHC and New Discovery will be payable to Advance/Newhouse to the extent that New Discovery has been indemnified for losses covered by such indemnification by AMC pursuant to the reorganization agreement or tax sharing agreement.

Indirect losses will be calculated, for purposes of indemnification, by multiplying (x) a fraction (1) the numerator of which is the loss percentage and (2) the denominator of which is one minus the loss percentage by (y) the difference, if positive, between the fair market value of New Discovery determined as if the relevant covenant or agreement had been performed in all respects, and the fair market value of New Discovery and its subsidiaries, taken as a whole, determined after giving effect to the breach, nonperformance or violation of such covenant or agreement. The fair market value of New Discovery will be determined after giving effect to, among other considerations and effects, the stock price of shares of New Discovery common stock, the equity value of New Discovery, any amounts recovered by New Discovery under insurance policies or indemnities from third parties, or AMC under the reorganization agreement and any tax effects relating to or resulting from the loss.

Under the Transaction Agreement, the term *loss percentage* means the lesser of (i) Advance/Newhouse's equity interest in New Discovery as of the date the loss is calculated and (ii) 33 1/3%.

Indemnification by Advance/Newhouse

Subject to certain limitations in the Transaction Agreement, following completion of the Transaction, Advance/Newhouse will indemnify DHC and New Discovery, its affiliates and their respective officers, directors, stockholders, partners, employees, representatives, agents and trustees, against any losses incurred by any such person arising out of or resulting from:

any breach of a representation or warranty made by Advance/Newhouse in the Transaction Agreement; and

any losses incurred by any such party arising out of or resulting from any breach or failure by Advance/Newhouse to perform any covenant or agreement made by Advance/Newhouse in the Transaction Agreement.

Merger Agreement

Structure of the Merger

To effect the merger, DHC has formed two wholly-owned subsidiaries. A transitory merger sub that we refer to as Merger Sub, and New Discovery. At the effective time of the merger, Merger Sub will merge with and into DHC in accordance with the provisions of Delaware law, and DHC will continue as the surviving entity. As a result of the merger, including the conversion of securities described below, New Discovery will become the new public parent company and DHC will become a wholly-owned subsidiary of New Discovery.

Effective Time of Merger

The effective time of the merger will be on the date and at the time that the certificate of merger with respect to the merger has been accepted for filing by the Delaware Secretary of State (or such later date and time as may be specified in the certificate of merger). Under no circumstances, however, will the effective time of the merger occur

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prior to the completion of the AMC spin-off or the completion of the contribution by Advance/Newhouse pursuant to the Transaction Agreement.

Conversion of outstanding common stock of DHC

At the effective time of the merger:

each share of DHC Series A common stock outstanding immediately prior to the effective time of the merger will be converted into the right to receive 0.50 shares of New Discovery Series A common stock and 0.50 shares of New Discovery Series C common stock;

each share of DHC Series B common stock outstanding immediately prior to the effective time of the merger will be converted into the right to receive 0.50 shares of New Discovery Series B common stock and 0.50 shares of New Discovery Series C common stock;

each share of DHC Series A common stock and DHC Series B common stock held in treasury of DHC immediately prior to the effective time of the merger will be cancelled and retired without payment of any consideration therefor and without any conversion thereof; and

each share of common stock of Merger Sub issued and outstanding immediately prior to the effective time of the merger will be converted into one share of the common stock of the surviving entity and the shares of common stock of the surviving entity so issued in such conversion will constitute the only outstanding shares of capital stock of the surviving entity.

For a description of New Discovery's capital stock, see Description of New Discovery Capital Stock, and for a description of the comparative rights of holders of DHC common stock and New Discovery common stock, see Comparison of the Rights of Stockholders of DHC and New Discovery.

Conversion of Shares; Exchange Procedures

Conversion and Exchange of Shares. The conversion of shares of DHC common stock into the right to receive shares of New Discovery common stock will occur automatically at the effective time of the merger. The exchange agent will, as soon as reasonably practicable after the effective time of the merger, exchange certificates (or book-entry shares) representing shares of DHC common stock for the applicable shares of New Discovery common stock to be received in the merger pursuant to the terms of the merger agreement.

Letter of Transmittal. The exchange agent will send a letter of transmittal to each record holder of shares of common stock of DHC as of the effective time of the merger. This mailing will contain instructions on how to surrender shares of DHC common stock in exchange for the shares of New Discovery common stock the holder is entitled to receive under the merger agreement. When you deliver your DHC stock certificates to the exchange agent along with a properly executed letter of transmittal and any other required documents, your stock certificates will be canceled. **Do not submit your shares of DHC common stock for exchange until you receive the transmittal instructions and letter of transmittal from the exchange agent.**

If a certificate for DHC common stock has been lost, stolen or destroyed, the exchange agent will issue the shares of New Discovery common stock properly issuable under the merger agreement upon compliance by the applicable stockholder with the replacement requirements established by the exchange agent, a letter of transmittal specifying that delivery shall be effected, and risk of loss and title to the certificates held by such holder representing such former shares shall pass, only upon proper delivery of the certificates to the exchange agent and instructions for use in

effecting the surrender of the certificates.

Fractional Shares. Fractional shares of New Discovery common stock will not be issued in the merger. Instead, each holder of DHC common stock who would otherwise receive a fractional share of New Discovery common stock, will receive cash in an amount determined by reference to the trading price of a share of New Discovery common stock of the applicable series as of the first day of regular way trading in New Discovery common stock following the effective time.

Dividends and Distributions. No dividends or other distributions issuable with respect to shares of New Discovery common stock will be paid to the holder of any unsurrendered certificates until those certificates are

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surrendered. Upon surrender, New Discovery will pay such holders of New Discovery common stock issued in exchange, without interest, any unpaid dividends or other distributions payable with respect to such shares of New Discovery common stock.

Treatment of Stock Options***Options Held by Robert Bennett***

At the effective time of the merger, each outstanding option to purchase shares of DHC Series A common stock held by Robert R. Bennett, a director of DHC, will be converted into an option to purchase shares of New Discovery Series A common stock, an option to purchase shares of New Discovery Series C common stock, and an option to purchase shares of AMC Series A common stock. The exercise price of each such New Discovery Series A option, New Discovery Series C option and AMC Series A option will be calculated by multiplying (x) the volume weighted average price of the common stock subject to such option over the first 10 trading days of regular way trading after closing of the Transaction, by (y) a fraction, (1) the numerator of which is the exercise price of the DHC option and (2) the denominator of which is the volume weighted average price of the DHC Series A common stock subject to such DHC option over 5 trading days of regular way trading prior to closing of the Transaction. The number of shares of New Discovery Series A common stock, New Discovery Series C common stock and AMC Series A common stock subject to each option will be calculated so as to preserve the aggregate intrinsic value of the DHC Series A option. Generally, the terms and conditions of each option granted in the merger, including vesting conditions and the scheduled expiration date, will remain as set forth in the DHC option held by Mr. Bennett immediately prior to the Transaction.

By way of illustration, the chart below shows, for each outstanding option to acquire shares of DHC Series A common stock held by Mr. Bennett as of June 30, 2008, the aggregate number of shares of New Discovery Series A common stock, New Discovery Series C common stock and AMC Series A common stock subject to the converted options and the exercise price for each such converted option. For the purposes of the illustration, and in lieu of a volume weighted average price of the applicable common stock, we used the closing price of DHC Series A common stock as of a recent date, which was \$21.18, and derived hypothetical post-closing trading prices for New Discovery Series A common stock, New Discovery Series C common stock and AMC Series A common stock. Because the value of the DHC Series A common stock, New Discovery Series A common stock, New Discovery Series C common stock and AMC Series A common stock may differ from the prices used in this example, the number of shares subject to, and the exercise price for, each converted option may be different.

DHC Series A Options		New Discovery and AMC Options					
No. of DHC Series A Shares	Exercise Price	No. of New Discovery Series A Shares	Exercise Price	No. of New Discovery Series C Shares	Exercise Price	No. of AMC Series A Shares	Exercise Price
100,000	\$ 11.84	50,000	\$ 11.19	50,000	\$ 10.12	5,000	\$ 23.68
100,000	\$ 13.00	50,000	\$ 12.29	50,000	\$ 11.12	5,000	\$ 26.00
10,000	\$ 22.90	5,000	\$ 21.64	5,000	\$ 19.58	500	\$ 45.80

At the effective time of the merger, each outstanding option to purchase shares of DHC Series B common stock, all of which options are held by Mr. Bennett, will be converted into an option to purchase shares of New Discovery Series B

common stock, an option to purchase shares of New Discovery Series C common stock and an option to purchase shares of AMC Series B common stock. The exercise price of each such New Discovery Series B option, New Discovery Series C option and AMC Series B option will be calculated by multiplying (x) the volume weighted average price of the common stock subject to such option over the first 10 trading days of regular way trading after closing of the Transaction, and (y) a fraction, (1) the numerator of which is the exercise price of the DHC Series B option and (2) the denominator of which is the volume weighted average price of the DHC Series B common stock subject to such DHC Series B option over 5 trading days of regular way trading prior to closing of the Transaction. The number of shares of New Discovery Series B common stock, New Discovery Series C common stock and AMC Series B common stock subject to each New Discovery Series B option, New Discovery Series C option and AMC Series B option will be calculated so as to preserve the aggregate intrinsic value of the DHC Series B option. Generally, the terms and conditions of each option granted in the merger, including vesting conditions and the scheduled expiration date, will remain as set forth in the DHC option held by Mr. Bennett immediately prior to the Transaction. Mr. Bennett's options to acquire shares of DHC Series B

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common stock are, at his option, exercisable for shares of DHC Series B common stock or DHC Series A common stock. The exercise price applicable to the DHC Series B common stock is different from the exercise price applicable to the DHC Series A common stock. Accordingly, after the effective time of the merger, Mr. Bennett will have the option to exercise such stock option for shares of New Discovery Series A common stock, New Discovery Series C common stock and AMC Series A common stock (rather than New Discovery Series B common stock, New Discovery Series B common stock and AMC Series B common stock). If Mr. Bennett exercises such stock options for shares of Series A common stock, the number of shares subject to such options and their exercise prices shall be determined according to the provisions described in the first paragraph under *Options Held by Robert Bennett* above.

By way of illustration, the chart below shows, for each outstanding option to acquire DHC Series B common stock held by Mr. Bennett as of June 30, 2008, the aggregate number of shares of New Discovery Series B common stock, New Discovery Series C common stock and AMC Series B common stock subject to the converted option and the exercise price for each such converted option. For the purposes of the illustration, and in lieu of a volume weighted average price of the applicable common stock, we used the closing price of DHC Series B common stock as of a recent date, which was \$21.40 and derived hypothetical post-closing trading prices for New Discovery Series B common stock, New Discovery Series C common stock and AMC Series B common stock. Because the value of the DHC Series B common stock, New Discovery Series B common stock, New Discovery Series C common stock and AMC Series B common stock may differ from the prices used in this example, the number of shares subject to, and the exercise price for, each converted option may be different.

DHC Series B Option		New Discovery and AMC Options					
No. of DHC Series B Shares	Exercise Price	No. of New Discovery Series B Shares	Exercise Price	No. of New Discovery Series C Shares	Exercise Price	No. of AMC Series B Shares	Exercise Price
1,667,985	\$ 19.06	833,992	\$ 18.18	833,992	\$ 16.13	83,399	\$ 38.12

Director Options

At the effective time of the merger, each outstanding option to purchase shares of DHC Series A common stock held by any member of the board of directors of DHC (other than Mr. Bennett) who will be a director of New Discovery immediately after the effective time of the merger will be converted into an option to purchase shares of New Discovery Series A common stock and an option to purchase shares of New Discovery Series C common stock. The exercise price of each such New Discovery Series A option and Series C option will be calculated by multiplying (x) the volume weighted average price of the common stock subject to such option over the first 10 trading days of regular way trading after closing of the Transaction, by (y) a fraction, (1) the numerator of which is the exercise price of such DHC Series A option and (2) the denominator of which is the volume weighted average price of the DHC Series A common stock subject to such DHC Series A option over the 5 trading days of regular way trading prior to closing of the Transaction. The number of shares of New Discovery Series A common stock and New Discovery Series C common stock subject to each New Discovery Series A option and Series C option will be calculated so as to preserve the aggregate intrinsic value of the DHC Series A option. Generally, the terms and conditions of each option granted in the merger, including vesting conditions and the scheduled expiration date, will remain as set forth in the DHC Series A option held by the director immediately prior to the Transaction.

For the purposes of the following illustration, and in lieu of a volume weighted average price of the applicable common stock, we used the closing price of DHC Series A common stock as of a recent date, which was \$21.18 and derived hypothetical post-closing trading prices for New Discovery Series A common stock and New Discovery Series C common stock. Based on such closing price and hypothetical trading prices, the aggregate number of shares of New Discovery Series A common stock subject to the converted options held by a director of DHC (other than Mr. Bennett) who will be a director of New Discovery, will be 38,066 and the aggregate number of shares of New Discovery Series C common stock subject to the converted options held by such directors will be 38,066. In addition, the chart below shows, for an outstanding option to acquire 10,000 shares of Series A common stock of DHC held by one such director the aggregate number of shares of New Discovery Series A common stock and New Discovery Series C common stock subject to the converted options and the exercise price for each such converted option. Because the value of the DHC Series A common stock, New Discovery Series A common stock and New Discovery Series C common stock may differ from the prices used in this example, the number of shares subject to, and the exercise price for, each converted option may be different.

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DHC Series A Option		New Discovery Options			
No. of DHC Series A Shares	Exercise Price	No. of New Discovery Series A Shares	Exercise Price	No. of New Discovery Series C Shares	Exercise Price
10,000	\$ 22.90	5,555	\$ 21.64	5,555	\$ 19.58

Other Options

At the effective time of the merger, each outstanding option to purchase shares of DHC Series A common stock, other than those held by Mr. Bennett or the directors of DHC who will serve on the New Discovery board, will be converted into a stock appreciation right relating to shares of New Discovery Series A common stock and a stock appreciation right relating to shares of New Discovery Series C common stock. The base price of each New Discovery Series A SAR and New Discovery Series C SAR will be calculated by multiplying (x) the volume weighted average price of the common stock subject to such New Discovery Series A SAR or New Discovery Series C SAR over the first 10 trading days of regular way trading after closing of the Transaction, and (y) a fraction, (1) the numerator of which is the exercise price of such DHC Series A option and (2) the denominator of which is the volume weighted average price of the DHC Series A common stock subject to such DHC Series A option over 5 trading days of regular way trading prior to closing of the Transaction. The number of shares of New Discovery Series A common stock and New Discovery Series C common stock relating to each such Series A SAR and Series C SAR, respectively, will be calculated so as to preserve the aggregate intrinsic value of the DHC Series A option. Generally, the terms and conditions of each Series A and Series C SAR granted in the merger, including vesting conditions and the scheduled expiration date, will remain as set forth in the DHC Series A option held by the holder immediately prior to the Transaction, except that the spread between the fair market value of the underlying shares and the base price of each Series A SAR and Series C SAR will be payable solely in shares of New Discovery Series A common stock or New Discovery Series C common stock, as applicable.

For the purposes of the following illustrations, and in lieu of a volume weighted average price of the applicable common stock, we used the closing price of DHC Series A common stock as of a recent date, which was \$21.18 and derived hypothetical post-closing trading prices for New Discovery Series A common stock and New Discovery Series C common stock. Based on such closing price and hypothetical trading prices, the aggregate number of shares of New Discovery Series A common stock to which the Series A SARs relate will be 460,928 and the aggregate number of shares of New Discovery Series C common stock to which the Series C SARs relate will be 460,928. In addition, the chart below shows, for an outstanding option to acquire 20,000 shares of Series A common stock of DHC held by an individual other than a director of DHC, the aggregate number of shares of New Discovery Series A common stock to which the Series A SAR relates, the aggregate number of shares of New Discovery Series C common stock to which the Series C SAR relates and the base price for each such SAR. Because the value of the DHC Series A common stock, New Discovery Series A common stock and New Discovery Series C common stock may differ from the prices used in this example, the number of shares to which the SAR relates, and the base price for each SAR, may be different.

DHC Series A Options		New Discovery SARs			
No. of DHC Series A Shares	Exercise Price	No. of New Discovery Series A Shares	Exercise Price	No. of New Discovery Series C Shares	Exercise Price

Shares	Price	Series A Shares	Price	Shares	Price
20,000	\$ 11.84	11,111	\$ 11.19	11,111	\$ 10.12

Treatment of DAP Awards

At the effective time of the merger, the DAP awards will be adjusted as described in Management of New Discovery Executive Compensation Compensation Discussion and Analysis Elements of Compensation Discovery Appreciation Program Adjustments to DAP Awards. These adjustments are not included in the merger agreement; rather, they were determined by the member representatives of DHC and Advance/Newhouse in accordance with the terms of the DAP.

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Conditions to completion of Merger

The respective obligations of the DHC, Merger Sub and New Discovery to consummate the merger are subject to the satisfaction (or, where applicable, waiver), at or prior to the effective time of the merger, of the conditions to the Transaction set forth in the Transaction Agreement.

Termination

The merger agreement will automatically terminate on termination of the Transaction Agreement.

Escrow Agreement

At or prior to the closing of the Transaction, New Discovery and Advance/Newhouse will enter into an escrow agreement with the escrow agent, the form of which is attached as an exhibit to the registration statement of which this proxy statement/prospectus forms a part.

Pursuant to the escrow agreement, following the closing of the Transaction and the issuance of additional shares of New Discovery Series A convertible preferred stock and New Discovery Series C convertible preferred stock consisting of escrow shares to Advance/Newhouse, Advance/Newhouse will deposit such escrow shares with the escrow agent for the benefit of Advance/Newhouse. The escrow shares will be registered in the name of Advance/Newhouse, and Advance/Newhouse will have the right to vote the escrow shares until such time as they are released directly to Advance/Newhouse or returned to New Discovery, in each case, as described below.

The escrow shares (and any related escrow property) will be released from the escrow as follows:

upon each issuance of shares of New Discovery Series A common stock pursuant to the exercise of a stock appreciation right granted in connection with the merger, the escrow agent will promptly release from escrow and distribute to Advance/Newhouse, a number of shares of New Discovery Series A convertible preferred stock convertible into 1/2 of the number of shares of New Discovery Series A common stock so issued and any escrow property (other than such shares) that are attributable to such released shares of convertible preferred stock;

upon each issuance of shares of New Discovery Series C common stock pursuant to the exercise of a stock appreciation right granted in connection with the merger, the escrow agent will promptly release from escrow and distribute to Advance/Newhouse, a number of shares of New Discovery Series C convertible preferred stock convertible into 1/2 of the number of shares of New Discovery Series C common stock so issued and any escrow property (other than such shares) that are attributable to such released shares of convertible preferred stock;

upon each issuance of shares of New Discovery Series A common stock or New Discovery Series B common stock pursuant to the exercise of a New Discovery Series A option or Series B option granted in connection with the merger, the escrow agent will promptly release from escrow and distribute to Advance/Newhouse, a number of shares of New Discovery Series A convertible preferred stock convertible into shares of New Discovery Series A common stock equal to 1/2 of the quotient of (x) the aggregate number of shares of New Discovery Series A common stock or New Discovery Series B common stock subject to such option multiplied by the spread between the fair market value of such shares of New Discovery common stock issuable upon exercise of such option on the date of exercise and the exercise price of such option and (y) the fair market value of shares of New Discovery Series A common stock or New Discovery Series B common stock subject

to such option, and any escrow property (other than such shares) that are attributable to such released shares of convertible preferred stock;

upon each issuance of shares of New Discovery Series C common stock pursuant to the exercise of a New Discovery Series C option granted in connection with the merger, the escrow agent will promptly release from escrow and distribute to Advance/Newhouse, shares of New Discovery Series C convertible preferred stock convertible into a number of shares of New Discovery Series C common stock equal to 1/2 of the

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quotient of (x) the aggregate number of shares of New Discovery Series C common stock subject to such option multiplied by the spread between the fair market value of such shares of New Discovery Series C common stock issuable upon exercise of such Series C option on the date of exercise and the exercise price of such Series C option and (y) the fair market value of shares of New Discovery Series C common stock subject to such Series C option, and any escrow property (other than such shares) that are attributable to such released shares of convertible preferred stock;

the escrow will terminate at such time as all stock appreciation rights and converted options have been exercised or the time period within which such stock appreciation rights and converted options may be exercised has expired, following which the escrow agent will promptly distribute any escrow shares and escrow property remaining in escrow to New Discovery.

The purpose of the issuance of the escrowed shares and the escrow agreement is to provide Advance/Newhouse with protection against dilution resulting from the rollover of the DHC equity awards to New Discovery upon the closing of the Transaction. The parties agreed to this escrow arrangement, in lieu of issuing shares directly to Advance/Newhouse from New Discovery's authorized and unissued share pool upon any of the release events described above, because a periodic issuance of shares in this context would have been less efficient from a tax standpoint.

