CROWN MEDIA HOLDINGS INC
Form DEF 14A
April 29, 2008

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

Crown Media Holdings, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

CROWN MEDIA HOLDINGS, INC.

12700 Ventura Boulevard
Studio City, California 91604

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
JUNE 24, 2008

To the Stockholders of Crown Media Holdings, Inc.:

We will hold the annual meeting of stockholders (the "Annual Meeting") of Crown Media Holdings, Inc. ("Crown Media Holdings" or the "Company") at the Sheraton New York Hotel & Towers at 811 Seventh Avenue, New York, New York 10019 on June 24, 2008, at 11:00 a.m., Eastern Daylight Time.

The purpose of the meeting is to:

1. Elect 14 members to the Company's board of directors (the "Board"); and

2. Consider any other matters that properly come before the meeting and any adjournments.

Information concerning the matters to be acted upon at the Annual Meeting is set forth in the accompanying Proxy Statement.

Only stockholders of record of Class A Common Stock and Class B Common Stock at the close of business on May 1, 2008 are entitled to receive notice of and to vote at the meeting. A list of the stockholders entitled to vote will be available for examination at the meeting by any stockholder for any purpose relevant to the meeting. The list will also be available on the same basis for ten days prior to the meeting at our principal executive office, 12700 Ventura Boulevard, Studio City, California 91604.

If you wish to vote shares held in your name in person at the meeting, please bring your proxy card or proof of identification to the meeting. If you hold your shares in street name (that is, through a broker or other nominee) you must request a proxy card from your broker in order to vote in person at the meeting.

Please date, sign and mail the enclosed proxy card as soon as possible to ensure that you are represented at the meeting. We have enclosed a return envelope, which requires no postage if mailed in the United States, for that purpose. Alternatively, you may vote by using the toll-free telephone number or the Internet address, as explained on the enclosed proxy card.

By Order of the Board of Directors

/s/ BRIAN E. GARDNER

BRIAN E. GARDNER
Secretary

May 15, 2008

PLEASE VOTE. YOUR VOTE IS IMPORTANT.

CROWN MEDIA HOLDINGS, INC.

12700 Ventura Boulevard
Studio City, California 91604

PROXY STATEMENT
For
ANNUAL MEETING OF STOCKHOLDERS

To Be Held On June 24, 2008

We anticipate that this Proxy Statement will first be mailed on or about May 15, 2008, to stockholders of the Company by the Board to solicit proxies (the "Proxies") for use at the Annual Meeting to be held on June 24, 2008 at 11:00 a.m., Eastern Daylight Time (EDT) at the Sheraton New York Hotel & Towers at 811 Seventh Avenue, New York, New York 10019 or at any postponements or adjournments of the Annual Meeting.

SOLICITATION OF PROXIES

This proxy solicitation is being made on behalf of the Board.

Voting by Telephone or Internet

Stockholders of record can simplify their voting and reduce the Company's cost by voting their shares via telephone or the Internet. The telephone and Internet voting procedures are designed to authenticate stockholders' identities, allow stockholders to vote their shares and to confirm that their instructions have been properly recorded. If a stockholder's shares are held in the name of a bank or broker, the availability of telephone and Internet voting will depend on the processes of the bank or broker; therefore, stockholders should follow the voting instructions on the form they receive from their bank or broker.

Stockholders who elect to vote over the Internet may incur costs such as telecommunication and Internet access charges for which the stockholder is solely responsible. The telephone and Internet voting facilities for stockholders of record will close at 11:59 p.m. EDT on June 23, 2008.

Voting by Mail

Stockholders who elect to vote by mail are asked to date, sign and return the enclosed proxy card using the postage paid envelope provided. The shares represented will be voted in accordance with the directions in the proxy card.

