In re DirecTV Group, Inc. Shareholder Litigation

COURT: Delaware Court of Chancery
CASE NUMBER: Consolidated C.A. No. 4581-VCP
CLASS PERIOD: June 19, 2009

This is a shareholder class action brought on behalf of minority shareholders of The DIRECTV Group, Inc. ("DTV") against DTV, its directors, and its controlling shareholders in connection with their alleged breaches of fiduciary duties arising out of its proposed acquisition of the assets of Liberty Entertainment, Inc. ("LEI"). BLB&G serves as Co-Lead Counsel for the Class, representing Co-Lead Plaintiff the Key West Police & Fire Pension Fund.

This action alleges that the transaction is a blatant attempt by John C. Malone to abuse his position as Chairman of both DTV and LEI to extract unwarranted personal benefits and impose an unfair transaction upon DTV shareholders. This action alleges that the transaction is unfair to DTV shareholders for several reasons. First, it provides Mr. Malone with an unjustified personal benefit of obtaining 15:1 supervoting shares that operate to increase his personal stake in DTV from approximately 16% to 26% through the transaction, which operates to harm DTV's value by imposing an unattractive dual-class structure, significantly dilute the voting rights of DTV's existing shareholders (not affiliated with LEI) well below their economic stake, and give Malone the ability to extract a substantial premium in a potential subsequent transaction involving DTV. Second, the transaction lifts certain limitations on Mr. Malone's ownership, which will enable him to acquire full majority ownership 1 year after the transaction. Third, the transaction will saddle DTV with $2 billion of LEI debt, which LEI incurred solely to purchase additional DTV shares and extract a premium from DTV, and which LEI could not maintain while closing the transaction. Fourth, the transaction requires DTV shareholders to pay LEI shareholders a $605 million premium, even though the transaction will leave Malone with greater personal power over DTV than he had before the transaction. Fifth, the transaction requires DTV to substantially overpay for disfavored LEI cable network assets cherry-picked by Malone. Finally, the transaction is subject to onerous deal protection measures, such as a no-solicitation provision, a $450 million termination fee, and a force-the-vote provision, which effectively preclude any alternative transaction.

In addition, this action alleges that the transaction was approved by DTV's board through a manifestly unfair process in which DTV did not consider the relative fairness of the transaction to DTV's current shareholders not affiliated with LEI and in which DTV delegated responsibility for negotiating the Transaction to CEO Chase Carey, whose interests diverged from DTV as he sought out a new position with News Corp. in the middle of negotiations with LEI. Further, this action also alleges that DTV's Registration Statement discussing the transaction fails to disclose in a full and fair way the transaction's significant structural and economic problems.

BLB&G filed this action on May 12, 2009, as a class action in the Delaware Court of Chancery. On May 22, 2009, the Court consolidated that action with other similar actions and approved BLB&G as Co-Lead Counsel in the consolidated action. On June 15, 2009, the Court granted the parties' Joint Stipulation and Order providing for expedited discovery. On June 22, Plaintiffs in the consolidated action filed the Verified Consolidated Class Action Complaint.

This case has since settled.

Case Documents

- June 19, 2009 - Verified Consolidated Class Action Complaint