As described in Transaction Agreement Advance/Newhouse Contribution the number of shares of New Discovery Series A convertible preferred stock and New Discovery Series C convertible preferred stock that will initially be deposited with the escrow agent will be based on the number of shares of New Discovery Series A common stock, New Discovery Series B common stock and New Discovery Series C common stock that may be issued by New Discovery pursuant to stock options and stock appreciation rights in effect immediately following the merger. See Treatment of Stock Options for a description of how existing options to acquire DHC common stock will be treated in the merger and converted into options or stock appreciation rights relating to New Discovery Series A common stock, New Discovery Series B common stock and New Discovery Series C common stock. For the purposes of the following illustrations, and in lieu of a volume weighted average price of the applicable common stock, we used the closing price of DHC Series A common stock as of a recent date, which was \$21.18, and derived hypothetical post-closing trading prices for New Discovery Series A common stock, New Discovery Series B common stock and New Discovery Series C common stock. Based on such closing price and hypothetical trading prices, (i) the aggregate number of shares of New Discovery Series A common stock subject to converted options and Series A SARs will be, in the aggregate, 603,994, (ii) the aggregate number of shares of New Discovery Series B common stock subject to converted options will be 833,992 and (iii) the aggregate number of shares of New Discovery Series C common stock subject to converted options and Series C SARs will be, in the aggregate, 1,437,985. If such options and SARs were granted as a result of the merger, then 718,993 shares of New Discovery Series A convertible preferred stock and 718,993 shares of New Discovery Series C convertible preferred stock would initially be deposited with the escrow agent. Because the value of the DHC Series A common stock, the New Discovery Series A common stock, New Discovery Series B common stock and New Discovery Series C common stock may differ from the prices used in this example, the number of shares to be deposited with the escrow agent may be different.

Reorganization Agreement

On June 4, 2008, DHC entered into a reorganization agreement with New Discovery, AMC, Ascent Media Group, LLC and Ascent Media Sound that provides for, among other things, the principal corporate transactions required to effect the AMC spin-off, certain conditions to the AMC spin-off and provisions governing the relationship between New Discovery and DHC on the one hand, and AMC on the other hand, with respect to and resulting from the AMC spin-off.

The reorganization agreement provides that, on or prior to the record date:

DHC will transfer to AMC, or cause its subsidiaries to transfer to AMC, all of the outstanding ownership interests in Ascent Media; and

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Ascent Media Group, LLC will transfer to DHC, or one of its subsidiaries, all of the outstanding ownership interests in Ascent Media Sound.

The reorganization agreement also provides for mutual indemnification obligations, which are designed to make AMC financially responsible for substantially all liabilities that may exist relating to the business of AMC prior to the AMC spin-off, as well as for all liabilities incurred by AMC after the AMC spin-off, and to make DHC and New Discovery financially responsible for certain potential liabilities of AMC arising prior to the AMC spin-off which are not related to the business of AMC, including, for example, any liabilities arising as a result of AMC having been a subsidiary of DHC. The reorganization agreement also provides for AMC to assume all or substantially all outstanding financial obligations of DHC at the closing (other than any liabilities relating to Ascent Media Sound), which are expected to be less than all or substantially all of DHC's unrestricted cash and cash equivalents then on hand to be transferred by DHC to AMC prior to the AMC spin-off.

In addition, the reorganization agreement provides for each party to preserve the confidentiality of all confidential or proprietary information of the other parties for five years following the AMC spin-off, subject to customary exceptions, including disclosures required by law, court order or government regulation.

The reorganization agreement may be terminated, and the AMC spin-off may be abandoned, at any time prior to the date of the spin-off, by and in the sole discretion of DHC's board of directors, without the approval of DHC stockholders or anyone else.

Tax Sharing Agreement

Under the tax sharing agreement between New Discovery, DHC, AMC and other parties thereto, generally DHC will be responsible for (i) all U.S. federal, state, local and foreign income taxes attributable to DHC or any of its subsidiaries for any tax period that begins after the date of the AMC spin-off (and for any tax period that begins on or before and ends after the date of the AMC spin-off, for the portion of that period after the date of the AMC spin-off), other than such taxes arising as a result of the AMC spin-off and related internal restructuring of DHC, (ii) all taxes arising as a result of the AMC spin-off to the extent such taxes arise as a result of any breach on or after the date of the AMC spin-off of any representation, warranty, covenant or other obligation of DHC or of a subsidiary or shareholder of DHC made in connection with the issuance of the tax opinion relating to, among other things, the qualification of the AMC spin-off as a transaction under Sections 368(a) and 355 of the Code for U.S. federal income tax purposes or in the tax sharing agreement, and (iii) all taxes arising as a result of such internal restructuring of DHC to the extent such taxes arise as a result of any action undertaken after the date of the AMC spin-off by DHC or a subsidiary or shareholder of DHC. AMC will be responsible for all taxes attributable to AMC or any of its subsidiaries, whether accruing before, on or after the AMC spin-off (other than any such taxes for which DHC is responsible under the tax sharing agreement), as well as (i) all taxes attributable to DHC or any of its subsidiaries (other than Discovery) for any tax period that ends on or before the date of the AMC spin-off (and for any tax period that begins on or before and ends after the date of the AMC spin-off, for the portion of that period on or before the date of the AMC spin-off), other than such taxes arising as a result of the AMC spin-off and related internal restructuring of DHC and (ii) all taxes arising as a result of the AMC spin-off or the internal restructuring of DHC to the extent such taxes are not the responsibility of DHC under the tax sharing agreement.

Registration Rights Agreement

On or prior to the closing of the Transaction, New Discovery and Advance/Newhouse will enter into a registration rights agreement, the form of which is attached as an exhibit to the registration statement of which this proxy statement/prospectus forms a party.

Pursuant to the registration rights agreement, subject to certain limitations and restrictions, Advance/Newhouse will have the right to require New Discovery to use its reasonable efforts to register the shares of New Discovery common stock issuable upon conversion of the convertible preferred stock issued in the Transaction. Advance/Newhouse will have the right to demand up to three such registrations, subject to certain conditions. New Discovery will be responsible for customary registration expenses incurred in connection with any such registration. Subject to certain limitations and

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restrictions, Advance/Newhouse will have the right to assign any or all of its registration rights to any member of its stockholder group and to third parties. Any such transferee is required to agree to be bound by the registration rights agreement and such transfer is to be effected in accordance with applicable securities laws. Advance/Newhouse may effect an underwritten public offering with respect to shares included in a shelf registration statement so long as the gross proceeds to the selling holders are expected to exceed \$100,000,000. Advance/Newhouse will be permitted to select one co-lead bookrunning managing underwriter for such public offering reasonably acceptable to New Discovery and New Discovery will select the remaining co-lead bookrunning managers.

Advance/Newhouse will also have piggy-back registration rights to participate in any primary or secondary offering of shares of New Discovery common stock by New Discovery, whether for its own account or for the account of any other stockholders.

The registration rights agreement also contains customary provisions relating to blackout periods and indemnification.

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THE DHC INCENTIVE PLAN PROPOSAL

Background and Purpose

In connection with the 2005 spin-off of DHC by Liberty, the compensation committee of DHC adopted the DHC incentive plan. The DHC incentive plan provides the compensation committee of the DHC board with the ability to grant equity based incentive awards and certain cash awards to employees and consultants. Under the current DHC incentive plan, the aggregate number of shares with respect to which awards may be granted during the term of the DHC incentive plan is 20 million, and the aggregate number of shares with respect to which awards may be granted to a person in a single calendar year is 2 million. The DHC incentive plan has a term of 10 years, which began at its 2005 inception. New Discovery will assume the DHC incentive plan upon the consummation of the Transaction and going forward New Discovery's compensation committee will be responsible for the administration of the DHC incentive plan.

The purpose of the incentive plan proposal is to amend and restate the DHC incentive plan to increase the limits described above and to make certain clarifying changes in connection with New Discovery's assumption of the DHC incentive plan in the Transaction. Regarding the increase of the limits, it is the expectation of DHC and Advance/Newhouse, that, as a result of the Transaction, participants under the DAP and other current and future employees of Discovery will become grantees under the DHC incentive plan, thereby significantly increasing the number of grantees and outstanding awards under the DHC incentive plan and, generally, new awards under the DAP will not be made after completion of the Transaction. The terms of the future grants under the DHC incentive plan have not yet been determined (other than the grants to Mr. Hendricks contemplated by the July 29, 2008 term sheet and Mr. Singer contemplated by his employment agreement); rather, it is the expectation of DHC and Advance/Newhouse that the compensation committee of the New Discovery board will be tasked with making those determinations. In determining that the limits under the DHC incentive plan should be increased in connection with the Transaction, DHC and Advance/Newhouse also took into account that, pursuant to Mr. Hendricks' term sheet, he would receive a grant of stock options under the DHC incentive plan relating to approximately 4.8 million DAP units that are vesting in 2008, thereby requiring an increase in the DHC incentive plan's per-person, per year grant cap. For a description of the term sheet relating to Mr. Hendricks' awards and Mr. Singer's employment agreement, please see Management of New Discovery Executive Compensation Arrangements John Hendricks Equity Stake Transition Term Sheet and Executive Compensation Arrangements Singer Employment Agreement, respectively. DHC and Advance/Newhouse also noted that:

New Discovery's outstanding equity will be significantly larger than DHC's due to the preferred stock issuance in the contribution;

New Discovery will have a much larger base of potential grantees because the Discovery organization has many more employees than DHC; and

there are 5 years remaining under the original term of the DHC incentive plan, during which time New Discovery's compensation committee may continue to grant awards thereunder.

In addition, in order to facilitate the transition of the DHC incentive plan from DHC to New Discovery and as part of the incentive plan proposal, the DHC board decided to make the following clarifying revisions to the DHC incentive plan:

to expressly provide for the creation of a subcommittee of the compensation committee to facilitate compliance with Section 16 of the Exchange Act;

to expressly provide for the ability to use stock price averages when calculating fair market value;

to expressly provide for the ability to settle SARs in cash;

to add two additional performance measures that are specifically related to the business of Discovery; and

to change the name of the DHC incentive plan

For these reasons, the DHC board and its compensation committee determined that it would seek the approval of the DHC stockholders to amend and restate the DHC incentive plan to: (i) increase the aggregate number of

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shares with respect to which awards may be granted during the term of the DHC incentive plan to 42 million, (ii) increase the aggregate number of shares with respect to which awards may be granted to a person in a single calendar year to 6 million, and (iii) make the clarifying revisions described above.

None of the merger proposal, the preferred stock issuance proposal or the authorized stock proposal is dependent on the approval of the incentive plan proposal. The incentive plan proposal is, however, dependent on those proposals and will not be implemented unless each of the merger proposal, the preferred stock issuance proposal and the authorized stock proposal is approved at the Annual Meeting and implemented thereafter.

DHC Incentive Plan

The following is a description of the material provisions of the DHC incentive plan, as it will apply to New Discovery. The summary which follows is not intended to be complete, and we refer you to the copy of the form of DHC incentive plan set forth as Appendix G to this proxy statement/prospectus for a complete statement of its terms and provisions.

General

Following the Transaction, the DHC incentive plan will be administered by the compensation committee of the New Discovery board or a subcommittee thereof, which we refer to in this section as the compensation committee. The New Discovery board will select the members of the compensation committee promptly following the closing of the Transaction. Each member of the compensation committee is expected to be a non-employee director within the meaning of Rule 16b-3 of the Exchange Act, and an outside director within the meaning of Section 162(m) of the Code. The compensation committee will have the full power and authority to grant eligible persons the awards described below and determine the terms and conditions under which any awards are made.

The DHC incentive plan is designed to provide additional remuneration to certain employees and independent contractors for their exceptional service and to encourage their investment in New Discovery. The DHC incentive plan is also intended to (1) attract persons of exceptional ability to become officers and employees of New Discovery, and (2) induce independent contractors to provide services to New Discovery. New Discovery's employees (including employees who are officers or directors of New Discovery or any of its subsidiaries) and independent contractors are eligible to participate and may be granted awards under the DHC incentive plan. Awards may be made to any such employee, officer or contractor whether or not he or she holds or has held awards under this plan or under any other plan of New Discovery or any of its affiliates.

The compensation committee may grant a number of awards, consisting of non-qualified stock options, SARs, restricted shares, stock units, cash awards, performance awards or any combination of the foregoing under the DHC incentive plan. The maximum number of shares of any series of New Discovery common stock with respect to which awards may be issued under the DHC incentive plan is 42 million (up from 20 million currently). With the exception of certain awards that have been accelerated, no person may be granted in any calendar year awards covering more than 6 million shares of New Discovery stock (up from 2 million currently). In addition, no person may receive payment for cash awards during any calendar year in excess of \$10 million (same as the current DHC incentive plan).

Shares of common stock of New Discovery will be made available from either the authorized but unissued shares or shares that have been issued but reacquired by New Discovery. Shares of the common stock of New Discovery that are subject to (1) any award that expires, terminates or is annulled for any reason without having been exercised, (2) any award of any SARs that is exercised for cash, and (3) any award of restricted shares or stock units that shall be forfeited prior to becoming vested, will once again be available for distribution under the DHC incentive plan.

The compensation committee also has the power to:

interpret the DHC incentive plan and adopt any rules, regulations and guidelines for carrying out the DHC incentive plan that it believes are proper;

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correct any defect or supply any omission or reconcile any inconsistency in the DHC incentive plan or related documents;

determine the form and terms of the awards made under the DHC incentive plan, including persons eligible to receive the awards and the number of shares or other consideration subject to awards;

provide that option exercises may be paid in cash, by check, by promissory note (subject to applicable law), in common stock, by cashless exercise, by broker-assisted exercise or any combination of the foregoing; and

delegate to any subcommittee its authority and duties under the DHC incentive plan unless a delegation would adversely impact the availability of transaction exemptions under Rule 16b-3 of the Exchange Act, and the deductibility of compensation for federal income tax purposes.

If the incentive plan proposal is approved and the Transaction is consummated, the number of individuals who will receive awards under the DHC incentive plan will vary from year to year and will depend on the determinations of the compensation committee. The compensation committee may take various factors into consideration, such as the number of promotions and the hiring needs during the year, and thus there cannot be a determination of the number of future award recipients. As of June 30, Discovery and its subsidiaries had approximately 4,000 employees, all of whom will be eligible to participate in the DHC incentive plan. The compensation committee will determine in its sole discretion which employees will receive awards under the DHC incentive plan.

Outstanding Awards

The following chart reflects awards outstanding under the DHC incentive plan, as of December 31, 2007, granted to the DHC Named Executive Officers. No awards have been granted under the DHC incentive plan to any other current executive officers, any current non-executive officer employees, or any of the DHC directors who are not also executive officers of DHC.

PLAN BENEFITS

Name and Position	Dollar Value (\$)	Number of Units (#) (In thousands)
John C. Malone Chief Executive Officer and Chairman of the Board of DHC (principal executive officer)		
Robert R. Bennett President of DHC	22.90(1)	10,000(2)
David J.A. Flowers Senior Vice President and Treasurer of DHC (principal financial officer)		
Albert E. Rosenthaler Senior Vice President of DHC		
Christopher W. Shean Senior Vice President and Controller of DHC (principal accounting officer)		

Charles Y. Tanabe

Senior Vice President, General Counsel and Secretary of DHC

- (1) The dollar value is assumed for this purpose to be equal to the exercise price, which is equal to the closing price of the DHC Series A common stock on the date of grant. Any value realized by the grantee will depend upon the extent to which the market price of the stock exceeds the exercise price on the date the award is exercised. These options are subject to adjustment as a result of the Transaction. See The Transaction Agreements Merger Agreement Treatment of Stock Options Options Held by Robert Bennett.

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- (2) Consists of options to acquire shares of Series A common stock of DHC. These options are subject to adjustment as a result of the Transaction. See The Transaction Agreements Merger Agreement Treatment of Stock Options Options Held by Robert Bennett.

None of the Discovery Named Executive Officers or any other employee of Discovery currently holds any awards under the DHC incentive plan. Any awards to be granted to them under the DHC incentive plan will be determined at the sole discretion of the compensation committee. However, John Hendricks and Brad Singer, who will serve as Chairman and Chief Financial Officer, respectively, of New Discovery have entered into arrangements pursuant to which they would be entitled to receive New Discovery stock options under the DHC incentive plan following the closing of the Transaction. For a description of these arrangements, please see Management of New Discovery Executive Compensation Arrangements John Hendricks Equity Stake Transition Term Sheet and Executive Compensation Arrangements Singer Employment Agreement, respectively. Grants under the DHC incentive plan may only be made by action of the compensation committee.

Stock Options

Non-qualified stock options entitle the holder to purchase a specified number of shares of common stock at a specified exercise price subject to the terms and conditions of the option grant. The price at which options may be exercised under the DHC incentive plan may be no less than the fair market value of a share of the applicable series of New Discovery common stock as of the day the option is granted. Options granted under the DHC incentive plan are generally non-transferable during the lifetime of an option holder, except as permitted by will or the laws of descent and distribution or pursuant to a qualified domestic relations order.

Stock Appreciation Rights

SARs entitle the recipient to receive a payment in stock (plus cash in lieu of fractional shares) or a cash payment equal to the excess value of the stock over the base price specified in the grant. A SAR may be granted to an option holder with respect to all or a portion of the shares of common stock subject to the related option (a **tandem SAR**) or granted separately to an eligible employee (a **free-standing SAR**). Tandem SARs are exercisable only to the extent that the related option is exercisable. Upon the exercise or termination of the related option, the related tandem SAR will be automatically cancelled to the extent of the number of our shares of common stock with respect to which the related option was so exercised or terminated. Free-standing SARs are exercisable at the time and upon the terms and conditions as provided in the relevant agreement. The base price of a free-standing SAR may be no less than the fair market value of a share of the applicable series of our common stock as of the day the free-standing SAR is granted. SARs granted under the DHC incentive plan are also generally non-transferable during the lifetime of a SAR holder, except as permitted by will or the laws of descent and distribution or pursuant to a qualified domestic relations order.

Restricted Shares

Restricted shares are shares of common stock of New Discovery that become vested and may be transferred upon completion of the restriction period. Restricted shares may be issued at either the beginning or end of the restriction period. Individual agreements may provide that dividend equivalents will be paid during the restriction period in the event that shares are to be issued at the end of the restriction period. An agreement under which restricted shares are issued may provide that the holder of the shares may also be paid a cash amount any time after the shares become vested. Upon the applicable vesting date, all or the applicable portion of restricted shares will vest, any retained distributions or unpaid dividend equivalents with respect to the restricted shares will vest to the extent that the restricted shares related thereto have vested, and any related cash amount to be received by the holder with respect to the restricted shares will become payable.

Stock Units

Shares of New Discovery common stock or units based upon the fair market value of New Discovery common stock may also be awarded under the DHC incentive plan. The compensation committee has the power to determine the terms, conditions, restrictions, vesting requirements and payment rules for awards of stock units.

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Cash Awards

The compensation committee may also provide for the grant of cash awards. A cash award is a bonus paid in cash that is based solely upon the attainment of one or more performance goals that have been established by the compensation committee. The terms, condition and limitations applicable to any cash awards will be determined by the compensation committee.

Performance Awards

At the discretion of the compensation committee, any of the above-described awards, including cash awards, may be designated a performance award. Performance awards will be contingent upon performance measures applicable to a particular period, as established by the compensation committee, based upon any one or more of the following:

increased revenue;

net income measures (including, but not limited to, income after capital costs and income before or after taxes);

stock price measures (including, but not limited to, growth measures and total stockholder return);

price per share of common stock;

market share;

audience metrics (such as program ratings, web impressions, and subscribers);

earnings per share (actual or targeted growth);

earnings before interest, taxes, depreciation and amortization (EBITDA);

economic value added (or an equivalent metric);

market value added;

debt to equity ratio;

cash flow measures (including, but not limited to, cash flow return on capital, cash flow return on tangible capital, net cash flow and net cash flow before financing activities);

return measures (including, but not limited to, return on equity, return on average assets, return on capital, risk-adjusted return on capital, return on investors' capital and return on average equity);

operating measures (including operating income, adjusted operating income before depreciation and amortization, funds from operations, cash from operations, after-tax operating income, sales volumes, production volumes and production efficiency);

expense measures (including, but not limited to, overhead costs and general and administrative expense);

margins;

stockholder value;

total stockholder return;

proceeds from dispositions;

total market value; and

corporate values measures (including ethics compliance, environmental and safety).

Such performance measures may apply to the holder, to one or more business units, divisions or subsidiaries of New Discovery or the applicable sector of the company, or to New Discovery as a whole. Goals may also be based upon performance relative to a peer group of companies. If the compensation committee intends for the performance award to be granted and administered in a manner that preserves the deductibility of the compensation

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resulting from such award in accordance with Section 162(m) of the Code, the performance goals must be established in writing (1) no later than 90 days after the commencement of the period of service to which the performance goals relate and (2) prior to the completion of 25% of such period of service. The compensation committee may modify or waive the performance goals or conditions to the granting or vesting of a performance award unless the performance award is intended to qualify as performance-based compensation under Section 162(m) of the Code.

Awards Generally

The awards described above may be granted either individually, in tandem or in combination with each other. Under certain conditions, including the occurrence of an approved transaction, a board change or a control purchase (all as defined in the DHC incentive plan), options and SARs will become immediately exercisable, the restrictions on restricted shares will lapse and stock units will become fully vested, unless individual agreements state otherwise. In addition, if a holder's service terminates due to death or disability (as defined in the DHC incentive plan), options and SARs will become immediately exercisable, the restrictions on restricted shares will lapse and stock units will become fully vested, unless individual agreements state otherwise. The effect of any of the foregoing events on any cash award will be prescribed in the applicable award agreement.