Stockholders Entitled to Vote

Stockholders as of the close of business on May 1, 2008 (the "Record Date") are entitled to vote at the Annual Meeting. As of the Record Date, 74,117,654 shares of the Company's Class A common stock, par value $0.01 (the "Class A Common Stock") and 30,670,422 shares of the Company's Class B common stock, par value $0.01 (the "Class B Common Stock") were issued and outstanding. Each share of Class A Common Stock is entitled to one vote. Each share of Class B Common Stock is entitled to ten votes. You may not cumulate votes.

Revocation of Proxies

Your proxy may be revoked at any time before it is exercised by (i) providing written notice of revocation to the Company Secretary, (ii) timely delivery of a later dated proxy (including an Internet or telephone vote), or (iii) attending the Annual Meeting and voting in person.

Required Vote

A majority of the voting power of the outstanding shares entitled to vote generally in the election of directors, represented in person or by proxy, will constitute a quorum. Any stockholder that has properly submitted a proxy will be considered part of the quorum. Votes that are withheld, abstentions and broker non-votes will be counted towards a quorum.

The required vote for the Proposal is a plurality of the votes cast, with the 14 nominees receiving the highest number of votes cast elected to the Board. A vote withheld from a nominee will be excluded from the vote and will have no effect. Broker non-votes or abstentions will not be counted as a vote either for or against any nominee. A broker non-vote occurs when a broker submits a proxy but does not vote for or against a matter. This will occur when the beneficial owner has not instructed the broker how to vote and the broker does not have the discretionary authority to vote in the absence of instructions.

Solicitation Costs

The Company hired Mellon Investor Services LLC to assist in the distribution of proxy materials at a cost of approximately $10,000 plus out-of-pocket expenses. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to the owners of Class A and Class B Common Stock. In addition to using the mails, the Company's officers, employees or agents may also solicit proxies in person or by telephone, facsimile or by other means of electronic communication, but they will not be specifically compensated for such services.

Annual Report on Form 10-K

Stockholders may receive a copy of the Company's 2007 Annual Report on Form 10-K by contacting the Executive Vice President, Legal and Business Affairs, General Counsel of the Company at Crown Media Holdings, Inc., 12700 Ventura Boulevard, Studio City, California 91604.

PLEASE VOTE. YOUR VOTE IS IMPORTANT.

PROPOSAL

ELECTION OF DIRECTORS

Our Board currently has 15 member positions. As of the date of this Proxy Statement, there is one vacancy on the Board. Proxy holders will vote for the 14 nominees listed below. All nominees are currently members of our Board, and the nominees' terms, if elected, will continue until the next annual meeting of stockholders or until their successors are duly elected and qualified. Each of the nominees has consented to serve on our Board. If any nominee is unable to serve as a director, the current Board may designate a substitute nominee and the proxies will vote all valid proxy cards for the election of the substitute nominee. In accordance with our bylaws, no other nominees by stockholders for directors (except any nomination by or at the direction of the Board of Directors) will be proper at the Annual Meeting. Proxies solicited by the Board will not be voted for more than 14 nominees for the Board of Directors.

Nominations to our Board are governed by our bylaws and our Second Amended and Restated Stockholders Agreement, dated August 30, 2001, as amended ("Stockholders Agreement"), by and among the Company, Hallmark Entertainment Investments Co., a subsidiary of Hallmark Cards, Incorporated ("HEIC"), VISN Management Corp. ("VISN")and The DIRECTV Group, Inc. The Stockholders Agreement provides that the Board will consist of not less than 15 directors, with twelve nominated by HEIC, one nominated by VISN and two independent directors (who may not be officers, employees or directors of any of the parties to the Stockholders Agreement or their affiliates) to be nominated by the Board. In addition, pursuant to a separate stockholders agreement which concerns HEIC and to which we are not a party, HEIC granted Liberty Crown, Inc. ("Liberty Crown") and J.P. Morgan Partners (BHCA), L.P. ("JPMorgan") each the right to designate one of our directors as part of HEIC's twelve nominees. In August 2006, JPMorgan surrendered its nomination right granted under the Stockholders Agreement after Arnold Chavkin, an executive of JPMorgan, resigned from our Board. In January 2008 as part of an agreement with us, VISN also surrendered its nomination right granted under the Stockholders Agreement after Wilford V. Bane, Jr., the VISN nominee, resigned from our Board. The right of any party to nominate a director pursuant to the Stockholders Agreement will terminate on the later of when such party (1) ceases to beneficially own in the aggregate at least 5% of the shares of the Company's common stock then issued and outstanding and (2) ceases to beneficially own at least 75% of the Company's common stock that the party (or predecessor holder) owned immediately following completion of our initial public offering on May 9, 2000. See "Certain Relationships and Related Transactions."

