

Cable Station Owner Channels Investor Approval

TV: Shares of Crown soar on talk Hallmark may take company private.

By JUSTIN YANG *Staff Reporter*

When stockholders learned that Crown Media Inc., owner of Hallmark cable stations, could go private, they took it as a pleasant greeting.

After a Securities and Exchange Commission filing June 24 stated that Hallmark Cards Inc. in Kansas City, Mo., has the option to acquire what it doesn't already own of the Studio City company next year, shares rose 34 percent to \$2.62, making it the biggest gainer on the LABJ Stock Index. (See page 26.) Shares have increased by 57 percent from last year.

The filing also stated that Hallmark may pursue other options, including maintaining its current investment.

But Lloyd Greif, chief executive of investment bank Greif & Co. in downtown Los Angeles, said going private made the most sense for Crown and that the market thinks the deal is likely to happen sooner rather than later.

It's "the most logical transaction," Greif said, adding that Hallmark would be able to concentrate on positioning the

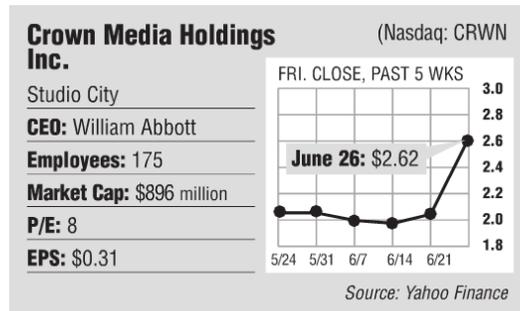
company outside of the demands of the public markets.

"They can focus on the business, not be distracted by having to meet quarterly earnings targets, think more strategically and longer term, and just get back to basics," he said.

That would give Hallmark the chance to invest more into the company for a potential future sale to a big media company such as Time Warner Inc. or Walt Disney Co.

Executives at Hallmark and Crown did not return phone calls for this article.

Crown, which owns Hallmark Channel and Hallmark Movie Channel, has been in recovery mode for the past three years. It was struggling under debt before a 2010 recapitalization plan, under which Hallmark got more than 90 percent of Crown stock in an equity-for-debt swap. As a result, Crown turned a profit that year for the first time since it began reporting finances in 1997. In 2011, the company made two debt



deals designed to pay off \$515 million that it owed to Hallmark, the big greeting card maker. The debt was subject to a standstill agreement that expires at the end of this year, when Hallmark can take action.

For the quarter ended March 31, Crown reported net income of \$14.5 million, up 18 percent from the year before. Revenue rose 2 percent to \$85.5 million.

Greif said he believed it would be wise for Crown to go private.

"Public markets are for high-growth stocks," Greif said. "This is not the case here."