Fair Market Value

Under the DHC incentive plan, fair market value of a share of any series of common stock on any day means the last sale price (or, if no last sale price is reported, the average of the high bid and low asked prices) for a share of such series of common stock on that day (or, if such day is not a trading day, on the next preceding trading day) as reported on the consolidated transaction reporting system for the principal national securities exchange on which shares of such series of common stock are listed on such day, or the compensation committee can, in its sole discretion, use averages or weighted averages either on a daily basis or such longer period as complies with Code Section 409A. If for any day the fair market value of a share of the applicable series of common stock is not determinable by any of the foregoing means, then the fair market value for such day shall be determined in good faith by the compensation committee on the basis of such quotations and other considerations as the compensation committee deems appropriate.

Adjustments

The number and series of shares of New Discovery common stock which may be awarded, optioned or otherwise made subject to awards under the DHC incentive plan, the number and series of shares of common stock covered by outstanding awards and the purchase or exercise price and any relevant appreciation base with respect to any of the foregoing are subject to appropriate adjustment in the compensation committee's discretion, as the compensation committee deems equitable, in the event (1) New Discovery subdivides the outstanding shares of any series of its common stock into a greater number of shares of such series of common stock, (2) New Discovery combines the outstanding shares of any series of its common stock into a smaller number of shares of such series of common stock or (3) there is a stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase such series of common stock or any other similar corporate event (excluding approved transactions (as defined in the DHC incentive plan)).

Amendment and Termination of the DHC incentive plan

The compensation committee may terminate the DHC incentive plan at any time prior to the tenth anniversary of the date on which the DHC incentive plan became effective. The compensation committee may also suspend, discontinue, modify or amend the DHC incentive plan any time prior to the tenth anniversary of the date on which the DHC incentive plan became effective. However, before an amendment can be made that would adversely affect a participant who has already been granted an award, the participant's consent must be obtained. The DHC incentive

plan became effective on May 3, 2005.

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Certain U.S. Federal Income Tax Consequences

The following is a brief summary of the federal income tax aspects of awards that may be made under the DHC incentive plan based on existing U.S. federal income tax laws. This summary is general in nature and does not address issues related to the tax circumstances of any particular participant. This summary is not complete and does not attempt to describe any state, local or non-U.S. tax consequences.

Stock Options and SARs

Participants will not realize taxable income upon the grant of a non-qualified stock option or SAR. Upon the exercise of a non-qualified stock option or SAR, the participant will recognize ordinary income (subject, in the case of employees, to withholding) in an amount equal to the excess of: the amount of cash and the fair market value on the date of exercise of the common stock received over the exercise price (if any) paid for the non-qualified stock option or SAR. The participant will generally have a tax basis in any shares of common stock received on the exercise of a SAR, or on the cash exercise of a non-qualified stock option, that equals the fair market value of such shares on the date of exercise. Subject to the discussion under **Certain Tax Code Limitations on Deductibility** below, New Discovery will be entitled to a deduction for U.S. federal income tax purposes that corresponds as to timing and amount with the compensation income recognized by the participant.

Cash Awards; Stock Units; Restricted Shares

A participant will recognize ordinary compensation income upon receipt of cash pursuant to a cash award or, if earlier, at the time such cash is otherwise made available for the participant to draw upon it. A participant will not have taxable income upon the grant of a stock award in the form of units denominated in common stock but rather will generally recognize ordinary compensation income at the time the participant receives common stock or cash in satisfaction of such stock unit award in an amount equal to the fair market value of the common stock or cash received. In general, if an award of restricted shares is not transferable and is subject to a substantial risk of forfeiture when received, the participant will recognize ordinary compensation income in an amount equal to the fair market value of the common stock when it first becomes transferable or is no longer subject to a substantial risk of forfeiture, unless the participant makes an election to be taxed on the fair market value of the common stock when such stock is received.

An employee will be subject to withholding for federal, and generally for state and local, income taxes at the time the employee recognizes income under the rules described above with respect to common stock or cash received pursuant to a cash award, stock unit award or award of restricted shares. Dividends that are received by a participant prior to the time that the common stock is taxed to the participant under the rules described in the preceding paragraphs are taxed as additional compensation, not as dividend income. The tax basis of a participant in the common stock received will equal the amount recognized by the participant as compensation income under the rules described in the preceding paragraph, and the participant's holding period in such shares generally will commence on the date compensation income is so recognized.

Subject to the discussion under **Certain Tax Code Limitations on Deductibility** below, New Discovery will be entitled to a deduction for U.S. federal income tax purposes that corresponds as to timing and amount with the compensation income recognized by the participant under the foregoing rules.

Certain Tax Code Limitations on Deductibility

Section 162(m) of the Code provides that certain compensation received in any year by a covered employee in excess of \$1 million is non-deductible by New Discovery for federal income tax purposes. Section 162(m) provides an exception, however, for performance-based compensation. The DHC incentive plan permits the committee appointed to administer the plan to structure grants and awards made under the DHC incentive plan to covered employees as performance-based compensation that is exempt from the limitations of Section 162(m). However, the committee may award compensation that is or may become non-deductible, and expects to consider whether it believes such grants are in the best interest of New Discovery, balancing tax efficiency with long-term strategic objectives.

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Section 409A

Section 409A of the Code generally provides that any deferred compensation arrangement which does not meet specific requirements regarding (i) timing of payouts, (ii) advance election of deferrals and (iii) restrictions on acceleration of payouts will result in immediate taxation of any amounts deferred to the extent not subject to a substantial risk of forfeiture. In addition, tax on the amounts included in income as a result of not complying with the new Section 409A will be increased by an interest component as specified by statute, and the amount included in income will also be subject to a 20% excise tax. In general, to avoid a Section 409A violation, amounts deferred may only be paid out on separation from service, disability, death, a specified time, a change-in-control (as defined by the Treasury Department) or an unforeseen emergency. Furthermore, the election to defer generally must be made in the calendar year prior to performance of services, and any provision for accelerated payout other than for reasons specified by the Treasury Department may cause the amounts deferred to be subject to early taxation and to the imposition of the excise tax.

Section 409A is broadly applicable to any form of deferred compensation other than tax-qualified retirement plans and bona fide vacation, sick leave, compensatory time, disability pay or death benefits, and may apply to certain awards under the DHC incentive plan. For example, restricted stock units and stock options may be classified as deferred compensation for this purpose.

The Treasury Department and Internal Revenue Service have issued final regulations implementing Section 409A. Based on these regulations, it is expected that awards under the DHC incentive plan may be structured in a manner that complies with or is exempt from Section 409A.

Securities Authorized for Issuance Under Equity Compensation Plans

For information on the shares of DHC common stock authorized for issuance under DHC incentive plan, as of December 31, 2007, see Management of DHC Equity Compensation Plan Securities Authorized for Issuance under Equity Compensation Plans.

Vote and Recommendation

The affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of DHC common stock outstanding on the record date for the Annual Meeting and present at the Annual Meeting, in person or by proxy, voting together as a single class, is required to approve the incentive plan proposal.

The board of directors of DHC unanimously recommends that you vote FOR approval of the incentive plan proposal.

Table of Contents**DESCRIPTION OF NEW DISCOVERY CAPITAL STOCK**

The following information summarizes New Discovery's restated charter and bylaws as these documents will be in effect at the time of the closing of the Transaction.

Authorized Capital Stock

New Discovery's authorized capital stock consists of four billion (4,000,000,000) shares, of which three billion eight hundred million (3,800,000,000) shares are designated common stock, par value \$0.01 per share, and two hundred million (200,000,000) shares are designated preferred stock, par value \$0.01 per share.

New Discovery's common stock is divided into three series. New Discovery has authorized one billion seven hundred million (1,700,000,000) shares of Series A common stock, one hundred million (100,000,000) shares of Series B common stock, and two billion (2,000,000,000) shares of Series C common stock.

New Discovery's preferred stock is divided into two series. New Discovery has authorized seventy five million (75,000,000) shares of Series A convertible preferred stock and seventy five million (75,000,000) shares of Series C convertible preferred stock. Fifty million (50,000,000) shares of preferred stock are undesignated as to series and are issuable in accordance with the provisions of the restated charter.

By comparison to DHC's charter, New Discovery's restated charter provides for an additional 2.55 billion authorized shares of common stock and 150 million authorized shares of preferred stock. While both the DHC charter and the New Discovery restated charter provide for three series of common stock, the New Discovery charter provides for an additional 1.1 billion authorized shares of Series A common stock, an additional 50 million authorized shares of Series B common stock, and an additional 1.4 billion authorized shares of Series C common stock. The following table sets forth the estimated number of shares of each series of New Discovery common stock: (i) that will be issued in the merger; (ii) that will be reserved for issuance upon exercise of options and SARs after the merger (excluding any grants expected to be made following the closing, such as those to Messrs. Hendricks and Singer); (iii) that will be reserved for issuance upon conversion of the convertible preferred stocks to be issued to Advance/Newhouse in connection with the Transaction (including preferred shares to be placed in escrow at closing); and (iv) that will remain authorized but unissued, and not reserved for issuance, immediately following the completion of the Transaction, in each case based on the number of shares of each series of DHC common stock outstanding or underlying options on June 30, 2008:

Series of New Discovery common stock	To be issued in merger	Reserved for issuance upon exercise of options and SARs	Reserved for issuance upon conversion of convertible preferred stocks (including escrow shares)	Authorized but unissued (and not reserved for issuance) immediately following completion of the Transaction
Series A common stock	134.0 million	0.6 million	71.0 million	1,494.4 million

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Series B common stock	6.6 million	0.8 million		92.6 million
Series C common stock	140.6 million	1.4 million	71.0 million	1,787.0 million

New Discovery's restated charter provides for a significant increase in the authorized number of shares of common stock of New Discovery compared to that of DHC in order to provide for the future conversion of the convertible preferred stocks to be issued to Advance/Newhouse as part of the Transaction, to ensure sufficient authorized shares in the event of a rights distribution date under the rights plan approved by the New Discovery board of directors and described under Shareholder Rights Plan below, and to provide New Discovery flexibility in the future by assuring the availability of sufficient authorized but unissued shares of common stock for a variety of valid corporate purposes, including financings, stock dividends, incentive compensation plans and mergers and acquisitions.

Of the 150 million additional authorized shares of preferred stock, 75 million shares are designated Series A preferred stock and the remaining 75 million shares are designated Series B preferred stock. Based on the number of shares of each series of DHC common stock outstanding, or underlying options, on June 30, 2008, an estimated

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71 million shares of Series A convertible preferred stock and 71 million shares of Series B convertible preferred stock will be issued to Advance/Newhouse or deposited in escrow for the benefit of Advance/Newhouse in connection with the Transaction. There are no current plans or proposals to issue any additional shares of Series A convertible preferred stock or Series C convertible preferred stock, and any such issuance would require the consent of the holders of a majority of the outstanding shares of Series A convertible preferred stock as described under Series A Convertible Preferred Stock and Series C Convertible Preferred Stock Special Class Vote Matters below. The 50 million shares of blank check preferred stock authorized in the New Discovery restarted charter is identical to the number of such shares authorized for issuance in the DHC charter.

The authorized stock proposal seeks the approval of DHC stockholders to the foregoing increase in the authorized capital stock of New Discovery compared to that of DHC. The Transaction will not be consummated unless each of the merger proposal, the preferred stock issuance proposal and the authorized stock proposal is approved by the requisite vote of DHC stockholders at the Annual Meeting.

Common Stock

The holders of Series A common stock, Series B common stock and Series C common stock have equal rights, powers and privileges, except as otherwise described below.

Voting Rights

The holders of Series A common stock will be entitled to one vote for each share held, and the holders of Series B common stock will be entitled to ten votes for each share held, on all matters voted on by stockholders, including elections of directors (other than the directors to be elected by the holders of Series A convertible preferred stock, as provided in Series A Convertible Preferred Stock and Series C Convertible Preferred Stock Series A Preferred Stock Directors below). The holders of Series C common stock will not be entitled to any voting powers, except as required by Delaware law. If the vote or consent of holders of Series C common stock is required for a matter by Delaware law, the holders of Series C common stock will be entitled to 1/100th of a vote for each share held. Subject to any preferential rights of holders of Series A convertible preferred stock and any outstanding series of New Discovery's preferred stock created by New Discovery's board from time to time, the holders of outstanding shares of Series A common stock, Series B common stock, Series A convertible preferred stock, and each series of any preferred stock entitled to vote thereon, if any, will vote as one class with respect to all matters to be voted on by stockholders of New Discovery (excluding, with respect to the holders of Series A convertible preferred stock, the election of the directors to be elected by the holders of common stock). In addition, the consent of holders of 75% of the then outstanding shares of Series B common stock, voting together as a separate class, is required for any issuance of shares of Series B common stock by New Discovery (except in limited circumstances).

Dividends

Subject to any preferential rights of any outstanding series of New Discovery's preferred stock created by New Discovery's board from time to time, the holders of New Discovery's common stock will be entitled to such dividends as may be declared from time to time by New Discovery's board from funds available therefor. Except as otherwise described under Distributions, whenever a dividend is paid to the holders of one of series of common stock, New Discovery will also pay to the holders of the other series of common stock an equal per share dividend. For a more complete discussion of New Discovery's dividend policy, please see Dividend Policy.

Conversion

Each share of Series B common stock is convertible, at the option of the holder, into one share of Series A common stock. Series A common stock and Series C common stock are not convertible.

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Distributions

Distributions made in shares of Series A common stock, Series B common stock, Series C common stock or any other security with respect to Series A common stock, Series B common stock or Series C common stock may be declared and paid only as follows:

a share distribution (i) consisting of shares of Series C common stock (or securities convertible therefor) to holders of Series A common stock, Series B common stock and Series C common stock, on an equal per share basis, or (ii) consisting of (x) shares of Series A common stock (or securities convertible therefor) to holders of Series A common stock, on an equal per share basis, (y) shares of Series B common stock (or securities convertible therefor) to holders of Series B common stock, on an equal per share basis, and (z) shares of Series C common stock (or securities convertible therefor) to holders of Series C Common Stock, on an equal per share basis; or

a share distribution consisting of shares of any class or series of securities of New Discovery or any other person, other than Series A common stock, Series B common stock or Series C common stock (or securities convertible therefor) on the basis of a distribution of (1) identical securities, on an equal per share basis, to holders of Series A common stock, Series B common stock and Series C common stock; or (2) separate classes or series of securities, on an equal per share basis, to holders of Series A common stock, Series B common stock and Series C common stock; or (3) a separate class or series of securities to the holders of one or more series of New Discovery's common stock and, on an equal per share basis, a different class or series of securities to the holders of all other series of New Discovery's common stock, *provided* that, in the case of (2) or (3) above, the securities so distributed do not differ in any respect other than their relative voting rights and related differences in designation, conversion and share distribution provision and the holders of Series A common stock, Series B common stock and Series C common stock receiving securities of the class or series such that the relative voting rights of the securities of the class or series of securities to be received by the holders of each series of common stock corresponds, to the extent practicable, to the relative voting rights of each such series of New Discovery's common stock, and *provided further* that, in each case, the distribution is otherwise made on an equal per share basis; and provided further that the holders of New Discovery Series B common stock have a consent right with respect to certain distributions of voting securities on New Discovery Series C common stock and certain distributions pursuant to which the holders of New Discovery Series B common stock would receive voting securities with lesser voting rights than those of the New Discovery Series B common stock.

New Discovery may not reclassify, subdivide or combine any series of its common stock without reclassifying, subdividing or combining the other series of its common stock, on an equal per share basis.

The foregoing distribution provisions were structured to ensure that all holders of New Discovery common stock are treated equally in a distribution, while protecting the relative voting rights associated with each of the Series A and Series B shares of New Discovery common stock. The distribution provisions permit holders of each series to receive a distribution of shares of the same series because such a distribution would not affect any series' relative voting rights. The distribution provisions also permit Series C shares to be distributed to all holders of New Discovery common stock because the relative voting power of the holders of New Discovery Series A and Series B common stock would not be diluted by a distribution of non-voting stock. However, the distribution provisions do not permit either Series A shares or Series B shares to be distributed to all holders of New Discovery common stock because the voting power of the holders of the higher voting series of stock would be diluted by the distribution of their series of voting stock to lower voting or non-voting series of stock. Lastly, the distribution provisions relating to other New Discovery securities or non-New Discovery stock replicate, to the extent practicable, the protections afforded to the various series of New Discovery common stock described above.

Liquidation and Dissolution

In the event of New Discovery's liquidation, dissolution and winding up, after payment or provision for payment of New Discovery's debts and liabilities and subject to the prior payment in full of any preferential amounts to which New Discovery's preferred stock holders may be entitled including the liquidation preference granted to holders of Series A convertible preferred stock and Series C convertible preferred stock as described in

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the section Series A Convertible Preferred Stock and Series C Convertible Preferred Stock Liquidation Preference below, the holders of Series A common stock, Series B common stock, Series C common stock and Series A convertible preferred stock and Series C convertible preferred stock will share equally, on a share for share basis (and in case of holders of Series A convertible preferred stock and Series C convertible preferred stock, on an as converted into common stock basis), in New Discovery's assets remaining for distribution to the holders of New Discovery's common stock.

Series A Convertible Preferred Stock and Series C Convertible Preferred Stock

The holders of New Discovery's Series A convertible preferred stock and Series C convertible preferred stock have the rights, powers and privileges described below.

General Voting Rights

In connection with any matter as to which the holders of Series A common stock and Series B common stock are entitled to vote other than the election of common stock directors, holders of Series A convertible preferred stock and, if holders of Series C common stock are entitled to vote pursuant to Delaware law, the holders of Series C convertible preferred stock, have the right to vote with holders of common stock on an as converted to common stock basis, voting together as a single class on all matters to be voted on by stockholders of New Discovery (excluding the election of common stock directors).

Special Class Vote Matters

So long as Advance/Newhouse or any of the direct or indirect subsidiaries of Advance Publications, Inc. or Newhouse Broadcasting Corporation (collectively referred to as the **ANPP Stockholder Group**) or any ANPP Permitted Transferee (as defined below) owns or has the right to vote such number of shares of Series A convertible preferred stock constituting at least 80% of the number of shares equal to the sum of (x) the number of shares of Series A convertible preferred stock issued to the ANPP Stockholder Group in the Transaction *plus* (y) the number of shares of Series A convertible preferred stock released to the ANPP Stockholder Group from escrow (such number of shares, the **Base Amount**), New Discovery's restated charter requires the consent of the holders of a majority of such shares of Series A convertible preferred stock (**Majority Holders**) before New Discovery or any of its subsidiaries can take any of the actions described below (any such action, a **Special Class Vote Matter**).

The term **ANPP Permitted Transferee** means a person (who is not a member of the ANPP Stockholder Group) that acquires record and beneficial ownership of *all* outstanding shares of Series A convertible preferred stock from one or more members of the ANPP Stockholder Group or another ANPP Permitted Transferee, provided that the shares of Series A convertible preferred stock, Series C convertible preferred stock and New Discovery common stock beneficially owned by such transferee and its affiliates immediately following such transfer do not exceed the Maximum Amount.

The term **Maximum Amount** means a number of shares of New Discovery common stock equal to (x) 7.5% of the sum of (A) the number of shares of New Discovery common stock (including shares issuable on conversion of Series A convertible preferred stock or Series C convertible preferred stock (other than escrow shares)) outstanding immediately following the effective time of the merger, (B) the number of shares of New Discovery common stock issuable upon conversion of Series A convertible preferred stock and Series C convertible preferred stock released to the ANPP Stockholder Group from escrow, and (C) the number of shares of New Discovery common stock issuable upon exercise of options of New Discovery, which options were converted in the merger from options to acquire shares of DHC common stock; *plus* (y) the number of shares of New Discovery common stock issuable upon conversion of the shares of Series A convertible preferred stock and Series C convertible preferred stock issued to

Advance/Newhouse in the Transaction; *plus* (z) any shares of Series A convertible preferred stock and Series C convertible preferred stock released from escrow. The Maximum Amount is subject to adjustment upon certain transfers of shares of Series A convertible preferred stock or Series C convertible preferred stock (or shares of common stock issuable upon conversion thereof). The Maximum Amount will be deemed to have been exceeded if after the date shares of Series A convertible preferred stock and Series C convertible preferred stock were initially issued to Advance/Newhouse, any member of the ANPP Stockholder Group or any ANPP Permitted Transferee

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acquires shares of common stock or transfers shares of Series A convertible preferred stock or Series C convertible preferred stock to any third party and such transaction results in an increase in the aggregate voting power held by the ANPP Stockholder Group, ANPP Permitted Transferee, or such transferee and their respective affiliates collectively following such transaction by greater than 1% of the aggregate voting power held by the ANPP Stockholder Group immediately after the effective time of the merger. For purposes of calculating such aggregate voting power, escrow shares will be excluded, any shares of Series A convertible preferred stock released from escrow will be included, and the number of shares of New Discovery common stock issuable upon exercise of options of New Discovery outstanding immediately after the merger, will be included.