Of the nominees for the Board, Dwight C. Arn, William Cella, Steve Doyal, Brian E. Gardner, David E. Hall, Donald J. Hall, Jr., Irvine O. Hockaday, Jr., A. Drue Jennings, Brad R. Moore, Henry S. Schleiff and Deanne R. Stedem have been nominated by HEIC; Glenn Curtis has been designated as a nominee by Liberty Crown. In addition, the Board has nominated Peter A. Lund and Herbert Granath as independent directors. Our Board of Directors has also approved of each of these persons being nominated as directors.

Because HEIC holds Class A Common Stock and all of the Class B Common Stock, representing approximately 95.7% of the voting power of the Company, its vote in favor of the nominees will be sufficient to elect these nominees regardless of the vote of any other stockholders.

Board Nominees

Dwight C. Arn, age 57, has been Associate General Counsel of Hallmark Cards, Incorporated since 1989. Additionally, Mr. Arn has been serving as General Counsel of Hallmark International since 1992 and as General Counsel of Crayola LLC since 1995. Mr. Arn began his career at Hallmark Cards, Incorporated in 1976 and has served in various attorney positions.

William Cella, age 58, is the Chairman and Chief Executive Officer of The Cella Group, a media sales representation company. Before forming The Cella Group in 2008, Mr. Cella led MAGNA Global, a Media Negotiation, Research and Programming Unit of the Interpublic Group of Companies. From 1997 through 2001, Mr. Cella served as Executive Vice President and Director of Broadcast and Programming for Universal McCann North America. From 1994 through 1997, Mr. Cella served as Director of National Broadcast and Programming for McCann-Erickson and, in 1997, was named Executive Vice President of McCann-Erickson for all of North America.

Glenn Curtis, age 48, has been a director of Crown Media Holdings since January 2005. He has been Executive Vice President and Chief Financial Officer of Starz LLC since August 2006. Prior to that, he was Vice President of Liberty Media Corporation (a holding company with interests in electronic retailing, media, communications, and entertainment industries) from 2003 to August 2006. Prior to that, he was Executive Vice President and Chief Financial Officer of Starz Entertainment Group (a subsidiary of Liberty Media Corporation providing premium movie networks on television) from 1995 to 2002.

Steve Doyal, age 59, has been Senior Vice President of Public Affairs and Communications and a corporate officer at Hallmark Cards since 1994. In this position, he oversees the operations of the Hallmark Cards' communications programs, including internal communications and publications, audio-visual communications, media relations, government affairs, and the Hallmark Visitors Center. Prior to that, he served as Media Relations Director from 1993 to 1994 and as Corporate Media Relations Manager from 1988 to 1993.

Brian E. Gardner, age 55, has been a director and Secretary of Crown Media Holdings since January 2004. He has been Executive Vice President and General Counsel of Hallmark Cards since January 2004. From 1996 to 2003, Mr. Gardner was a Managing Partner of Stinson Morrison Hecker, LLP (formerly known as Morrison & Hecker, LLP).

Herbert A. Granath, age 79, has been a director of Crown Media Holdings since December 2004. He has been a consultant for Telenet since 2000 and a consultant for Accenture since 2006. He has also been a director of Central European Media since 2001. Mr. Granath was the Chairman of Disney/ABC International Television from 1995 to 2000.

