

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:
**Charles Y. Tanabe
Discovery Holding
Company
12300 Liberty Boulevard
Englewood, Colorado
80112
(720) 875-4000**

Copy to:
**Robert W. Murray Jr.
Renee L. Wilm
Baker Botts L.L.P.
30 Rockefeller Plaza
New York, New York
10112
(212) 408-2500**

Copy to:
**Meredith B. Cross
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 $\frac{1}{3}$ % of the equity of New Discovery, its aggregate voting power is less than this percentage (and, conversely, former DHC stockholders will hold 66 $\frac{2}{3}$ % 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 th