Special Class Vote Matters are:

increase in the size of the board in excess of 11 directors;

fundamental change in the business of New Discovery and its subsidiaries;

investment, joint venture or acquisition constituting a material departure from the current lines of business of New Discovery;

the material amendment, alteration or repeal of any provision of New Discovery's restated charter or bylaws (or the organizational documents of any New Discovery subsidiary);

related party transactions between New Discovery and its subsidiaries and any related party unless similar to comparable transactions with third parties or on arm's length terms;

merger, consolidation or other business combination by New Discovery into another entity other than transactions with its direct or indirect wholly-owned subsidiaries;

disposition or acquisition by New Discovery or any of its subsidiaries of any assets or properties exceeding \$250 million in aggregate value or acquisition in which stock consideration is paid having voting rights superior to the voting rights of the Series A convertible preferred stock;

authorization, issuance, reclassification or recombination of any equity securities of New Discovery or its material subsidiaries other than certain specified exceptions;

action resulting in the voluntary liquidation, dissolution or winding up of New Discovery or any of its material subsidiaries;

substantial change in Discovery's service distribution policy and practices;

dividend on, or distribution to holders of, equity securities of New Discovery or any subsidiary of New Discovery subject to specified exceptions;

incurrence of indebtedness by New Discovery or any of its subsidiaries if total debt of New Discovery and its subsidiaries would exceed four times the annualized cash flow of New Discovery for the previous four consecutive quarterly periods or result in debt service for the next twelve months exceeding sixty-six percent of its annualized cash flow;

appointment or removal of the Chairman of the board or Chief Executive Officer of New Discovery;

public offering of any securities of New Discovery or any of its subsidiaries subject to certain specified exceptions; and

adoption of New Discovery's annual business plan or any material deviation therefrom.

The Special Class Vote Matters were structured to provide Advance/Newhouse with consent rights at New Discovery comparable to those Advance/Newhouse held under the limited liability company agreement of Discovery Communications Holding. The differences in the consent rights are largely attributable to New Discovery's status as a public company, as compared to Discovery Communications Holding's status as a private limited liability company. In addition, the parties sought to decrease the extent to which Advance/Newhouse held consent rights over activities of New Discovery and its subsidiaries that are ordinary course activities or, in light of the anticipated market value of New Discovery, are arguably immaterial. For example, while Advance/Newhouse

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had a consent right over the election or removal of the Chairman of the Board and CEO of Discovery, the chief operating officer of Discovery or of any operating division or subsidiary of Discovery and of other officers of Discovery and its subsidiaries, the Special Class Vote Matters are limited to the appointment or removal of the Chairman of the Board and CEO of New Discovery. Similarly, whereas Advance/Newhouse had a consent right over any merger or reorganization involving Discovery or any of its subsidiaries, or any sale of assets outside of the ordinary course of business, the Special Class Vote Matters are limited to mergers and business combinations involving New Discovery and sales of assets having an aggregate value in excess of \$250 million. Consent rights over institution of litigation, over entrance into contracts over \$1 million, over details regarding Discovery's advertising rebate plan for The Discovery Channel, and over other transactions outside the ordinary course of business have also been eliminated. Under the limited liability company agreement of Discovery Communications Holding, Advance/Newhouse had a consent right over the annual business plan, and if the members could not agree on an annual business plan there was a default mechanism that would have Discovery operate on a minimal budget. That default provision is eliminated from the Special Class Vote Matters, in the belief that a public company is required to have an approved budget.

Series A Preferred Stock Directors

The holders of the Series A convertible preferred stock will have the right to elect three members of the board of directors and two such directors must qualify as independent directors as defined by the applicable rules and regulations of Nasdaq or the SEC. The shares of common stock will not be entitled to vote in the election of such directors.

Any vacancy in the office of a preferred stock director will be filled solely by the holders of the Series A convertible preferred stock entitled to appoint such director. A preferred stock director may be removed without cause by the written consent of the holders of a majority of the then outstanding shares of the Series A convertible preferred stock and may be removed with cause (as defined in New Discovery's restated charter) upon the affirmative vote of the holders of a majority of the total voting power of the then outstanding shares of New Discovery's common stock and Series A convertible preferred stock and any other series of preferred stock entitled to vote upon the election of common stock directors voting together as a single class.

Dividends

Subject to the prior preferences and other rights of any senior stock, whenever a cash dividend is paid to the holders of New Discovery common stock, New Discovery will also pay to the holders of the Series A convertible preferred stock and Series C convertible preferred stock an equal per share cash dividend on an as converted to common stock basis.

Conversion

Each share of Series A convertible preferred stock is initially convertible, at the option of the holder, into one share of Series A common stock, subject to adjustments in such conversion rate to provide for dividends, distributions, rights or warrants granted to holders of New Discovery's common stock and any reclassification, consolidation, merger, sale or transfer or change in New Discovery's common stock. Each share of Series C convertible preferred stock is initially convertible, at the option of the holder, into one share of Series C common stock, subject to adjustments in such conversion rate to provide for dividends, distributions, rights or warrants granted to holders of New Discovery's common stock and any reclassification, consolidation, merger, sale or transfer or change in New Discovery's common stock.

Generally, each share of Series A and Series C convertible preferred stock will automatically convert into the applicable series of common stock if such share is transferred to a third party and such transfer is not a Permitted

Transfer. In addition, all of the outstanding Series A and Series C convertible preferred stock will automatically convert into the applicable series of common stock at such time as the number of outstanding shares of Series A convertible preferred stock is less than 80% of the Base Amount.

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Liquidation Preference

In the event of New Discovery's liquidation, dissolution and winding up, after payment or provision for payment of New Discovery's debts and liabilities and subject to the prior payment with respect to any stock ranking senior to Series A convertible preferred stock or Series C convertible preferred stock, the holders of Series A convertible preferred stock and Series C convertible preferred stock will receive, before any payment or distribution is made to the holders of any common stock or other junior stock, an amount (in cash or property) equal to \$.01 per share. Following payment of such amount and the payment in full of all amounts owing to the holders of securities ranking senior to New Discovery's common stock, holders of Series A convertible preferred stock and Series C convertible preferred stock will be entitled to share ratably, on an as-converted to common stock basis, with the holders of New Discovery's common stock, as to any amounts remaining for distribution to such holders.

Series Preferred Stock

New Discovery's restated charter authorizes New Discovery's board of directors to establish one or more series of New Discovery's preferred stock and to determine, with respect to any series of New Discovery's preferred stock, the terms and rights of the series, including:

the designation of the series;

the number of authorized shares of the series, which number New Discovery's board may thereafter increase or decrease but not below the number of such shares then outstanding;

the dividend rate or amounts, if any, payable on the shares and, in the case of cumulative dividends, the date or dates from which dividends on all shares of the series will be cumulative and the relative preferences or rights of priority or participation with respect to such dividends;

the rights of the series in the event of New Discovery's voluntary or involuntary liquidation, dissolution or winding up and the relative preferences or rights of priority of payment;

the rights, if any, of holders of the series to convert into or exchange for other classes or series of stock or indebtedness and the terms and conditions of any such conversion or exchange, including provision for adjustments within the discretion of New Discovery's board;

the voting rights, if any, of the holders of the series;

the terms and conditions, if any, for us to purchase or redeem the shares; and

any other relative rights, preferences and limitations of the series.

New Discovery believes that the ability of New Discovery's board of directors to issue one or more series of New Discovery's preferred stock will provide them with flexibility in structuring possible future financing and acquisitions, and in meeting other corporate needs which might arise. The authorized shares of New Discovery's preferred stock, as well as shares of New Discovery's common stock, will be available for issuance without further action by New Discovery stockholders, unless such action is subject to the approval of the holders of Series A convertible preferred stock, required by applicable law or the rules of any stock exchange or automated quotation system on which New Discovery's securities may be listed or traded. If the approval of New Discovery stockholders is not required for the issuance of shares of New Discovery's preferred stock or New Discovery's common stock, New Discovery's board may determine not to seek stockholder approval.

Although New Discovery has no intention at the present time of doing so, it could issue a series of New Discovery's preferred stock that could, depending on the terms of such series, impede the completion of a merger, tender offer or other takeover attempt. New Discovery's board of directors will make any determination to issue such shares based upon its judgment as to the best interests of New Discovery's stockholders. New Discovery's board of directors, in so acting, could issue New Discovery's preferred stock having terms that could discourage an acquisition attempt through which an acquirer may be able to change the composition of New Discovery's board of directors, including a tender offer or other transaction that some, or a majority, of New Discovery stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then-current market price of the stock.

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Dividend Policy

New Discovery presently intends to retain future earnings, if any, to finance the expansion of New Discovery's business. Therefore, New Discovery does not expect to pay any cash dividends in the foreseeable future. All decisions regarding the payment of dividends by New Discovery will be made by New Discovery's board of directors, from time to time, in accordance with applicable law after taking into account various factors, including New Discovery's financial condition, operating results, current and anticipated cash needs, plans for expansion and possible loan covenants which may restrict or prohibit New Discovery's payment of dividends. Additionally, the declaration and payment of any dividends to holders of equity securities of New Discovery or any subsidiary of New Discovery (other than cash dividends payable out of current year's earnings, dividends payable in common stock or other securities of New Discovery or dividends by any wholly-owned subsidiary of New Discovery to New Discovery or its wholly-owned subsidiaries) qualifies as a Special Class Vote Matter subject to the affirmative vote of the holders of a majority of the outstanding shares of Series A convertible preferred stock.

Anti-Takeover Effects of Provisions of the Restated Charter and Bylaws

Board of Directors

New Discovery's restated charter and bylaws provide that, subject to any rights of the holders of any series of New Discovery's preferred stock to elect additional directors and rights of holders of Series A convertible preferred stock to elect Series A preferred stock directors, the number of New Discovery's directors will not be less than three and greater than fifteen directors, and the members of the board of directors of New Discovery immediately after closing will be as provided in a schedule to the Transaction Agreement. The members of New Discovery's board (other than those who may be elected by holders of New Discovery's preferred stock or Series A preferred stock directors), which we refer to as common stock directors, are divided into three classes. Each class of common stock directors consists, as nearly as possible, of a number of directors equal to one-third of the then authorized number of common stock directors. The term of office of New Discovery's Class I directors expires at the annual meeting of New Discovery stockholders in 2009. The term of office of New Discovery's Class II directors expires at the annual meeting of New Discovery stockholders in 2010. The term of office of New Discovery's Class III directors expires at the annual meeting of New Discovery stockholders in 2011. At each annual meeting of New Discovery stockholders, the successors of that class of directors whose term expires at that meeting will be elected to hold office for a term expiring at the annual meeting of New Discovery stockholders held in the third year following the year of their election. The directors of each class will hold office until their respective successors are elected and qualified.

New Discovery's restated charter provides that, subject to the rights of the holders of any series of New Discovery's preferred stock, New Discovery's common stock directors may be removed from office only for cause (as defined in New Discovery's restated charter) upon the affirmative vote of the holders of at least a majority of the aggregate voting power of New Discovery's outstanding capital stock entitled to vote at an election of directors, voting together as a single class.

New Discovery's restated charter provides that, subject to the rights of the holders of any series of New Discovery's preferred stock, vacancies in the offices of common stock directors resulting from death, resignation, removal, disqualification or other cause, and newly created directorships resulting from any increase in the number of directors on New Discovery's board, will be filled only by the affirmative vote of a majority of the remaining common stock directors then in office (even though less than a quorum) or by the sole remaining common stock director. Any director so elected will hold office for the remainder of the full term of the class of directors in which the vacancy occurred or to which the new directorship is assigned, and until that director's successor will have been elected and

qualified or until such director's earlier death, resignation or removal. No decrease in the number of directors constituting New Discovery's board will shorten the term of any incumbent director, except as may be provided in the restated charter of New Discovery or in any certificate of designation with respect to a series of New Discovery's preferred stock with respect to any additional director elected by the holders of that series of New Discovery's preferred stock.

These provisions would preclude a third party from removing incumbent directors and simultaneously gaining control of New Discovery's board by filling the vacancies created by removal with its own nominees. Under the

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classified board provisions described above, it would take at least two elections of directors (and in certain circumstances three elections) for any individual or group to gain control of New Discovery's board. Accordingly, these provisions could discourage a third party from initiating a proxy contest, making a tender offer or otherwise attempting to gain control of New Discovery.

No Shareowner Action by Written Consent; Special Meetings

New Discovery's restated charter provides that, (except (i) as otherwise provided in the terms of any series of preferred stock or (ii) with respect to an action taken by the holders of Series B common stock when voting together as a separate class), any action required to be taken or which may be taken at any annual meeting or special meeting of stockholders may not be taken without a meeting and may not be effected by any consent in writing by such holders. Holders of Series A convertible preferred stock voting as a separate class on any Special Class Vote Matter or on the election or removal of Series A preferred stock directors are permitted to act by written consent. Except as otherwise required by law and subject to the rights of the holders of any series of New Discovery's preferred stock, special meetings of New Discovery stockholders for any purpose or purposes may be called only by New Discovery's Secretary at the request of at least 75% of the members of New Discovery's board then in office. No business other than that stated in the notice of special meeting will be transacted at any special meeting.

Advance Notice Procedures

New Discovery's bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors or to bring other business before an annual meeting of New Discovery stockholders.

All nominations by stockholders or other business to be properly brought before a meeting of stockholders will be made pursuant to timely notice in proper written form to New Discovery's Secretary. To be timely, a stockholder's notice will be given to New Discovery's Secretary at New Discovery's offices as follows:

(1) with respect to an annual meeting of New Discovery stockholders that is called for a date not more than 30 days before or 60 days after the anniversary date of the immediately preceding annual meeting of New Discovery stockholders, such notice will be given no earlier than the close of business on the 90th day prior to such anniversary and no later than the close of business on the 60th day prior to such anniversary;

(2) with respect to an annual meeting of New Discovery stockholders that is called for a date which is more than 30 days before or 60 days after the anniversary date of the immediately preceding annual meeting of New Discovery stockholders, such notice will be given no earlier than the close of business on the 100th day prior to the current annual meeting and not later than the close of business on the later of (A) the 70th day prior to the current annual meeting or (b) the 10th day following the day on which New Discovery first publicly announces the date of the current annual meeting; and

(3) with respect to an election to be held at a special meeting of New Discovery stockholders, not earlier than the close of business on the 100th day prior to such special meeting and not later than the close of business on the later of the 70th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting.

The public announcement of an adjournment or postponement of a meeting of New Discovery stockholders does not commence a new time period (or extend any time period) for the giving of any such stockholder notice. However, if the number of directors to be elected to New Discovery's board at any meeting is increased, and New Discovery does not make a public announcement naming all of the nominees for director or specifying the size of the increased board at least 100 days prior to the anniversary date of the immediately preceding annual meeting, a stockholder's notice will

also be considered timely, but only with respect to nominees for any new positions created by such increase, if it will be delivered to New Discovery's Secretary at New Discovery's offices not later than the close of business on the 10th day following the day on which New Discovery first made the relevant public announcement. For purposes of the first annual meeting of stockholders to be held in 2009, the first anniversary date will be deemed to be [], 2009.

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Amendments

New Discovery's restated charter provides that, subject to the rights of the holders of any series of New Discovery's preferred stock and rights of holders of Series A convertible preferred stock with respect to the Special Class Vote Matters, the affirmative vote of the holders of at least 80% of the aggregate voting power of New Discovery's outstanding capital stock generally entitled to vote upon all matters submitted to New Discovery stockholders, voting together as a single class, is required to adopt, amend or repeal any provision of New Discovery's restated charter or the addition or insertion of other provisions in the certificate, provided that the foregoing voting requirement will not apply to any adoption, amendment, repeal, addition or insertion (1) as to which Delaware law does not require the consent of New Discovery stockholders or (2) which has been approved by at least 75% of the members of New Discovery's board then in office. Subject to the rights of holders of Series A convertible preferred stock to approve the amendments of any material bylaw provisions, New Discovery's restated charter further provides that the affirmative vote of the holders of at least 80% of the aggregate voting power of New Discovery's outstanding capital stock generally entitled to vote upon all matters submitted to New Discovery stockholders, voting together as a single class, is required to adopt, amend or repeal any provision of New Discovery's bylaws, provided that the foregoing voting requirement will not apply to any adoption, amendment or repeal approved by the affirmative vote of not less than 75% of the members of New Discovery's board then in office.

Supermajority Voting Provisions

In addition to the Special Class Vote Matters and supermajority voting provisions discussed under Amendments above, New Discovery's restated charter provides that, subject to the rights of the holders of any series of New Discovery's preferred stock, the affirmative vote of the holders of at least 80% of the aggregate voting power of New Discovery's outstanding capital stock generally entitled to vote upon all matters submitted to New Discovery stockholders, voting together as a single class, is required for:

New Discovery's merger or consolidation with or into any other corporation, provided, that the foregoing voting provision will not apply to any such merger or consolidation (1) as to which the laws of the State of Delaware, as then in effect, do not require the consent of New Discovery stockholders, or (2) that at least 75% of the members of New Discovery's board of directors then in office have approved;

the sale, lease or exchange of all, or substantially all, of New Discovery's assets, provided, that the foregoing voting provisions will not apply to any such sale, lease or exchange that at least 75% of the members of New Discovery's board of directors then in office have approved; or

New Discovery's dissolution, provided, that the foregoing voting provision will not apply to such dissolution if at least 75% of the members of New Discovery's board of directors then in office have approved such dissolution.

Shareholder Rights Plan

The New Discovery board of directors has approved the adoption of a shareholder rights plan that will include the following terms and provisions. Prior to the closing of the Transaction, the Board of Directors of New Discovery will authorize and declare a dividend distribution of the preferred share purchase rights as follows to holders of New Discovery's common stock and convertible preferred stock of record as of immediately after the effectiveness of the merger (the **Record Date**):

one preferred share purchase right (which we refer to as a **Series A right**) for each share of New Discovery Series A common stock and each share of New Discovery Series A convertible preferred stock outstanding

immediately after the effectiveness of the merger, which Series A right will entitle the registered holder to purchase from us one one-thousandth of a share of New Discovery Series A Junior Participating Preferred Stock, par value \$0.01 per share (which we refer to as the **Series A junior preferred stock**), at a purchase price of \$100.00 per one-thousandth of a share, subject to adjustment;

one preferred share purchase right (which we refer to as a **Series B right**) for each share of New Discovery Series B common stock outstanding immediately after the effectiveness of the merger, which Series B right

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will entitle the registered holder to purchase from us one one-thousandth of a share of Series B Junior Participating Preferred Stock, par value \$0.01 per share (which we refer to as the **Series B junior preferred stock**), at a purchase price of \$100.00 per one-thousandth of a share, subject to adjustment; and

one preferred share purchase right (which we refer to as a **Series C right** and, collectively with the Series A rights and Series B rights, the **rights**) for each share of New DHC Series C common stock and New Discovery Series C convertible preferred stock outstanding immediately after the effectiveness of the merger, which Series C right will entitle the registered holder to purchase from us one one-thousandth of a share of Series C Junior Participating Preferred Stock, at a purchase price of \$100.00 per one-thousandth of a share, subject to adjustment.

The description and terms of the rights will be set forth in a Rights Agreement between us and Computershare Trust Company, N.A., as Rights Agent, a form of which will be filed as an exhibit to the registration statement of which this proxy statement/prospectus forms a part. The following description of the rights is qualified in its entirety by reference to the Rights Agreement.

Separation and Distribution of Rights; Exercisability. The Series A rights will be attached to all certificates (or, in the case of uncertificated shares, all book-entry notations) representing shares of New Discovery Series A common stock and New Discovery Series A convertible preferred stock then outstanding, the Series B rights will be attached to all certificates (or, in the case of uncertificated shares, all book-entry notations) representing shares of New Discovery Series B common stock then outstanding and the Series C rights will be attached to all certificates (or, in the case of uncertificated shares, all book-entry notations) representing shares of New Discovery Series C Stock and New Discovery Series C convertible preferred stock then outstanding, and no separate rights certificates will be distributed with respect to any of the rights at such time. The rights will separate from the capital stock to which it is attached on the rights distribution date, which will occur upon the earlier of:

10 days following a public announcement that a person or group of affiliated or associated persons has acquired beneficial ownership of 10% or more of the outstanding shares of New Discovery's common stock (an **acquiring person**), other than as a result of repurchases of stock by New Discovery or purchases or holdings by certain Exempt Persons; and

10 business days (or such later date as may be determined by action of New Discovery's board of directors prior to such time as any person or group of affiliated persons becomes an **acquiring person**) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in any person or group of affiliated persons becoming an **acquiring person**.

An **Exempt Person** includes Advance/Newhouse and the members of its stockholder group and any third-party transferee that acquires all of the outstanding shares of New Discovery Series A convertible preferred stock and New Discovery Series C convertible preferred stock, so long as the number of shares of common stock beneficially owned by Advance/Newhouse (including the shares of New Discovery common stock issuable upon conversion of the New Discovery convertible preferred stock) or such third party transferee does not exceed the Maximum Amount, as such amount may be adjusted under certain circumstances. Please see **Description of New Discovery Capital Stock Series A Convertible Preferred Stock and Series C Convertible Preferred Stock** for a summary of Maximum Amount.

Except in certain situations, a person or group of affiliated or associated persons becomes an **acquiring person** upon acquiring beneficial ownership of New Discovery's outstanding common stock representing in the aggregate 10% or more of the shares of New Discovery's common stock then outstanding. For purposes of the shareholder rights plan, **group** generally means any group within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934.