David E. Hall, age 45, has been a director of Crown Media Holdings since March 2003. He has been the President Personal Expression Group of Hallmark Cards since January 1, 2005 and a member of the board of directors of Hallmark Cards since 1996. He was Senior Vice President Human Resources of Hallmark Cards from June 2002 to January 2005. Mr. Hall has served in a variety of positions for Hallmark Cards since 1981. Mr. Hall was Vice President U.S. Sales and Marketing for Crayola LLC (a wholly-owned subsidiary of Hallmark Cards) from 1999 to June 2002.

Donald J. Hall, Jr., age 52, has been a director of Crown Media Holdings since May 2000. Mr. Hall has been the President and Chief Executive Officer of Hallmark Cards since January 2002 and a member of the board of directors of Hallmark Cards since 1996. Mr. Hall has served in a variety of positions for Hallmark Cards since 1971. Mr. Hall was the Executive Vice President, Strategy and Development from September 1999 until December 2001. Prior to that, Mr. Hall was the Vice President, Product Development, of Hallmark Cards from September 1996 until August 1999. Mr. Hall is a member of the board of directors of Hallmark Entertainment Holdings and Business Men's Assurance Company of America.

Irvine O. Hockaday, Jr., age 71, has been a director of Crown Media Holdings since May 2000. He is a member of the board of directors of Ford Motor Company, Sprint Corporation, Aquila Inc. and Estee Lauder Companies Inc. and the chairman of the audit committees of Estee Lauder Companies Inc. and Ford Motor Co. Mr. Hockaday is a trustee of the Hall Family Foundations and the

Aspen Institute. He was the President and Chief Executive Officer of Hallmark Cards from January 1986 to December 2001.

A. Drue Jennings, age 61, has been a director of Crown Media Holdings since June 2006. He has been Of Counsel at the law firm of Shughart, Thomson & Kilroy, P.C. since October 2004. Mr. Jennings was the interim Athletic Director at the University of Kansas from April 2003 until July 2003. Prior to that, Mr. Jennings was the Chief Executive Officer of Kansas City Power & Light Company from 1988 to 2000 and Chairman of the Board of Kansas City Power & Light Company from 1990 to 2001.

Peter A. Lund, age 67, has been a director of Crown Media Holdings since May 2000. He is the former President and Chief Executive Officer of CBS Inc. He also serves as a director of The DIRECTV Group, Inc. and Emmis Communications Corporation.

Brad R. Moore, age 61, has been President of Hallmark Hall of Fame Productions since 1993 and Hallmark Publishing since 2007, both of which are wholly-owned subsidiaries of Hallmark Cards. Prior to that, Mr. Moore led the development, production and distribution of the Hallmark Hall of Fame series since 1983. Mr. Moore directed Hallmark Cards' U.S. advertising efforts from 1982 to 1983.

Henry S. Schleiff, age 59, has been President and Chief Executive Officer and a director of Crown Media Holdings since October 2006. Prior to joining Crown Media Holdings, from December 1999 to 2006, Mr. Schleiff served as Chairman and Chief Executive Officer of Court TV Network. Prior to that, Mr. Schleiff served as Court TV Network's President and Chief Executive Officer from October 1998 to December 1999. Prior to joining Court TV Network, Mr. Schleiff was the Executive Vice President for Studios USA from 1996 to 1998.

Deanne R. Stedem, age 45, has been a director of Crown Media Holdings since March 2003. She has been Associate General Counsel for Hallmark Cards since 1998, managing legal matters for the various entertainment divisions of Hallmark Cards, Incorporated. She served as Senior Attorney for Hallmark Cards from 1989 until 1998.

Mr. David E. Hall and Mr. Donald J. Hall, Jr. are brothers. Mr. Hockaday is Mr. David E. Hall's father-in-law. There are no other family relationships among the executive officers or directors of the Company.