The rights agreement provides that, until the rights distribution date (or earlier expiration of the rights), the rights will be evidenced by and transferred with (and only with) the New Discovery Series A common stock, New Discovery Series B common stock, New Discovery Series C common stock, New Discovery Series A convertible preferred stock and New Discovery Series C convertible preferred stock to which they are attached. Until the rights distribution date (or earlier expiration of the rights), common stock and preferred stock certificates will contain a

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notation incorporating the rights agreement by reference. Until the rights distribution date (or earlier expiration of the rights), the transfer of any shares of New Discovery Series A common stock, New Discovery Series B common stock, New Discovery Series C common stock, New Discovery Series A convertible preferred stock or New Discovery Series C convertible preferred stock outstanding will also constitute the transfer of the rights associated with the shares of common stock or preferred stock, as applicable, represented by such shares. As soon as practicable following the rights distribution date, separate certificates evidencing the rights related to the applicable series of common stock and preferred stock (which we refer to as right certificates) will be mailed to holders of record of New Discovery common stock and preferred stock as of the close of business on the rights distribution date and thereafter such separate right certificates alone will evidence the rights.

The rights are not exercisable unless and until a rights distribution date occurs. The rights will expire ten years after the date of the completion of the Transaction, unless such date is advanced or extended or unless the rights are earlier redeemed or exchanged by New Discovery, in each case as described below.

Anti-dilution Adjustments. The purchase price payable, and the number of shares of the applicable series of junior preferred stock or other securities or property issuable, upon the exercise of the rights will be subject to adjustment from time to time to prevent dilution:

in the event of a stock dividend on, or a subdivision, combination or reclassification of, the applicable series of junior preferred stock;

if any person acquires, or obtains the right to subscribe for or purchase the applicable junior preferred stock at a price, or securities convertible into the applicable junior preferred stock with a conversion price, less than the then current market price of the applicable junior preferred stock; or

upon the distribution to holders of the applicable series of junior preferred stock of evidences of indebtedness, cash (excluding regular quarterly cash dividends), assets (other than dividends payable in junior preferred stock) or subscription rights or warrants.

The number of outstanding rights associated with the applicable series of common stock or convertible preferred stock, as the case may be, will also be subject to adjustment in the event of a stock dividend on a series of convertible preferred stock or common stock, as the case may be, or a subdivision, consolidation or combination of the applicable series of common stock or series of preferred stock, in each case until a rights distribution date occurs.

Dividend and Liquidation Rights of the Junior Preferred Stock. No shares of any series of junior preferred stock purchasable upon exercise of the rights will be redeemable. Each share of the applicable series of junior preferred stock will be entitled, when, as and if declared, to a minimum preferential quarterly dividend payment of the greater of (1) \$10 per share and (2) an amount equal to 1,000 times the dividend declared per share of New Discovery Series A common stock, Series B common stock or Series C common stock, as the case may be. In the event of the liquidation, dissolution or winding up of New Discovery, the holders of each series of junior preferred stock will be entitled in priority to the holders of common stock to a minimum preferential payment equal to the greater of (1) \$10 per share (plus any accrued but unpaid dividends and distributions) and (2) an amount equal to 1,000 times the payment made per share of New Discovery Series A common stock, Series B common stock or Series C common stock, as the case may be. Each share of the applicable series of junior preferred stock will have 1,000 times the number of votes as each share of the corresponding common stock on all matters which the corresponding common stock is entitled, voting together with the applicable series of common stock. Upon any merger, consolidation or other transaction in which shares of New Discovery's Series A common stock or Series B common stock or Series C common stock are converted or exchanged, each share of the corresponding series of junior preferred stock will be entitled to receive 1,000 times the amount received per share of New Discovery's Series A common stock, Series B common stock or Series C

common stock, as the case may be. These rights are protected by customary anti-dilution provisions.

Because of the nature of the dividend, liquidation and voting rights of each series of junior preferred stock, the value of the fractional share of Series A junior preferred stock purchasable upon exercise of each Series A right, the value of the fractional share of Series B junior preferred stock purchasable upon exercise of each Series B right and the value of the fractional share of Series C junior preferred stock purchasable upon exercise of each Series C right

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should approximate the value of one share of New Discovery Series A common stock, New Discovery Series B common stock and New Discovery Series C common stock, respectively.

Flip-in and Flip-Over Events. In the event that any person or group of affiliated or associated persons becomes an acquiring person, each holder of a Series A right (other than rights beneficially owned by the acquiring person, which will become void) will have the right to receive upon exercise of a Series A right shares of New Discovery Series A common stock, each holder of a Series B right (other than rights beneficially owned by the acquiring person, which will become void) will have the right to receive upon exercise of a Series B right shares of New Discovery Series B common stock, and each holder of a Series C right (other than rights beneficially owned by the acquiring person, which will become void) will have the right to receive upon exercise of a Series C right shares of New Discovery Series C common stock, in each case, having a market value equal to two times the exercise price of the Series A right, Series B right or Series C right, as the case may be. The events described in this paragraph are referred to as flip-in events.

In the event that, after a person or group has become an acquiring person, New Discovery is acquired in a merger or other business combination transaction or 50% or more of New Discovery's consolidated assets or earning power are sold, proper provisions will be made so that each holder of a Series A right, Series B right or a Series C right (in each case other than rights beneficially owned by an acquiring person, which will have become void) will have the right to receive upon exercise of Series A rights, Series B rights or Series C rights shares of common stock of the person with which New Discovery has engaged in the foregoing transaction (or its parent) that at the time of such transaction have a market value of two times the exercise price of the Series A right, the Series B right or the Series C right, as the case may be. The events described in this paragraph are referred to as flip-over events.

Exchange of the Rights. At any time after any person or group becomes an acquiring person and prior to the earlier of the occurrence of a flip-over event or the acquisition by such acquiring person of shares of New Discovery common stock representing 50% or more of the total number of votes entitled to be cast generally by the holders of common stock then outstanding, the board of directors of New Discovery may cause the exchange of the rights (other than the rights beneficially owned by the acquiring person, which will become void), in whole or in part, for shares of the corresponding series of common stock or junior preferred stock at an exchange ratio of one share of the corresponding series of common stock or a fractional share of junior preferred stock of equivalent value for each right, subject to adjustment.

Redemption of Rights. At any time prior to the time a person or group becomes an acquiring person, the board of directors of New Discovery may redeem the rights in whole, but not in part, at a price of \$.01 per right (referred to as the redemption price), subject to adjustment, payable, at the option of New Discovery, in cash, shares of common stock or other consideration deemed appropriate by the board of directors of New Discovery. The redemption of the rights may be made effective at the time, on the basis and with the conditions as the board of directors of New Discovery in its sole discretion may establish. Immediately upon any redemption of the rights, the right to exercise the rights will terminate and the only right of the holders of rights will be to receive the redemption price.

Amendment of Rights. For so long as the rights are redeemable, New Discovery may, except with respect to the redemption price, amend the rights agreement in any manner without approval of the holders of New Discovery's common stock. After the rights are no longer redeemable, New Discovery may, except with respect to the redemption price, amend the rights agreement in any manner that does not adversely affect the interests of holders of the rights.

No Rights as Stockholder. Until a right is exercised or exchanged, the holder of the rights, as such, will not have any rights as a stockholder of New Discovery, including, without limitation, any right to vote or to receive dividends.

Certain Tax Considerations. For U.S. federal income tax purposes, the distribution by New Discovery of the rights will not be taxable to New Discovery, and the receipt of the rights which will be attached to New Discovery's common stock and convertible preferred stock will not be taxable to holders of DHC common stock. Depending upon the circumstances, holders of the rights could recognize taxable income or gain on or after the date that the rights become exercisable or in the event that the rights are redeemed by us as provided above.

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Section 203 of the Delaware General Corporation Law

Section 203 of the Delaware General Corporation Law prohibits certain transactions between a Delaware corporation and an interested stockholder. An interested stockholder for this purpose is a stockholder who is directly or indirectly a beneficial owner of 15% or more of the aggregate voting power of a Delaware corporation. This provision prohibits certain business combinations between an interested stockholder and a corporation for a period of three years after the date on which the stockholder became an interested stockholder, unless: (1) the transaction which resulted in the stockholder becoming an interested stockholder is approved by the corporation's board of directors before the stockholder became an interested stockholder, (2) the interested stockholder acquired at least 85% of the aggregate voting power of the corporation in the transaction in which the stockholder became an interested stockholder, or (3) the business combination is approved by a majority of the board of directors and the affirmative vote of the holders of two-thirds of the aggregate voting power not owned by the interested stockholder at or subsequent to the time that the stockholder became an interested stockholder. These restrictions do not apply if, among other things, the corporation's restated charter contains a provision expressly electing not to be governed by Section 203. In New Discovery's restated charter, New Discovery has elected not to be governed by Section 203.

Transfer Agent and Registrar

Computershare Trust Company, N.A. will be the transfer agent and registrar for New Discovery's common stock.

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COMPARISON OF THE RIGHTS OF STOCKHOLDERS OF DHC AND NEW DISCOVERY

New Discovery and DHC are each organized under the laws of the State of Delaware. Any differences, therefore, in the rights of holders of capital stock in New Discovery and DHC arise from differences in their respective charters and bylaws, in the case of DHC, as in effect on the date of this proxy statement/prospectus, and, in the case of New Discovery, as will be in effect at the effective time of the merger. Upon completion of the merger and related transactions, holders of DHC common stock will become holders of New Discovery common stock and their rights will be governed by Delaware law and New Discovery's restated charter and bylaws.

The following discussion summarizes the material differences between the rights of DHC stockholders and New Discovery stockholders, as described in the applicable provisions of their respective charters and bylaws. This section does not include a complete description of all the differences among the rights of these stockholders, nor does it include a complete description of the specific rights of these stockholders. All DHC stockholders are urged to carefully read the form of restated charter and form of bylaws of New Discovery included with this proxy statement/prospectus as Appendix D and Appendix E, respectively.

Authorized Capital Stock

DHC

The authorized capital stock of DHC consists of (i) 1,250,000,000 shares of common stock, par value \$.01 per share, of which 600,000,000 shares are designated DHC Series A common stock, 50,000,000 shares are designated DHC Series B common stock and 600,000,000 shares are designated DHC Series C common stock and (ii) 50,000,000 shares of DHC preferred stock, par value \$.01 per share. DHC's restated charter authorizes the board of directors to authorize the issuance of one or more series of preferred stock.

New Discovery

The authorized capital stock of New Discovery consists of (i) 3,800,000,000 shares of common stock, par value \$.01 per share, of which 1,700,000,000 shares are designated New Discovery Series A common stock, 100,000,000 shares are designated New Discovery Series B common stock and 2,000,000,000 shares are designated New Discovery Series C common stock and (ii) 200,000,000 shares of New Discovery preferred stock, par value \$.01 per share, of which 75,000,000 shares are designated Series A convertible preferred stock 75,000,000 shares are designated Series C convertible preferred stock and 50,000,000 shares are shares of preferred stock that are undesignated as to series. New Discovery's restated charter authorizes the board of directors to authorize the issuance of one or more series of preferred stock.

Voting Rights

DHC

Under DHC's restated charter, holders of DHC Series A common stock are entitled to one vote for each share of such stock held, and holders of DHC Series B common stock are entitled to ten votes for each share of such stock

New Discovery

The voting rights of holders of common stock of New Discovery are the same as the voting rights of holders of DHC common stock.

held, on all matters submitted to a vote of DHC stockholders at any annual or special meeting. Holders of DHC Series C common stock are not entitled to any voting powers, except as required by Delaware law (in which case holders of DHC Series C common stock are entitled to 1/100th of a vote per share).

Additionally, so long as the ANPP Stockholder Group or any ANPP Permitted Transferees holds shares of New Discovery Series A convertible preferred stock constituting at least 80% of the Base Amount, New Discovery's restated charter requires the consent of the holders of a majority of the shares of Series A convertible preferred stock with respect to any Special Class Vote Matter. Further, holders of Series A convertible preferred stock have the right to vote on the election of the Series A preferred stock directors and on all matters voted on by the holders of Series A common stock, other than the election of common stock directors. In addition, the consent of holders of 75% of the then outstanding shares of Series B common stock, voting together as a separate class, is required for any issuance of shares of Series B common stock by New Discovery (except in limited circumstances).

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Cumulative Voting

DHC

Under Delaware law, stockholders of a Delaware corporation do not have the right to cumulate their votes in the election of directors, unless that right is granted in the charter of the corporation. DHC's restated charter does not permit cumulative voting by DHC stockholders.

New Discovery

Same as DHC.

Size of Board of Directors

DHC

DHC's board of directors has five members. DHC's restated charter provides that the minimum number of directors is three and the maximum number of directors is nine, and that the exact number of directors may be fixed by the board of directors.

New Discovery

New Discovery's board of directors will initially consist of eleven directors, eight of which will constitute common stock directors and three of which will constitute Series A preferred stock directors; however, the size of New Discovery's board of directors will automatically be reduced (i) by one member upon the death, resignation, removal or disqualification of the person who first serves as Chairman of the board of directors immediately following the merger and (ii) upon the holders of the Series A preferred stock ceasing to have the right to elect Series A preferred stock directors, by the number of Series A preferred stock directors then in office. New Discovery's restated charter and bylaws will provide that the minimum number of directors is three and the maximum number of directors is fifteen, and that the exact number of directors may be fixed by the board of directors.

Classes of Directors

DHC

DHC's restated charter provides that its board of directors is divided into three classes of directors with each class being elected to a staggered three-year term. The holders of preferred stock may be granted the right to separately elect additional directors.

New Discovery

New Discovery's restated charter provides that its common stock directors will be elected by holders of common stock. Common stock directors are divided into three classes of directors with each class being elected to a staggered three-year term.

New Discovery's restated charter provides that holders of Series A convertible preferred stock will be entitled to elect three preferred stock directors.

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Removal of Directors

DHC

Under DHC's restated charter, a director may be removed from office only for cause upon the affirmative vote of the holders of a majority of the aggregate voting power of the outstanding shares of DHC Series A common stock, DHC Series B common stock and any series of preferred stock entitled to vote upon matters that may be submitted to an DHC stockholder vote.

New Discovery

Under New Discovery's restated charter, a common stock director may be removed from office only for cause upon the affirmative vote of the holders of a majority of the aggregate voting power of the outstanding shares of Series A common stock, Series B common stock and any series of preferred stock entitled to vote upon the election of common stock directors.

A preferred stock director may be removed from office (i) for cause upon the affirmative vote of the holders of a majority of the aggregate voting power of the outstanding shares of Series A common stock, Series B common stock, Series A convertible preferred stock and any series of preferred stock entitled to vote upon the election of common stock directors voting together as a single class and (ii) without cause by holders of a majority of the shares of Series A convertible preferred stock.

Vacancies on the Board of Directors

DHC

DHC's restated charter provides that vacancies resulting from death, resignation, removal, disqualification or other cause, and newly created directorships resulting from any increase in the number of directors on the board of directors, will be filled only by the affirmative vote of a majority of the remaining directors then in office (even though less than a quorum) or by the sole remaining director.

New Discovery

Same as DHC with respect to vacancies in the offices of common stock directors.

Vacancies in offices of preferred stock directors will be filled by holders of Series A convertible preferred stock.

Limitation of Personal Liability of Directors

DHC

Under Delaware law, a corporation may include in its charter a provision eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director; however, the provision may not eliminate or limit the liability of a director for a breach of the duty of loyalty,

New Discovery

Same as DHC.

acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, unlawful payments of dividends, certain stock repurchases or redemptions or any transaction from which the director derived an improper personal benefit. DHC's restated charter limits the personal liability of DHC directors for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted by Delaware law.

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Indemnification of Directors and Officers

DHC

New Discovery

Delaware law provides that, subject to certain limitations in the case of derivative suits brought by a corporation's stockholders in its name, a corporation may indemnify any person who is made a party to any third-party action, suit or proceeding (other than an action by or in the right of the corporation) on account of being a current or former director, officer, employee or agent of the corporation (or is or was serving at the request of the corporation in such capacity for another corporation, partnership, joint venture, trust or other enterprise) against expenses, including attorney's fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with the action, suit or proceeding through, among other things, a majority of directors who were not parties to the suit or proceeding, if the person(i) acted in good faith and in a manner reasonably believed to be in the best interests of the corporation (or in some circumstances, at least not opposed to its best interests), and (ii) in a criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. Delaware corporate law also permits indemnification by a corporation under similar circumstances for expenses (including attorneys' fees) actually and reasonably incurred by such persons in connection with the defense or settlement of a derivative action or suit, except that no indemnification may be made in respect of any claim, issue or matter as to which the person is adjudged to be liable to the corporation unless the Delaware Court of Chancery or the court in which the action or suit was brought determines upon application that the person is fairly and reasonably entitled to indemnity for the expenses which the court deems to be proper. To the extent that a current or former director, officer, employee or agent is successful in the defense of such an action, suit or proceeding, the corporation is required by Delaware corporate law to indemnify such person for reasonable expenses incurred thereby. Expenses (including attorneys' fees) incurred by such persons in defending any action, suit or proceeding may be paid in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of that person to repay the amount if it is ultimately determined that that person is not entitled to be so indemnified. DHC's restated charter provides for(i) the indemnification of its current or former

Same as DHC.

directors and officers to the fullest extent permitted by law, and (ii) the prepayment of expenses (including attorneys fees) upon receipt of an undertaking to repay such amounts if it is ultimately determined that the director or officer is not entitled to indemnification.

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Action by Written Consent

DHC

DHC's restated charter specifically denies DHC stockholders the power to consent in writing, without a meeting, to the taking of any action, other than the rights of holders of DHC Series B common stock to act by written consent with respect to certain matters.

New Discovery

Same as DHC, but New Discovery's restated charter additionally permits the holders of Series A convertible preferred stock to act by written consent with respect to matters on which they are entitled to vote separately as a single class (e.g. for preferred directors and on Special Voting Matters).

Amendments to Certificate of Incorporation

DHC

DHC's restated charter requires, for the amendment, alteration or repeal of any provision of or the addition or insertion of any provision in DHC's restated charter, the affirmative vote of the holders of at least 80% of the aggregate voting power of the outstanding shares of DHC Series A common stock, DHC Series B common stock and any series of preferred stock entitled to vote upon matters submitted to a stockholder vote, unless the amendment(i) is not required to be approved by DHC stockholders under Delaware Law or (ii) has been approved by 75% of the DHC directors then in office.

New Discovery

New Discovery's restated charter requires, for the amendment, alteration or repeal of any provision of or the addition or insertion of any provision in New Discovery's restated charter, the affirmative vote of the holders of at least 80% of the aggregate voting power of the outstanding shares of New Discovery Series A common stock, New Discovery Series B common stock and Series A convertible preferred stock (on an as converted into common stock basis) and any series of preferred stock entitled to vote upon matters submitted to a stockholder vote, unless the amendment (i) is not required to be approved by New Discovery stockholders under Delaware Law or (ii) has been approved by 75% of the New Discovery directors then in office.

Additionally, New Discovery's restated charter requires the approval of the holders of a majority of the outstanding shares of Series A convertible preferred stock for any amendment, alteration or repeal of any material provision of or the addition or insertion of any provision (other than provisions relating to filing of certificates of designations relating to preferred stock or any other amendment otherwise approved by such holders or that does not materially adversely affect the rights of Series A convertible preferred stock) therein.

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Amendments to Bylaws

DHC

Delaware law provides that stockholders have the power to amend the bylaws of a corporation unless the charter grants such power to the board of directors, in which case either the stockholders or the board of directors may amend the bylaws. DHC's restated charter authorizes the board of directors, by the affirmative vote of not less than 75% of the directors then in office, to adopt, amend or repeal any provision of the bylaws.

New Discovery

Same as DHC.

Additionally, New Discovery's restated charter requires the approval of a majority of holders of Series A convertible preferred stock for any amendment, alteration or repeal of any material provision of or the addition or insertion of any provision (other than provisions relating to filing of certificates of designations relating to preferred stock or any other amendment otherwise approved by such holders or that does not materially adversely affect the rights of Series A convertible preferred stock) so long as the ANPP Stockholder Group and ANPP Permitted Transferees collectively hold shares of Series A convertible preferred stock constituting 80% of the Base Amount.

Special Meetings of Stockholders

DHC

DHC's restated charter and bylaws provide that the secretary may call special meetings of the stockholders, only at the request of 75% of the members of the board of directors then in office.

New Discovery

Same as DHC.

Vote on Extraordinary Corporate Transactions

DHC

Under Delaware law, a sale or other disposition of all or substantially all of a corporation's assets, a merger or consolidation of a corporation with another corporation or a dissolution of a corporation requires the affirmative vote of the corporation's board of directors (except in limited circumstances) plus, with limited exceptions, the affirmative vote of a majority of the outstanding stock entitled to vote on the transaction. DHC's restated charter requires the affirmative vote of holders of at least 80% of the aggregate voting power of the outstanding shares of DHC Series A common stock, DHC Series B common stock and any series of preferred stock entitled to vote upon matters submitted to a DHC stockholder vote to

New Discovery

Same as DHC.

Additionally, New Discovery's restated charter requires the approval of a majority of holders of Series A convertible preferred stock for (i) any merger, consolidation or other business combination by New Discovery into another entity, other than certain specified exceptions, (ii) the disposition or acquisition by New Discovery or any of its subsidiaries of any assets or properties (including stock or other equity interests of a third party) exceeding \$250 million, or acquisition in which stock consideration is provided with voting rights that are senior to the voting rights of

authorize:(i) a merger or consolidation with and into any other corporation, unless(a) the laws of the state of Delaware do not require stockholder consent or(b) 75% of the members of the board of directors have approved the merger or consolidation, (ii) the sale, lease or exchange of all, or substantially all, assets of DHC, unless 75% of the members of the board of directors then in office have approved the transaction or (iii) the dissolution of DHC, unless 75% of the members of the board of directors then in office have approved the dissolution.

the Series A convertible preferred stock and (iii) any actions resulting in voluntary liquidation, dissolution or winding up of New Discovery or any of its material subsidiaries.

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State Anti-Takeover Statutes

DHC

New Discovery

Subject to certain exceptions, Section 203 of the Delaware corporate statute generally prohibits public corporations from engaging in significant business transactions, including mergers, with a holder of 15% or more of the corporation's stock, referred to as an interested stockholder, for a period of three years after the interested stockholder becomes an interested stockholder, unless the charter contains a provision expressly electing not to be governed by such a section. DHC's restated charter expressly elects not to be governed by Section 203.

Same as DHC.

Notice of Stockholder Proposals and Director Nominations

DHC

New Discovery

Under DHC's bylaws, for director nominations or other business to be properly brought before an DHC annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of DHC and any such proposed business other than the nominations of persons for election to the board of directors, must constitute a proper matter for stockholder action. To be timely, a stockholder's notice must be delivered to the Secretary at the principal executive offices of DHC not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting (*provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, or if no annual meeting was held in the preceding year, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by DHC*).

Under New Discovery's bylaws, to be timely, a stockholder's notice must be delivered to the Secretary at the principal executive offices of New Discovery not later than the close of business on the sixtieth (60th) day nor earlier than the close of business on the ninetieth (90th) day prior to the first anniversary of the preceding year's annual meeting (provided, however, that (i) in the event that the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, (ii) if no annual meeting was held in the preceding year or (iii) in the case of a special meeting, notice by the stockholder must be so delivered not earlier than the close of business on the one hundredth (100th) day prior to such meeting and not later than the close of business on the later of the seventieth (70th) day prior to such meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by New Discovery).

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DISCOVERY COMMUNICATIONS, INC.
UNAUDITED CONDENSED PRO FORMA COMBINED FINANCIAL STATEMENTS

In June 2008, DHC and Advance/Newhouse entered into the Transaction Agreement, which provides, among other things, for the combination of DHC's 662/3% interest in Discovery Communications Holding with Advance/Newhouse's 331/3% interest in Discovery Communications Holding, as follows:

DHC will spin-off to its shareholders AMC, a subsidiary holding cash and all of the businesses of its wholly-owned subsidiaries, Ascent Media CANS, LLC (dba AccentHealth) and Ascent Media Group, LLC, except for certain businesses of Ascent Media Group, LLC that provide sound, music, mixing, sound effects and other related services under brand names such as Sound One, POP Sound, Soundelux and Todd A-O (which businesses will remain with New Discovery following the completion of the Transaction);

Immediately following the AMC spin-off, Advance/Newhouse will contribute its interests in Discovery Communications Holding and Animal Planet to New Discovery in exchange for Series A and Series C convertible preferred stock of New Discovery that would be convertible at any time into New Discovery common stock initially representing one-third of the outstanding shares of New Discovery common stock; and

DHC will merge with a transitory merger subsidiary of New Discovery, the new holding company, and DHC's existing shareholders will receive shares of New Discovery common stock.

The merger of DHC and contribution by Advance/Newhouse of its interests in Discovery Communications Holding and Animal Planet are referred to as the Transaction.

Discovery Communications Holding was formed in the second quarter of 2007 as part of the Restructuring completed by Discovery. In the Restructuring, Discovery was converted into a limited liability company and became a wholly-owned subsidiary of Discovery Communications Holding, and the former shareholders of Discovery became members of Discovery Communications Holding. Discovery Communications Holding is the successor reporting entity to Discovery. In connection with the Restructuring, Discovery Communications Holding applied pushdown accounting, and each shareholder's basis in Discovery was pushed down to Discovery Communications Holding. The result was \$4.3 billion of goodwill being recorded by Discovery Communications Holding. As goodwill is not amortizable for financial reporting purposes, there is no current impact to Discovery Communications Holding's statement of operations. Therefore, for purposes of the accompanying unaudited condensed pro forma combined statement of operations, Discovery Communications Holding's results of operations for the period prior to the Restructuring and the period subsequent to the Restructuring have been combined.

In May 2007, Discovery Communications Holding and Cox completed an exchange of Cox's 25% ownership interest in Discovery Communications Holding for a subsidiary of Discovery Communications Holding that held Travel Channel, travelchannel.com and approximately \$1.3 billion in cash (the **Cox Transaction**).

The following unaudited condensed pro forma combined balance sheet dated as of March 31, 2008 assumes that the Transaction and the AMC spin-off had been completed as of such date. The following unaudited condensed pro forma combined statements of operations for the three months ended March 31, 2008 and the year ended December 31, 2007 assume that the Cox Transaction, the Transaction and the AMC spin-off had been completed as of January 1, 2007. The unaudited pro forma results do not purport to be indicative of the results that would have been obtained if the Transaction had been completed as of such date.

The information in the DHC historical, AMC historical and Discovery Communications Holding historical columns in the following unaudited condensed pro forma combined financial statements is taken from the historical financial statements of DHC, AMC and Discovery Communications Holding, respectively. The historical financial statements of DHC are incorporated herein by reference, and the historical financial statements of AMC and Discovery Communications Holding are included elsewhere herein. The financial information, including tax attributes, for Ascent Media Sound is included in the DHC historical and the New Discovery pro forma financial information.

Table of Contents**Discovery Communications, Inc.****Unaudited Condensed Pro Forma Combined Balance Sheet
March 31, 2008**

	DHC historical	Less: AMC historical(1)	Add: Discovery Communications Holding historical(1) amounts in thousands	Pro forma adjustments for Transaction	New Discovery pro forma
Assets					
Cash	\$ 222,577	218,625	68,654		72,606
Other current assets	191,700	180,522	1,021,658		1,032,836
Investment in Discovery	3,330,030			143,993(3) (3,474,023)(4)	
Property and equipment, net	262,744	258,512	379,125		383,357
Content rights			1,045,593	45,429(4)	1,091,022
Goodwill and other nonamortizable intangible assets	1,909,823	127,405	4,873,518	475,058(4)	7,130,994
Other intangible assets			168,036	269,138(4)	437,174
Other assets	18,964	18,099	364,753		365,618
Total assets	\$ 5,935,838	803,163	7,921,337	(2,540,405)	10,513,607
Liabilities and Equity					
Current liabilities	\$ 137,402	127,257	681,805		691,950
Long-term debt			4,088,607		4,088,607
Deferred tax liabilities	1,252,033	(146)	16,454	(1,252,153)(5) 117,196(4)	133,676
Other liabilities	21,830	21,081	284,156		284,905
Total liabilities	1,411,265	148,192	5,071,022	(1,134,957)	5,199,138
Minority interest			48,721		48,721
Preferred stock				143,993(3)	143,993
Common stock	2,811				2,811
Additional paid-in-capital	5,728,701	643,490	2,801,594	(2,801,594)(4) 1,252,153(5)	6,337,364
Accumulated deficit	(1,219,492)				(1,219,492)
Accumulated other comprehensive earnings	12,553	11,481			1,072
Total equity	4,524,573	654,971	2,801,594	(1,405,448)	5,265,748

Total liabilities and equity	\$ 5,935,838	803,163	7,921,337	(2,540,405)	10,513,607
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Table of Contents**Discovery Communications, Inc.****Unaudited Condensed Pro Forma Combined Statement of Operations
Three Months Ended March 31, 2008**

	DHC	Less:	Add:	Pro forma	New	
	historical	AMC	Discovery	adjustments	Discovery	
		historical(1)	Communications	for	pro forma	
			Holding	Transaction		
			historical(1)			
			amounts in thousands, except per share amounts			
Revenue	\$ 189,305	173,843	794,578		810,040	
Cost of sales	(138,060)	(125,664)	(230,435)	(801)(6)	(243,632)	
Selling, general and administrative expenses	(42,412)	(34,052)	(242,354)		(250,714)	
Depreciation and amortization	(16,540)	(16,002)	(37,720)	(8,244)(7)	(46,502)	
Gain from dispositions	78	78				
Operating income (loss)	(7,629)	(1,797)	284,069	(9,045)	269,192	
Interest expense			(68,720)		(68,720)	
Share of earnings of Discovery	66,402			(66,402)(8)		
Other income (expense), net	1,684	1,533	(22,590)		(22,439)	
Earnings (loss) from continuing operations before income taxes	60,457	(264)	192,759	(75,447)	178,033	
Income tax expense	(26,466)	116	(87,541)	33,951(9)	(80,172)	
Earnings (loss) from continuing operations	\$ 33,991	(148)	105,218	(41,496)	97,861	
Basic and fully diluted earnings (loss) from continuing operations per common share	\$ 0.12				0.23	
Basic and fully diluted weighted average outstanding common shares	281,044				421,566	

Table of Contents**Discovery Communications, Inc.****Unaudited Condensed Pro Forma Combined Statement of Operations
Year Ended December 31, 2007**

	Less:		Add:			
	DHC	AMC	Discovery	Pro forma	Pro forma	New
	historical	historical(1)	Communications	adjustments	adjustments	Discovery
			Holding	for	for	pro forma
			historical(1)	Cox	Transaction	
				Transaction(2)	Transaction	
	amounts in thousands, except per share amounts					
Revenue	\$ 707,214	631,425	3,127,333	(50,193)		3,152,929
Cost of sales	(491,034)	(431,367)	(1,172,907)	25,163	(3,206)(6)	(1,210,617)
Selling, general and administrative expenses	(151,448)	(129,824)	(1,310,047)	14,157		(1,317,514)
Depreciation and amortization	(67,732)	(65,544)	(156,750)	(854)	(32,974)(7)	(192,766)
Impairment of goodwill	(165,347)	(165,347)				
Gain from dispositions	704	421	134,671	(134,671)		283
Operating income (loss)	(167,643)	(160,236)	622,300	(146,398)	(36,180)	432,315
Interest expense			(248,757)	(43,100)		(291,857)
Share of earnings of Discovery	141,781				(141,781)(8)	
Other income (expense), net	16,627	10,455	(9,063)			(2,891)
Earnings (loss) from continuing operations before income taxes	(9,235)	(149,781)	364,480	(189,498)	(177,961)	137,567
Income tax expense	(59,157)	(2,640)	(77,466)	24,672	80,082(9)	(29,229)
Earnings (loss) from continuing operations	\$ (68,392)	(152,421)	287,014	(164,826)	(97,879)	108,338
Basic and fully diluted earnings (loss) from continuing	\$ (0.24)					0.26

operations per
common share

Basic and fully
diluted weighted
average outstanding
common shares

280,520

420,780

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Discovery Communications, Inc.

**Notes to Unaudited Condensed Pro Forma Combined Financial Statements
March 31, 2008**

(1) On June 4, 2008, DHC and Advance/Newhouse entered into the Transaction Agreement providing for the combination of their respective interests in Discovery Communications Holding (the direct parent of Discovery). DHC and Advance/Newhouse directly own 662/3% and 331/3% of Discovery Communications Holding, respectively. The Transaction Agreement contemplates the following steps:

DHC will spin off to its shareholders AMC, a subsidiary holding cash and all of the businesses of its wholly-owned subsidiaries, Ascent Media CANS, LLC (dba AccentHealth) and Ascent Media Group, LLC, except for certain businesses of Ascent Media Group, LLC that provide sound, music, mixing, sound effects and other related services;

Immediately following the AMC spin-off, Advance/Newhouse will contribute its interest in Discovery Communications Holding and its interest in Animal Planet to New Discovery in exchange for preferred stock of New Discovery that would be convertible at any time into New Discovery common stock initially representing one-third of the outstanding shares of New Discovery common stock; and

DHC will merge with a transitory subsidiary of New Discovery, a new holding company, and DHC's existing Series A common shareholders will receive 0.5 of a share of New Discovery Series A common stock plus 0.5 of a share of New Discovery Series C common stock, and DHC's existing Series B common shareholders will receive 0.5 of a share of New Discovery Series B common stock plus 0.5 of a share of New Discovery Series C common stock.

For financial reporting purposes, New Discovery is the successor reporting entity to DHC. Because Advance/Newhouse is a one-third owner of Discovery Communications Holding prior to the completion of the Transaction and is a one-third owner of New Discovery (whose only significant asset is 100% of Discovery Communications Holding) after completion of the transaction, there is no effective change in ownership. The convertible preferred stock will not have any special dividend rights and only a de minimus liquidation preference. Additionally, Advance/Newhouse retains significant participatory special class voting rights with respect to New Discovery parent company matters. Pursuant to FASB Technical Bulletin 85-5 and for accounting purposes, the Transaction will be treated as nonsubstantive merger, and therefore, the Transaction will be recorded at carry over basis.

Certain tax-related amounts in the AMC historical column of these unaudited condensed pro forma combined financial statements are different than the corresponding amounts in Ascent Media Group's historical combined financial statements included elsewhere herein due to differences in the assessment of the realizability of deferred tax assets and the resulting need for valuation allowances between DHC's consolidated financial statements (of which the AMC historical column is a part) and Ascent Media Group's historical combined financial statements. In this regard, certain deferred tax assets were deemed to not be realizable in the DHC historical consolidated financial statements, but were deemed to be realizable by Ascent Media on a stand-alone basis.

(2) Represents pro forma adjustments to reflect the Cox Transaction as if it had occurred on January 1, 2007 including the elimination of (i) revenue and expenses for Travel Channel for the period from January 1, 2007 through May 14, 2007 and (ii) the gain recognized by Discovery in connection with the Cox Transaction. Also includes additional interest expense for the period from January 1, 2007 through May 14, 2007 related to additional debt incurred by Discovery Communications Holding in connection with the Cox Transaction.

(3) Represents the issuance of the New Discovery preferred stock to Advance/Newhouse. As New Discovery will employ carryover-basis accounting, the convertible preferred stock is recorded at an amount equal to Advance/Newhouse's historical carrying value for its 33 1/3% ownership interest in Discovery Communications Holding.

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(4) Represents the elimination of the historical investments in Discovery Communications Holding and Discovery Communications Holding's equity. The difference between the investment and equity represents excess basis and has been allocated preliminarily as follows (amounts in thousands).

		Useful Life
Program library	\$ 45,429	15 years
Affiliate contracts	119,127	8 years
Advertising relationships	150,011	10 years
Goodwill and other nonamortizable intangible assets	475,058	indefinite
Deferred tax liability	(117,196)	
	\$ 672,429	

The foregoing excess basis allocation is consistent with DHC's allocation of its equity method excess basis related to its investment in Discovery Communications Holding, and is based on estimates of the fair value of such tangible and intangible assets as compared to the underlying book value, if any, reflected in Discovery Communications Holding's historical financial statements for these assets. The fair value and useful life estimates were determined based on DHC's understanding of cable programming businesses in general and Discovery Communications Holding's business, specifically.

(5) Represents the elimination of DHC's historical deferred tax liability related to its investment in Discovery Communications Holding with an offsetting elimination to equity.

(6) Represents amortization of the program library step-up recorded in note 5.

(7) Represents amortization of the amortizable intangible assets recorded in note 5.

(8) Represents the elimination of DHC's historical share of earnings of Discovery Communications Holding.

(9) Represents the estimated income tax effects of the pro forma adjustments using an assumed tax rate of 45%. Discovery Communications Holding's 2007 effective tax rate differed from 45% due to the tax-free nature of its gains from dispositions. See note 16 to Discovery Communications Holding's consolidated financial statements for the year ended December 31, 2007 included in Part 3 of Appendix A to the proxy statement/prospectus for more information regarding Discovery Communications Holding's 2007 income taxes.

Table of Contents**MANAGEMENT OF NEW DISCOVERY****Executive Officers and Directors**

The following sets forth certain information concerning the persons who are expected to serve as New Discovery's executive officers and directors immediately following the closing of the Transaction, including their birth dates, directorships held and a description of their business experience, including positions held with New Discovery. Mr. Malone and Mr. Bennett will serve on the New Discovery board of directors regardless of whether they are re-elected as directors of DHC at the Annual Meeting. New Discovery's executive officers will consist of the current executive officers of Discovery and thus their information is included below.

Name	Position
John S. Hendricks Born March 29, 1952	Chairman and a common stock director of New Discovery. Mr. Hendricks is the Founder of Discovery and has served as Chairman of Discovery since September 1982. Mr. Hendricks served as Chief Executive Officer of Discovery from September 1982 to June 2004; and Interim Chief Executive Officer of Discovery from December 2006 to January 2007. Mr. Hendricks continues to provide leadership vision for Discovery's major content initiatives that reinforce and enhance brand and value, have long shelf life, and have global appeal. Mr. Hendricks also chairs Discovery's Global Content Committee.
David M. Zaslav Born January 15, 1960	President, Chief Executive Officer and a common stock director of New Discovery. Mr. Zaslav has served as President and Chief Executive Officer of Discovery since January 2007. Mr. Zaslav served as President, Cable & Domestic Television and New Media Distribution of NBC Universal, Inc., a media and entertainment company (NBC), from May 2006 to December 2006. Mr. Zaslav served as Executive Vice President of NBC, and President of NBC Cable, a division of NBC, from October 1999 to May 2006. Mr. Zaslav is a director of TiVo Inc.
Mark G. Hollinger Born August 26, 1959	Chief Operating Officer and Senior Executive Vice President, Corporate Operations, of New Discovery. Mr. Hollinger has served as Chief Operating Officer of Discovery since January 2008; and as Senior Executive Vice President, Corporate Operations of Discovery since January 2003. Mr. Hollinger served as General Counsel of Discovery from 1991 to January 2008, and as President, Global Businesses and Operations of Discovery from February 2007 to January 2008.
Bradley E. Singer. Born July 11, 1966	Senior Executive Vice President, Chief Financial Officer of New Discovery. Mr. Singer has served as Senior Executive Vice President, Chief Financial Officer of Discovery since July 2008. Mr. Singer served as Chief Financial Officer and Treasurer of American Tower Corporation from December 2001 to June 2008. Mr. Singer served as Executive Vice President, Finance of American Tower from July 2001 to December 2001, Vice President and General Manager of the Southeast Region from November 2000 to July 2001 and as Executive Vice President, Strategy, of American Tower from September 2000 until July 2001.

Joseph A. LaSala, Jr.
Born November 5, 1954

Senior Executive Vice President, General Counsel and Secretary of New Discovery. Mr. LaSala has served as Senior Executive Vice President, General Counsel and Secretary of Discovery since January 2008. Mr. LaSala served as Senior Vice President, General Counsel and Secretary for Novell, Inc., a provider of enterprise software and related services, from January 2003 to January 2008.

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Name	Position
Adria Alpert Romm Born March 2, 1955	Senior Executive Vice President, Human Resources of New Discovery. Ms. Romm has served as Senior Executive Vice President, Human Resources of Discovery since March 2007. Ms. Romm served as Senior Vice President of Human Resources of NBC from 2004 to 2007. Prior to 2004, Ms. Romm served as a Vice President in Human Resources for the NBC TV network and NBC staff functions.
Bruce L. Campbell Born November 26, 1967	President, Digital Media & Corporate Development of New Discovery. Mr. Campbell has served as President, Digital Media & Corporate Development of Discovery since March 2007. Mr. Campbell served as Executive Vice President, Business Development of NBC from December 2005 to March 2007, and Senior Vice President, Business Development of NBC from January 2003 to November 2005.
John C. Malone Born March 7, 1941	A common stock director of New Discovery. Mr. Malone has served as Chief Executive Officer and Chairman of the Board of DHC since March 2005, and a director of DHC since May 2005. Mr. Malone has served as Chairman of the Board and a director of Liberty since 1990. Mr. Malone served as Chairman of the Board of Tele-Communications, Inc. (TCI) from November 1996 to March 1999; and Chief Executive Officer of TCI from January 1994 to March 1999. Mr. Malone is Chairman of the Board of Liberty Global, Inc. (Liberty Global) and The DirecTV Group, Inc.; and a director of IAC/InterActiveCorp and Expedia, Inc.
Robert R. Bennett Born April 19, 1958	A common stock director of New Discovery. Mr. Bennett has served as President of DHC since March 2005, and a director of DHC since May 2005. Mr. Bennett served as President of Liberty from April 1997 to February 2006 and as Chief Executive Officer of Liberty from April 1997 to August 2005. Mr. Bennett held various executive positions with Liberty since its inception in 1990. Mr. Bennett is a director of Liberty and Sprint Nextel Corporation.
Paul A. Gould Born September 27, 1945	A common stock director of New Discovery. Mr. Gould has served as a director of DHC since May 2005. Mr. Gould has served as a Managing Director and Executive Vice President of Allen & Company Incorporated, an investment banking services company, for more than the last five years. Mr. Gould is a director of Liberty, Ampco-Pittsburgh Corporation and Liberty Global.
M. LaVoy Robison Born September 6, 1935	A common stock director of New Discovery. Mr. Robison has served as a director of DHC since May 2005. Mr. Robison has been executive director and a board member of The Anschutz Foundation (a private foundation) since January 1998. Mr. Robison is a director of Liberty.
J. David Wargo Born October 1, 1953	A common stock director of New Discovery. Mr. Wargo has served as a director of DHC since May 2005. Mr. Wargo has served as President of Wargo & Company, Inc., a private investment company specializing in the communications industry, since January 1993. Mr. Wargo is a director of Strayer Education, Inc. and Liberty Global.
Robert R. Beck Born July 2, 1940	A common stock director of New Discovery. Since 2001, Mr. Beck has served as an independent consultant, advising on complex financial and business matters. Prior to 2001, Mr. Beck served as a Managing Director of Putnam Investments.