THE BOARD RECOMMENDS THAT YOU VOTE "FOR" THESE NOMINEES

Executive Officers

The following lists our executive officers and information regarding their principal occupations during at least the last five years.

William J. Abbott, age 46, has been Executive Vice President, Advertising Sales, of Crown Media Holdings since January 2000. Prior to that, he was Senior Vice President, Advertising Sales, of Fox Family Worldwide from January 1997 to January 2000.

David Kenin, age 67, has been Executive Vice President, Programming, Crown Media Holdings, Inc. since January 2007. Before that he was Executive Vice President, Programming for Crown Media United States, LLC. Prior to joining Crown Media United States in January 2002, Mr. Kenin headed Kenin Partners, where he represented clients in various media industries, including cable television, business development, international programming, international sports rights and new technology.

Laura Masse, age 44, has been Executive Vice President for Crown Media Holdings, Inc. since February 2007. Prior to that, Ms. Masse was Senior Vice President, Marketing for Crown Media Holdings, Inc. from December 2001 to February 2007. Prior to joining Crown Media Holdings, Inc., Ms. Masse was Vice President of Marketing for American Movie Classics (AMC) from 1998 to 2001.

For *Henry S. Schleiff,* please see information above under "Board Nominees".

Charles L. Stanford, 62, has been Executive Vice President, Legal and Business Affairs and General Counsel of Crown Media Holdings since May 2001. Prior to that, he was Senior Vice President, Business Affairs and General Counsel of Crown Media Holdings from October 2000 to May 2001. He also served as Senior Vice President, Legal and Business Affairs of Crown Media International from November 1999 through October 2000.

Brian C. Stewart, 43, has been Executive Vice President and Chief Financial Officer of Crown Media Holdings since November 2006. Prior to that, Mr. Stewart served as Senior Vice President and Chief Financial Officer of Crown Media United States, LLC since November 2002. Prior to assuming the position of Chief Financial Officer of Crown Media United States, LLC, Mr. Stewart served as Vice President, Finance, for Crown Media Holdings.

MEETINGS AND COMMITTEES OF THE BOARD

Structure

Our Board consists of 15 directors, including one vacancy as of the date of this Proxy Statement. Directors are elected annually. Our Board has an Audit Committee, a Compensation Committee and a Nominating Committee. The membership, duties and responsibilities of each of these committees are described below.

Committees

Audit Committee

The Audit Committee held five meetings in 2007. The members of the Audit Committee are Messrs. Jennings, Chairman, Granath and Lund, each of whom are believed by the Board to be independent directors as defined in Rule 4200(a)(15) of the listing standards for the Nasdaq Global Market ("Nasdaq Listing Standards"). The Board has determined that each of the members of the Audit Committee is financially literate in accordance with the Nasdaq Listing Standards. The Board has also determined that Mr. Jennings qualifies as an audit committee financial expert, as defined under Securities and Exchange Commission (the "Commission") rules.

Under the Audit Committee Charter, the primary authority and responsibilities of the Audit Committee are to:

oversee the Company's financial reporting processes;

provide oversight relating to the Company's internal control over financial reporting and internal audit process and activities;

review and approve related party transactions;

prepare the report required by the Commission to be included in the Company's annual proxy statement;

be directly responsible for the appointment, compensation, retention, termination and oversight of the work of the independent auditors and ensure compliance with independence requirements for auditors;

pre-approve of all audit and non-audit services; and

establish and oversee the Company's whistleblower policy regarding submission of reports of questionable accounting practices, internal accounting controls or auditing matters and the investigation, disposition and retention of such reports.

Compensation Committee

The Compensation Committee held three meetings in 2007. The members of the Compensation Committee are Messrs. David E. Hall, Chairman, and Jennings and Ms. Stedem. None of the members of the Compensation Committee are employees of the Company. See *"Compensation Committee Interlocks and Insider Participation"*. The Compensation Committee has the power and authority of the Board to perform the following duties and to fulfill the following responsibilities:

Review and approve employment agreements providing for guaranteed compensation in excess of $500,000 per year;

review and approve annual bonus awards;

review and recommend to the Board any material employee compensation plan;

review and approve any proposed grants of awards under a material employee compensation plan and exercise such other power and authority as may be permitted or required under such plans;

produce an annual report on executive compensation for inclusion in the Company's proxy statement;

review and approve any compensation to members of the Board; and

perform such other duties as may be delegated to it by the Board from time to time.