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Name	Position
Robert J. Miron Born July 7, 1937	A preferred stock director of New Discovery. Mr. Robert Miron has served as Chairman of Advance/Newhouse Communications and Bright House Networks, LLC (Bright House) since July 2002; as Chief Executive Officer of Advance/Newhouse Communications and Bright House from July 2002 to May 2008; and as President of Advance/Newhouse Communications and Bright House from April 1995 to July 2002. Mr. Robert Miron served as President of Newhouse Broadcasting Corporation from October 1986 to April 1995.
Steven A. Miron. Born April 24, 1966	A preferred stock director of New Discovery. Mr. Steve Miron was appointed as Chief Executive Officer of Advance Newhouse Communications and Bright House in May 2008. Mr. Steven Miron served as President of Advance Newhouse Communications and Bright House from July 2002 to May 2008.
Lawrence S. Kramer.. Born April 24, 1950	A preferred stock director of New Discovery. Mr. Kramer has served as senior advisor at Polaris Venture Partners, a national venture capital firm since July 2007. From January 2005 to mid 2006, Mr. Kramer served as first president of CBS Digital Media, a division of CBS Television Network (CBS). After that, Mr. Kramer held a consulting role at CBS until April 2008. Prior to joining CBS, Mr. Kramer was Chairman and CEO of Marketwatch, Inc., a financial news business. Mr. Kramer is a director of Answers Corporation and Xinhua Finance Media Ltd.

The executive officers named above will serve in such capacities until the annual meeting of New Discovery's board of directors following completion of the Transaction, or until their respective successors have been duly elected and have been qualified, or until their earlier death, resignation, disqualification or removal from office.

Except for Steven A. Miron being the son of Robert J. Miron, there is no family relationship among any of New Discovery's executive officers or directors, by blood, marriage or adoption.

During the past five years, none of the above persons has had any involvement in such legal proceedings as would be material to an evaluation of his or her ability or integrity.

Board Composition

The board of directors of New Discovery will initially consist of eight common stock directors, divided among three classes. New Discovery's Class I directors, whose term will expire at the annual meeting of its stockholders in 2009, are J. David Wargo and Robert R. Beck. New Discovery's Class II directors, whose term will expire at the annual meeting of its stockholders in 2010, are John S. Hendricks, M. LaVoy Robison and Paul A. Gould. New Discovery's Class III directors, whose term will expire at the annual meeting of its stockholders in 2011, are John C. Malone, Robert R. Bennett and David M. Zaslav. At each annual meeting of New Discovery stockholders, the successors of that class of directors whose term(s) expire at that meeting shall be elected to hold office for a term expiring at the annual meeting of New Discovery stockholders held in the third year following the year of their election. The directors of each class will hold office until their respective death, resignation or removal and until their respective successors are elected and qualified. The bylaws of New Discovery provide that the number of directors of New Discovery will be reduced by one upon the resignation, removal or disqualification of John Hendricks from the board of directors.

The board of directors of New Discovery will also include three preferred stock directors, consisting of Robert J. Miron, Steven A. Miron and Lawrence S. Kramer, whose term will expire at the annual meeting of its stockholders in 2009. Holders of New Discovery Series A convertible preferred stock will vote on the election of the preferred stock directors but will not vote on the election of any common stock director. Advance/Newhouse, as the initial holder of all the New Discovery convertible preferred stock, will appoint the three initial preferred stock directors. At each annual meeting of New Discovery stockholders, the successors of the preferred stock directors shall be elected to hold office for a term expiring at the following annual meeting of New Discovery stockholders.

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The preferred stock directors will hold office until their respective death, resignation or removal and until their respective successors are elected and qualified.

Executive Compensation

New Discovery has not yet paid any compensation to any of its executive officers or any person expected to become an executive officer of New Discovery. The form and amount of the compensation to be paid to each of New Discovery's executive officers in any future period will be determined by the compensation committee of New Discovery's board of directors, subject to the terms of any applicable employment agreement.

This section sets forth the executive compensation information for the Chief Executive Officer, Principal Financial Officer and the three other most highly compensated executive officers of Discovery during the years ended December 31, 2007 and December 31, 2006. For information concerning the compensation paid to the Chief Executive Officer of DHC, Principal Financial Officer of DHC, Principal Accounting Officer of DHC and the three other most highly compensated executive officers of DHC during the years ended December 31, 2007 and December 31, 2006, see Management of DHC Executive Compensation.

Compensation Discussion and Analysis

The executive officers of New Discovery will be comprised of the current executive officers of Discovery. This Compensation Discussion and Analysis explains Discovery's compensation program for:

John S. Hendricks, Founder and Chairman of the Board of Discovery;

David M. Zaslav, President and Chief Executive Officer of Discovery;

Mark G. Hollinger, Senior Executive Vice President and Chief Operating Officer of Discovery;

Roger F. Millay, former Senior Executive Vice President and Chief Financial Officer of Discovery; and

Bruce L. Campbell, President, Digital Media & Corporate Development of Discovery.

Messrs. Hendricks, Hollinger and Campbell were Discovery's three most highly compensated executive officers for 2007, other than its CEO and CFO. These three individuals, together with Mr. Zaslav, Discovery's CEO and Mr. Millay, Discovery's former CFO, are referred to collectively herein as the **Discovery Named Executive Officers**. In January 2008, Mr. Millay indicated his intention to leave Discovery. Mr. Millay's departure date is July 25, 2008.

Bradley E. Singer, Discovery's Senior Executive Vice President, Chief Financial Officer, joined Discovery in July 2008. As a result, he was not paid compensation by Discovery for 2007. Mr. Singer's employment arrangements are described below in Executive Compensation Arrangements Singer Employment Agreement.

Decision Makers

Discovery is a member-managed limited liability company, which is currently owned, indirectly, 662/3% by DHC and 331/3% by Advance/Newhouse. Because Discovery is a private company, Discovery does not have an independent compensation committee. In addition, the compensation committee of DHC does not make compensation decisions for Discovery management. Following the completion of the Transaction, decisions regarding executive compensation will be made by a compensation committee comprised of independent New Discovery directors.

The objectives and principles of Discovery's executive compensation program have been established by Discovery's CEO and his executive management team with the approval of Discovery's Chairman and the members' two designated representatives: Robert R. Bennett, President of DHC, and Robert J. Miron, Chairman of Advance/Newhouse (who we refer to as the **member representatives**). Decisions regarding the executive compensation packages paid to the Discovery Named Executive Officers, other than Messrs. Zaslav and Hendricks, are generally made by Mr. Zaslav with the review and approval of the member representatives. Decisions regarding the executive compensation packages paid to Messrs. Zaslav and Hendricks are made directly by the member representatives. See Process of Decision Making below.

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Objectives

The compensation program for the Discovery Named Executive Officers is designed to meet the following objectives that align with and support Discovery's strategic business goals:

attracting and retaining a high-performing executive management team who will help Discovery to attain its strategic objectives and build long-term company value;

emphasizing variable performance-based compensation components by linking individual compensation with corporate operating metrics as well as individual professional achievements; and

aligning the interests of management with the members of Discovery using equity-type incentive awards.

Following the completion of the Transaction, Discovery expects that New Discovery's compensation objectives will be determined by the New Discovery board of directors and compensation committee, although Discovery anticipates that the objectives would be consistent with the objectives identified above. As a public company, New Discovery will have more flexibility in structuring its equity-based compensation programs to better align compensation for executive officers and other employees with the company's performance.

Principles

The following principles are used to guide the design of Discovery's executive compensation program and to ensure that the program is consistent with the objectives described above:

Competitive Compensation. Discovery believes that its executive compensation program must provide compensation to the Discovery Named Executive Officers that, based on general business and industry knowledge and experience, is competitive with the compensation paid to similarly situated employees of companies in Discovery's industry and companies with which Discovery competes for talent.

Pay for Performance Philosophy. Discovery believes its compensation program should align the interests of the Discovery Named Executive Officers with the interests of the company and its members by strengthening the link between pay and company and individual performance. Of the total compensation mix for the Discovery Named Executive Officers during 2007, the most significant elements of each Discovery Named Executive Officer's compensation package consisted of awards under the DAP and his annual bonus award. The awards under the DAP increase in value only if the stock price of DHC increases, which depends largely on Discovery's performance. In addition, three of the Discovery Named Executive Officers' bonus awards, those for Messrs. Campbell, Hollinger and Millay, were tied directly to company and individual performance measures under the Discovery Incentive Compensation Plan. In connection with attracting Mr. Zaslav to join Discovery as Chief Executive Officer, Discovery entered into an employment agreement with him under which he is entitled to minimum guaranteed annual bonuses for the original term of the agreement, and after the first year is eligible to earn additional amounts based on achievement of qualitative and quantitative performance objectives. Mr. Hendricks also receives annual bonuses based on his performance as determined by the member representatives.

Process of Decisionmaking

General. As noted above, the member representatives determine the compensation of Messrs. Zaslav and Hendricks, and Mr. Zaslav generally determines the compensation of the other named executive officers with the review and approval of the member representatives. Competitive levels of compensation for the named executive officers for

2007 were based on industry knowledge of the decision makers rather than formal benchmarking, although in the case of Mr. Millay, survey data regarding compensation of chief financial officers was also considered as more fully described in [New Hires](#) below.

New Hires. Mr. Zaslav joined Discovery in the beginning of 2007. When negotiating his compensation package, the member representatives considered their knowledge of industry compensation standards to establish the terms of a competitive compensation package with which to entice Mr. Zaslav to accept Discovery's offer of employment. The terms of Mr. Zaslav's employment agreement, which are described in [Executive Compensation Arrangements - Zaslav Employment Agreement](#) below, reflect the result of these negotiations.

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Messrs. Millay and Campbell joined the company in the third quarter of 2006 and early 2007, respectively. The compensation package offered to Mr. Millay was determined by Ms. Judith McHale, Discovery's Chief Executive Officer at the time, and the compensation package offered to Mr. Campbell was determined by Mr. Zaslav. In determining the compensation to offer to Mr. Millay, Ms. McHale considered, among other things, her general knowledge of industry compensation standards as well as the compensation paid to chief financial officers at other companies. The companies considered for benchmarking the compensation offered to Mr. Millay were included in two surveys, the 2006 Cable and Television Human Resource Association (**CTHRA**) Cable Programmers/Broadcast Networks Compensation Survey and the Towers Perrin 2005 Entertainment Industry Survey, in each case updated with a 4 percent annual factor. The companies in the CTHRA survey included the following: A&E Networks, ESPN, Lifetime Television, MTV Networks, Scripps Networks, Turner Broadcasting System, ABC Television Group, Disney ABC Cable Networks Group, CBS, Fox Broadcasting, and NBC Cable. The companies in the Towers Perrin survey included the following: A&E Networks, CBS, Fox Broadcasting, HBO, MTV Networks, NBC Universal, Showtime, Turner Broadcasting, DreamWorks, DreamWorks Animating, New Line Cinema, Paramount Pictures, Sony Pictures Entertainment, Twentieth Century Fox, and Warner Bros. The target pay positioning for the compensation package to be offered to Mr. Millay was the 50th percentile for base salary and the 75th percentile for total cash compensation and for total direct compensation. Subsequent to Mr. Millay's hire date but before the award date, Mr. Hendricks, with the approval of the member representatives, decided to increase the amount of Mr. Millay's award under the Discovery Appreciation Plan as described in Executive Compensation Arrangements Millay Employment Agreement; Millay Retention Agreement, below. This change did not take account of the survey data noted above.

When negotiating Mr. Campbell's compensation package, Mr. Zaslav considered his knowledge of industry compensation standards to establish the terms of a competitive compensation package with which to attract Mr. Campbell to Discovery. The member representatives approved the compensation arrangements for Messrs. Millay and Campbell based on their general industry knowledge. As was the case with Mr. Zaslav, the compensation packages ultimately paid to Messrs. Millay and Campbell were very much dependent on the negotiation process with these executives.

Mr. Hendricks. With respect to Mr. Hendricks' compensation package, the member representatives work directly with Mr. Hendricks annually to construct a compensation package which fairly rewards Mr. Hendricks for his ongoing and valuable contributions to Discovery which include his leadership of major content and strategic initiatives and his focus on key priority areas such as the globalization of Discovery's programming, multi-platform distribution activities, and the monetization of Discovery's content. Mr. Hendricks also chairs Discovery's Global Content Committee and the Advisory Committee for Planet Green.

Mr. Hollinger. Mr. Zaslav determined Mr. Hollinger's 2007 compensation, with approval of the member representatives, taking into account the extensive responsibilities assumed by Mr. Hollinger during 2007. In recognition of his assumption of certain new responsibilities, leadership and strong performance, Mr. Hollinger was promoted to the position of Senior Executive Vice President and Chief Operating Officer of Discovery effective January 1, 2008.

Elements of Compensation

A summary of each element of the compensation program for the Discovery Named Executive Officers is set forth below. Discovery believes that each element complements the others and that together they serve to achieve Discovery's compensation objectives.

Base Salary

Discovery provides base salaries that it believes are competitive to attract and retain high-performing executive talent. Discovery believes that a competitive base salary is an important component of compensation as it provides a degree of financial stability for executives. Base salaries also form the basis for calculating other compensation opportunities for the Discovery Named Executive Officers, including, for example, the metrics for each Discovery Named Executive Officer's Incentive Compensation Plan award and the amount of life insurance provided by Discovery. The base salary level of each Discovery Named Executive Officer is generally determined based on the

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responsibilities assumed by him; his experience, overall effectiveness and demonstrated leadership ability; the performance expectations set for him; and the decision makers' understanding of competitive market factors.

Mr. Hendricks is the founder of Discovery. In recognition of the valuable strategic guidance, long range planning and years of industry experience that Mr. Hendricks continues to contribute to the business and priorities of Discovery in his role as Chairman, Mr. Hendricks' base salary has been fixed at \$1 million per year pursuant to long-standing resolutions of the members. For information regarding Mr. Hendricks' compensation package following the closing of the Transaction, please see Executive Compensation Arrangements John Hendricks Equity Stake Transition Term Sheet and Employment Letter below.

When Mr. Zaslav joined Discovery in the beginning of 2007, his base salary was determined based on the member representatives' knowledge of market rates for an executive with his breadth of experience and demonstrated leadership skills. As CEO, he would have overall responsibility for the entire company's strategic growth objectives, the editorial and creative direction across brand groups, the organizational redesign of Discovery's senior management team, and the investment priorities for Discovery's underperforming assets and was, accordingly, given the highest salary of any Discovery executive officer.

When Mr. Millay joined Discovery in the third quarter of 2006, his base salary was determined, in part, based on market rates for a chief financial officer with his level of financial expertise. As CFO, he would have significant oversight responsibilities with respect to the accounting and financial condition of the company and was granted a salary commensurate with those responsibilities. Since Mr. Millay joined the company in the third quarter of 2006, his salary carried over to 2007 without change. As noted above, Mr. Millay is departing from Discovery effective July 25, 2008. Discovery entered into a Retention Agreement with Mr. Millay providing for a retention payment, salary pending his departure, treatment of his incentive compensation for 2007 and 2008, treatment of his Discovery Appreciation Units and other matters, which is described in Executive Compensation Arrangements Millay Employment Agreement; Millay Retention Agreement below.

Mr. Hollinger's salary increased 39% in 2007 in recognition of his extensive contributions to the company as Senior Executive Vice President and General Counsel of Discovery and the increase in responsibilities associated with his new post as head of the International Networks and Commerce divisions.

Mr. Campbell joined Discovery in 2007. His base salary reflected Mr. Zaslav's understanding of market rates for a network executive with his level of experience, taking into account the need to build a Corporate Development organization, restructure Discovery's digital media staff and infrastructure, and establish new investment priorities and overall growth strategy for Discovery across operating units.

Bonus

Annual. The Discovery Named Executive Officers, other than Messrs. Hendricks and Zaslav, participate in Discovery's Incentive Compensation Plan (the **ICP**), which provides for annual bonuses based on company and individual performance. The ICP is a performance-based compensation program designed to focus the Discovery Named Executive Officers (other than Messrs. Hendricks and Zaslav, who do not participate in the ICP) on achieving annual operating performance goals on a corporate level and with respect to any individual business lines over which he is responsible, as well as on achieving individual professional goals. See Incentive Plan Compensation below for more information regarding this plan.

Under his employment agreement, Mr. Zaslav is entitled to minimum, guaranteed annual bonuses for the original term of the agreement. Subject to the achievement of certain qualitative and quantitative objectives, after the first year of employment, Mr. Zaslav may earn an actual bonus in excess of the guaranteed bonus amount applicable to a particular

year. For 2007, his guaranteed and actual bonus amount was \$3 million. For 2008, his minimum, guaranteed bonus amount is \$2 million and his target bonus amount is \$3 million. In determining the amount and terms of Mr. Zaslav's bonus, the member representatives considered the substantial payments that Mr. Zaslav would forego at his previous employer and Mr. Zaslav's experience and demonstrated leadership skills. Under the terms of Mr. Zaslav's employment agreement and subject to his right to receive minimum annual bonuses outlined therein, the amount of his annual bonus will depend on the achievement of qualitative and quantitative objectives established by the compensation committee in consultation with Mr. Zaslav. For more information

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regarding Mr. Zaslav's employment agreement, see Executive Compensation Arrangements Zaslav Employment Agreement below.

During the first quarter of each year, the member representatives work with Mr. Hendricks to determine an appropriate bonus amount for Mr. Hendricks' prior year contributions to Discovery. For 2006, Mr. Hendricks was granted a bonus of \$1.875 million in recognition of his services as Interim CEO prior to Mr. Zaslav's arrival and of his successful recruitment of Mr. Zaslav. For 2007, Mr. Hendricks received a \$500,000 bonus due to his fewer responsibilities following the arrival of Mr. Zaslav.

Signing. Discovery pays signing bonuses to certain executives upon their joining the company. Market conditions often dictate when a signing bonus will be necessary to attract a qualified candidate and the size thereof. Discovery paid an aggregate signing bonus to Mr. Zaslav of \$2.5 million to induce him to forego his then-current and prospective leadership roles at his former employer. The signing bonus was paid in two tranches: he received the first \$1.5 million upon joining Discovery in 2007 and the balance was paid in early 2008 based on Mr. Zaslav remaining with the company through the end of 2007.

Incentive Compensation Plan

Under the ICP, all qualifying employees, including the Discovery Named Executive Officers (other than Messrs. Hendricks and Zaslav, who do not participate in the ICP), are eligible to receive annual cash payments based on the extent to which pre-established Discovery as a whole and, if applicable, line of business, operational goals are achieved, and an assessment of the performance of such employees, including in the case of the participating Discovery Named Executive Officers, an assessment by Mr. Zaslav. The amounts payable under the ICP are based on certain pre-established performance metrics, which in the case of the participating Discovery Named Executive Officers for 2007 were tied 60% to adjusted operating cash flow and 40% to net revenue of Discovery as a whole and any applicable line of business. Discovery established in the first quarter of 2007 for each of these metrics a minimum amount below which no payment would be made relating to such metric, an amount where participants would be paid their entire targeted bonus relating to such metric and an overachievement amount which serves as a ceiling where higher payments would only be made relating to such metric at Discovery's discretion, and in between the minimum and the overachievement amounts, the amount payable would be increased or decreased in accordance with a pre-established scale.

The aggregate amount payable to an individual under his annual award for 2007 was determined by:

first, determining the target bonus of each employee, which is equal to a pre-established percentage of his base salary (for the target bonus of each Discovery Named Executive Officer participating in the ICP, please refer to the Grants of Plan Based Awards table below).

second, establishing the amount payable pursuant to the achievement of Discovery as a whole and any applicable line of business performance measures (which as noted above is based on adjusted operating cash flow and net revenue with respect to the Discovery Named Executive Officers participating in the ICP); and

then, multiplying that amount by an individual multiplier (ranging from 0 to 1.5) that is reflective of the individual's performance classification.

The calculation of the amount of an ICP award for 2007 was as follows: [(target bonus x percentage of bonus tied to Discovery as a whole x percentage based on achieving Discovery as a whole based performance metrics) + (target bonus x percentage of bonus tied to line of business x percentage based on achieving line of business performance metrics)] x individual performance multiplier.

The determination of what portion of the bonus of a participating Discovery Named Executive Officer would be based on the performance of Discovery as a whole and/or any applicable line of business was made in the first quarter of 2007 by Mr. Zaslav and approved by the member representatives with the goal of linking each such officer's bonus to the portions of Discovery for which he has responsibility, whether Discovery as a whole and/or a line of business. Mr. Hollinger's corporate performance measure for 2007 was divided as follows: 40% Discovery as a whole; 40% Discovery Networks International; and 20% Commerce. Mr. Campbell's corporate performance measure for 2007 was divided as follows: 60% Discovery as a whole; 20% U.S. Networks; and 20% Emerging

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Networks. For ICP purposes, Emerging Networks consists of Investigation Discovery, HD Theater and Military Channel. Mr. Millay's corporate performance measure for 2007 was based 100% on Discovery as a whole, since as Chief Financial Officer, he was responsible for the overall organization.

Discovery management decided to use net revenue and adjusted operating cash flow targets to determine whether bonuses would be paid under the ICP to each participating Discovery Named Executive Officer because it believes that net revenue is an important indicator of the overall growth and strength of the business and adjusted operating cash flow is an important measure of Discovery's profitability. Since Discovery's profitability is viewed as the most important indicator of operating performance, adjusted operating cash flow was weighted more heavily than net revenue for purposes of 2007 ICP awards.

Operating cash flow amounts were adjusted to eliminate items that affected the measure but, in the view of Discovery's management, were not indicative of performance. Discovery's management exercised discretion in determining the adjustments to operating cash flow for purposes of the ICP. For 2007, the significant items that were added back to adjusted operating cash flow for Discovery and the lines of business used for ICP purposes were the following: content impairment in U.S. Networks of \$129 million and content and certain charges in Education of \$12 million. For Discovery Networks International, adjusted operating cash flow for ICP purposes excludes the results of Antenna Audio as well as Discovery Networks International's allocable share of corporate expenses.

The performance targets for Discovery as a whole and the lines of business (other than Commerce and Emerging Networks) that were applicable to Messrs. Campbell, Hollinger and Millay are set forth in the following table:

Summary of 2007 ICP Targets

Business Unit	Threshold	Target	Over Achievement	Actual Results
			(\$ Millions)	
<i>Net Revenue</i>				
Discovery Communications, LLC	2,847.5	2,997.4	3,147.3	3,127.3
Discovery Networks International	837.9	931.0	1,024.1	985.0
US Networks	1,815.0	1,910.5	1,986.9	1,972.3
<i>Adjusted Operating Cash Flow</i>				
Discovery Communications, LLC	732.9	771.5	888.8	886.4
Discovery Networks International	131.4	146.0	186.2	212.7
US Networks	730.2	768.7	839.7	793.6

Targets for Commerce were adjusted during 2007 to reflect the continuing business after Discovery ceased to operate the Discovery Channel Stores. The adjusted targets for Commerce set forth quantitative measures that required the continuing business to operate at a profit, which Commerce had not achieved in prior years. Commerce achieved these targets based on the continuing business achieving a positive adjusted operating cash flow in 2007.

Targets for Emerging Networks set forth quantitative measures that required that the three networks increase revenue by at least 30% in the aggregate in 2007, compared to 2006, while maintaining the level of adjusted operating cash flow in 2007, at least at the 2006 level. Emerging Networks achieved these goals.

The determination as to whether the 2007 corporate performance measures were met was made during the first quarter of 2008 following the conclusion and review of the full-year 2007 results of operations. Individual performance

classifications were then determined as described above and final bonus amounts were approved for payment to such Discovery Named Executive Officers. As the member representatives had approved the terms of the 2007 ICP awards in the beginning of 2007, no separate approval by the member representatives was required at this time. Please refer to the Estimated Future Payouts Under Non Equity Incentive Plan Awards column of the Grants of Plan Based Awards Table for more information regarding the range of 2007 payouts available to Messrs. Campbell, Hollinger and Millay and the Non-Equity Incentive Plan Compensation column of the

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Summary Compensation Table for the actual amounts paid to those executives with respect to their 2007 ICP awards.

The ICP bonus payments made to each of the participating Discovery Named Executive Officers under the ICP for 2007 reflected the performance of the operations over which the Discovery Named Executive Officer had responsibility and, in the case of Mr. Hollinger and Mr. Campbell, the individual performance of the Discovery Named Executive Officer as determined by Mr. Zaslav. Mr. Hollinger's ICP bonus reflected the strong performance of Discovery as a whole and Discovery Networks International, as shown in the table above, as well as Mr. Hollinger's exceptional performance in 2007. Mr. Campbell's ICP bonus reflected the strong performance of Discovery as a whole and U.S. Networks, and Emerging Networks' achievement of its goals as described above, as well as Mr. Campbell's exceptional performance in 2007. In January 2008 before ICP awards were determined, Mr. Millay advised that he would be leaving Discovery. As noted above, in connection with agreeing upon the terms of his retention agreement, which governed Mr. Millay's compensation prior to and following his departure from Discovery, the parties decided that Mr. Millay would be assigned an agreed upon performance classification for 2007 rather than undertaking the regular performance review. As a result, Mr. Millay's ICP bonus payment for 2007 reflects the strong performance of Discovery as a whole, but does not reflect an assessment of his individual performance.

Discovery Appreciation Program

Generally. The DAP is a long-term incentive plan designed to reward Discovery employees at the level of Director and above for increases in the market value of the Series A common stock of Discovery's indirect member, DHC. Upon joining the company or, in some cases, being promoted within the company, each qualifying employee receives a DAP award. These awards consist of a number of units which represent an equivalent number of shares of DHC Series A common stock and a base price which is determined based on 110% of the average of the closing stock prices of the DHC Series A common stock on the Nasdaq Global Select Market over the 10 trading days immediately preceding and including the grant date and the 10 trading days immediately following the grant date. Each award vests as to 25% of the units on each of the four anniversaries of the date of grant. With respect to all DAP awards granted in 2007, on each vesting date, if the recipient is employed by Discovery or any of its subsidiaries, the recipient will be entitled to receive a cash payment equal to product of (x) the number of units that vested on that date, multiplied by (y) the spread between the base price and 110% of the average of the closing stock prices of the DHC Series A common stock on the Nasdaq Global Select Market over the 10 trading days immediately preceding and including the vesting date and the 10 trading days immediately following the vesting date.

Unlike the 2007 DAP awards, DAP awards granted in 2005 and 2006 were subject to a multi-year payment cycle, whereby the recipient would not be paid for a vested tranche of units on the vesting date, rather the recipient would be paid for (i) the first tranche of units on the one year anniversary of the vesting date of such tranche, (ii) the second tranche of units on the second year anniversary of the vesting date of such tranche, (iii) the third tranche of units on the third anniversary of such vesting date and (iv) the fourth tranche of units on the fourth anniversary of such vesting date. The payment made to the recipient would equal the product of (x) the number of units in the tranche for which payment is due, multiplied by (y) the spread between the base price and 110% of the average of the closing stock prices of the DHC Series A common stock on the Nasdaq Global Select Market over the 10 trading days immediately preceding and including the applicable anniversary date and the 10 trading days following the applicable anniversary. The 2005 and 2006 awards have been amended, such that, beginning in 2008, all participants in the DAP will receive payment upon vesting and the payment amount will be determined in the same manner as it is determined for the 2007 awards. These amendments were intended to create more competitive compensation packages for the participants, as it was believed that the multi-year payment cycle created too long a period between vesting and cash-in-hand.

The DAP provides that on termination of employment for cause (as defined in the DAP), a participant's units, whether vested or unvested, are forfeited. If a participant voluntarily or involuntarily (other than for cause) terminates employment other than for death, disability or retirement, all unvested units are forfeited. In the case of the

participant's voluntary termination of employment other than for retirement, 100% of the value of vested units will be paid if the participant signs a general release that includes a covenant not to compete and abides by such agreements as provided in the DAP, and, if not, only 75% of the value of the vested units will be paid. If a participant

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is involuntarily terminated other than for cause, the participant would be paid for all vested DAP units. Vesting of 100% of units generally is accelerated in the event that (1) a participant dies, becomes disabled, or retires, (2) a participant's employment is terminated other than for cause within twelve months of a change in control (as defined in the DAP), or (3) the DAP is terminated. Under the DAP, a participant may retire and qualify for accelerated vesting, in general, after attainment of age 62 with five years of service. Also, in the event that the DAP is terminated and a long-term incentive plan providing comparable benefits to participants (as determined in the member representatives' reasonable discretion) is not offered in lieu of the DAP, amounts payable for vested DAP awards would be increased to 125% of the amount otherwise payable pursuant to the DAP.

The DAP's provisions for vesting or forfeiture of units on termination of employment in various circumstances as described above govern the DAP units awarded to the Discovery Named Executive Officers unless otherwise provided in employment or other agreements with them. Please see [Executive Compensation Arrangements](#) and [Potential Payments Upon Termination or Change-in-Control](#) below for a description of these agreements.

It has been the practice of Discovery under the DAP that, subject to the absence of any performance issues on the part of the applicable participant except with respect to Mr. Zaslav as described below, each participant receives a replenishment award on each vesting date, pursuant to which he will receive a new award of a number of units equal to the number of units that vested on that vesting date. Such vesting date becomes the grant date of the corresponding replenishment award. Each replenishment award has a base price determined based on 110% of the average of the closing stock prices of the DHC Series A common stock on the Nasdaq Global Select Market over the 10 trading days immediately preceding and including the grant date of the replenishment award and the 10 trading days immediately following such grant date. Replenishment awards are otherwise granted subject to the same terms and conditions as the award that vested triggering the grant of the replenishment award. Discovery adopted this practice as a means of continuing to emphasize the link between individual compensation and company performance. Additionally, this practice coupled with the adoption of the payment upon vesting schedule enabled Discovery to maintain a cap on the number of units outstanding at any given time (subject only to increase for new hires or promotions).

The DAP is consistent with Discovery's pay for performance principles because these awards are designed to focus the attention of executives on achieving operational goals and increasing company value over time, which in turn aligns the interest of executives with Discovery's members. Because Discovery was not a public company, Discovery could not make grants tied directly to its own stock performance. Accordingly, the DAP was designed to replicate, as closely as possible, an equity-type incentive award program. Because DHC indirectly owns 2/3 of the membership interests in Discovery and DHC's interest in Discovery accounts for a significant portion of DHC's market value, DHC's stock price was chosen as the basis for the DAP awards.

The size of the DAP awards for executive officers (other than Messrs. Hendricks and Zaslav) are generally determined by Mr. Zaslav in conjunction with the setting of their overall compensation package. As Mr. Zaslav had not yet assumed his role as CEO at the time awards were made to Mr. Millay upon his joining the company, his DAP award was determined by Ms. McHale, the Chief Executive Officer at the time, with the approval of the member representatives, in conjunction with the setting of his overall compensation package. Subsequent to Mr. Millay's hire date but before the award date, Mr. Hendricks, with the approval of the member representatives, decided to increase the amount of Mr. Millay's award under the Discovery Appreciation Plan as described in [Executive Compensation Arrangements - Millay Employment Agreement; Millay Retention Agreement](#), below. Mr. Zaslav determined the amount of Mr. Campbell's DAP award, with the approval of the member representatives. In determining the amount of Mr. Campbell's award, Mr. Zaslav took into account the size of other grants within Discovery and the substantial longer-term pension and other benefits that Mr. Campbell would be sacrificing by leaving his previous employer. Mr. Zaslav also considered Mr. Campbell's status and future prospects at his previous employer, and believed that a substantial grant would be required to persuade Mr. Campbell to make the move to Discovery.

The member representatives determined that Mr. Zaslav would receive 4 million units in connection with his joining Discovery as a part of the negotiations of his employment agreement. The size of the grant was determined by the member representatives in order to ensure that Mr. Zaslav has a substantial stake in Discovery's success in order to align his interest with the interest of Discovery and its members. As noted in his employment agreement,

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this grant was intended to be roughly equivalent to an interest of 0.794% in the appreciation in the value of Discovery and this level of participation is to be maintained through the award of replenishment grants as his vested units are paid out under the DAP. The grant Mr. Zaslav received upon joining the company was not priced consistent with the DAP mechanism described above. Rather, under his employment agreement, Mr. Zaslav received a DAP award with respect to 4 million units at a base price equal to 110% of the closing stock price of the DHC Series A common stock on December 29, 2006, the last trading day prior to his January 1, 2007 grant date. Given the size of Mr. Zaslav's grant, he and the member representatives selected these pricing terms in order to ensure that his base price was not lower than the closing stock price on his grant date (which can sometimes occur under the existing pricing mechanism described above).

Given Mr. Hendricks' long-standing tenure with Discovery since the time of his founding of the company in 1982, he has a current DAP awards balance that is reflective of his unique contribution to the creation and expansion of Discovery from a start-up company to a clear leader in the industry during the course of Discovery's 25-year history as a private company. Mr. Hendricks' DAP grant holdings represent his continued participation in approximately 1.3% of Discovery's appreciation, which the Discovery members continue to maintain through their award of replenishment grants as his vested DAP units are paid out under the DAP. Although Mr. Hendricks has not received any new DAP grants during the past two years, he has continued to receive his replenishment awards. Mr. Hendricks' DAP units are subject to special rules regarding forfeiture or rescission, as set forth in an agreement between Mr. Hendricks and Discovery's stockholders entered into in 2004. See *Executive Compensation Arrangements - John Hendricks Employment Arrangements with Discovery* below for a description of these provisions. In connection with the closing of the Transaction, the member representatives determined to amend Mr. Hendricks' existing DAP arrangements. Pursuant to a term sheet entered into between Mr. Hendricks and the member representatives on July 29, 2008, Mr. Hendricks' DAP awards will continue to vest post-closing of the Transaction, but, in lieu of any replenishment awards, Mr. Hendricks will receive stock options under the DHC incentive plan. For more information regarding this term sheet, see *Executive Compensation Arrangements - John Hendricks Equity Stake Transition Term Sheet* below. Mr. Hendricks' DAP awards are subject to adjustment as a result of the Transaction. See *Adjustments to DAP Awards* below for more information.

The DAP awards are included in the Summary Compensation Table in the *Option Awards* column. The dollar amounts reported in the Summary Compensation Table for the DAP awards do not reflect actual payments made to the Discovery Named Executive Officers in the years presented. As further explained in footnote (1) to the table, the dollar amounts reflect the compensation expense recognized for financial reporting purposes with respect to DAP awards held by the executives. The dollar amounts paid to the Discovery Named Executive Officers in 2007 on account of previously vested DAP awards are reported in the *Option Exercises* table. For more information with respect to DAP awards granted to the Discovery Named Executive Officers in 2007, please refer to the *Grants of Plan-Based Awards* table.

Adjustments to DAP Awards. Under the terms of the DAP, the Transaction will not result in acceleration of vesting or acceleration of payment of DAP awards, or otherwise alter the rights of holders under the DAP. The awards will remain outstanding and vest and be payable in accordance with their terms as in effect at the time of the closing of the Transaction, subject to the adjustments described below.

Pursuant to the provisions of the DAP governing adjustments in the event of a change in capitalization and similar events, the member representatives have agreed that outstanding DAP awards will be adjusted at the effective time of the merger to reflect the changes in DHC's stock in a manner similar to the adjustments to DHC's stock options described in *The Transaction Agreements - Merger Agreement - Treatment of Stock Options - Director Options* above. Specifically, the base price (or *Beginning Unit Value* as defined in the DAP) of each DAP award (as adjusted, an **Adjusted DAP award**) will be calculated by multiplying (x) the volume weighted average price of the New Discovery Series A common stock over the first 10 trading days of regular way trading after the closing of the

Transaction, and (y) a fraction, (1) the numerator of which is the base price (or Beginning Unit Value) of the existing DAP award and (2) the denominator of which is the volume weighted average price of the DHC Series A common stock over the 5 trading days of regular way trading prior to closing of the Transaction. The number of shares of New Discovery Series A common stock relating to each such Adjusted DAP award will be calculated to preserve the aggregate intrinsic value of the existing DAP award.

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By way of illustration, the chart below shows the effect of the adjustments described above for DAP awards held by the Discovery Named Executive Officers as of December 31, 2007, other than Mr. Millay, whose DAP awards will not be adjusted and will be paid based on the value on his departure date (July 25, 2008). For purposes of the following illustrations, and in lieu of a volume weighted average price of the applicable common stock, we used the closing price of DHC Series A common stock as of a recent date, which was \$21.18, and derived hypothetical post-closing trading prices for New Discovery Series A common stock. Because the value of the DHC Series A common stock and the New Discovery Series A common stock may differ from the prices used in this example, the number of shares of New Discovery Series A common stock to which the Adjusted DAP awards relate, and the base price of each such Adjusted DAP award, may be different.

Executive	DAP Grant Date	Discovery DAP Awards		New Discovery Adjusted DAP Awards (1)	
		Beginning Price	No of Outstanding DAP Units (2)	Adjusted Beginning Price	No of Adjusted DAP Units (3)
John S. Hendricks	10/1/2005	\$ 12.52	3,110,957	\$ 11.83	3,292,018
John S. Hendricks	10/1/2005	\$ 15.81	1,879,019	\$ 14.94	1,988,380
John S. Hendricks	10/1/2007	\$ 31.01	1,663,324	\$ 29.30	1,760,131
David M. Zaslav	1/2/2007	\$ 17.70	4,000,000	\$ 16.73	4,232,804
Mark G. Hollinger	10/1/2005	\$ 12.52	5,907	\$ 11.83	6,251
Mark G. Hollinger	10/1/2005	\$ 15.81	594,094	\$ 14.94	628,671
Mark G. Hollinger	12/5/2006	\$ 17.22	250,000	\$ 16.27	264,550
Mark G. Hollinger	10/1/2007	\$ 31.01	199,999	\$ 29.30	211,639
Bruce L. Campbell	3/19/2007	\$ 19.50	700,000	\$ 18.43	740,741

(1) The adjustments to the Discovery DAP units reflected in this table are calculated to preserve the aggregate intrinsic value of the DAP units.

(2) Each outstanding DAP unit relates to one share of DHC Series A common stock.

(3) Each adjusted DAP unit will relate to one share of New Discovery Series A common stock.

Equity Plans Following Completion of Transaction

Because equity-based incentive compensation represents a material component of Discovery's executive compensation plan, the Transaction is expected to provide real and substantial benefits in this regard. The Transaction, together with the AMC spin-off, will further enhance the ability of New Discovery, and therefore Discovery, to attract, retain and provide incentives to qualified personnel, by enabling it to grant equity incentive awards based on the publicly traded common stock of New Discovery, which will directly reflect the performance of the businesses of Discovery. The Transaction, together with the AMC spin-off, will further enable New Discovery, and therefore, Discovery, to more effectively tailor employee benefit plans and retention programs, when compared with current alternatives, to provide improved incentives to the employees and future hires of New Discovery that will better and more directly align the incentives for management at New Discovery and Discovery with their performance.

The member representatives currently expect that, in general, no new DAP awards will be provided following completion of the Transaction. In lieu of new DAP awards, Discovery's employees, including current DAP participants, will be eligible to receive grants under the DHC incentive plan once it is assumed by New Discovery in the Transaction. The terms of any future grants under the DHC incentive plan (other than those contemplated by the term sheet with Mr. Hendricks and the employment agreement with Mr. Singer) have not been determined; rather, it is the expectation of DHC and Advance/Newhouse that the compensation committee of the New Discovery board will be tasked with making those determinations. It is expected that New Discovery will provide equity incentive awards, including stock options, restricted shares, stock appreciation rights and performance awards, to its employees and independent contractors under the DHC incentive plan following the closing of the Transaction. The DHC incentive plan is designed to provide awards in those circumstances in which either (i) the award would help better align the interests of a recipient with those of the stockholders and help motivate the recipient to increase the value of the company for the stockholders or (ii) the award would assist the company in attracting key employees. For a description

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of proposed amendments to the DHC incentive plan, which are designed to enhance its utility for New Discovery following the Transaction, see [The DHC Incentive Plan Proposal](#).

As described above, Mr. Zaslav's employment agreement provides that he is entitled to replenishment grants under the DAP as his vested units are paid out. The member representatives and Mr. Zaslav are currently discussing how this provision will be addressed following completion of the Transaction. Depending on the outcome of these discussions, Mr. Zaslav may continue to receive replenishment grants under the DAP (adjusted as described above), or other equity-related awards may be provided to Mr. Zaslav.

Also, as mentioned above, the member representatives determined to amend Mr. Hendricks' existing DAP arrangements in connection with the closing of the Transaction. Pursuant to a term sheet entered into between Mr. Hendricks and the member representatives on July 29, 2008, Mr. Hendricks' DAP awards will continue to vest post-closing of the Transaction, but, in lieu of any replenishment awards, Mr. Hendricks will receive stock options under the DHC incentive plan. For more information regarding this term sheet, see [Executive Compensation Arrangements - John Hendricks' Equity Stake Transition Term Sheet](#) below.

Please see [Executive Compensation Arrangements - Singer Employment Agreement](#) below for a description of equity awards that Discovery plans to provide to Mr. Singer following completion of the Transaction in accordance with his employment agreement.

Retirement Benefits

In order to ensure that the Discovery Named Executive Officers receive competitive compensation packages, in addition to a standard 401(k) defined contribution plan, Discovery offers a Supplemental Retirement Plan (the **SRP**) to all of its full-time employees at the vice president level and above. The employee can make an election to defer a portion of base salary each calendar year into the SRP account. To encourage participation in the defined contribution plans, Discovery makes a matching contribution of (i) 100% of the employee's first 3% of salary contributions to the defined contribution plans, and (ii) 50% of the employee's next 3% of salary contributions to the defined contribution plans, up to a maximum amount of 4.5% of company matching contributions, subject to certain limits under applicable tax regulations. Participants in the SRP are also permitted to contribute portions of their DAP payments, their ICP awards and any other incentive payments they receive from Discovery to their SRP accounts. These contributions are not matched by Discovery. The 401(k) accounts and the SRP accounts are managed by the same plan administrators and offer the same investment options.