The Compensation Committee may delegate its authority to subcommittees.

Nominating Committee

The Nominating Committee held two meetings in 2007. The Nominating Committee does not have a charter. The members of the Nominating Committee are Messrs. Lund, Chairman, and Gardner, and Mr. Lund is an independent director as defined in Rule 4200(a)(15) of the Nasdaq Listing Standards. The Nominating Committee's functions are to consider candidates to serve as members of the Board of Directors and to nominate qualified persons for election at the annual meeting of stockholders.

Subject to the Second Amended and Restated Stockholders Agreement, dated August 20, 2001, the Nominating Committee identifies director candidates primarily by considering recommendations made by directors and management. The Nominating Committee may also retain third parties to identify and evaluate director candidates. When evaluating director candidates, the Nominating Committee considers a number of factors, such as the candidate's background, skills, judgment, diversity and experience with companies of comparable business and size. The Nominating Committee also considers the candidate's experience in relation to the experience of other Board members, the candidate's independence or lack of independence (as determined in accordance with the Nasdaq Listing Standards), and the candidate's qualifications for committee membership. The Nominating Committee does not assign any particular weight or priority to any of these factors and considers each director candidate in the context of the current needs of the Board as a whole.

The Nominating Committee will consider nominees recommended by stockholders who follow the procedures set forth in the Company's bylaws. For more information, see *"Submission of Stockholder Proposals"* below. Director candidates recommended by stockholders are evaluated in the same manner as candidates recommended by a Board member, management or a third party. Therefore, the Board has not deemed it necessary to adopt a policy regarding consideration of candidates recommended by stockholders.

Board Meetings

In 2007, the Board held seven meetings, and took action twice by unanimous written consent. Except for Mr. Curtis, Fred Dressler (a director during 2007) and Mr. Hockaday, all of our directors attended at least 75% of the aggregate of the total number of Board meetings and the total number of meetings held by all committees on which such director served during 2007.

Compensation Committee Interlocks And Insider Participation

During 2007, none of our executive officers served on the board or compensation committee of another company which had one of its executive officers serve as one of our directors or a member of our Compensation Committee.

CORPORATE GOVERNANCE

Director Independence

Board of Directors

Based on the Nasdaq Listing Standards, the Board has determined that the following directors are independent and have no relationship with the Company, except as directors of the Company: William Cella, Herbert A. Granath, A. Drue Jennings and Peter A. Lund.

Also based on the Nasdaq Listing Standards, the Board has determined that the following directors are not independent because they are employees of Hallmark Cards, the Company's parent company: Dwight C. Arn, Steve Doyal, Brian E. Gardner, David E. Hall, Donald J. Hall, Jr., Brad R. Moore and Deanne R. Stedem. Furthermore, the Board has determined that (1) Henry Schleiff is not independent because he is the President and Chief Executive Officer of the Company, (2) Glenn Curtis is not independent because he is an executive officer of Starz LLC, a subsidiary of Liberty Media Corporation which beneficially owns more than 5% of the Company's Class A Common Stock and (3) Irvine O. Hockaday, Jr. is not independent because he has a family member who is employed by Hallmark Cards as an executive officer and also possibly because of his positions in the past with Hallmark Cards.

Audit Committee

Based on the Nasdaq Listing Standards, the Board has determined that all members of the Audit Committee are independent.

Compensation Committee

Based on the Nasdaq Listing Standards, the Board has determined that the following members of the Compensation Committee are not independent for the reasons stated above: David E. Hall and Deanne R. Stedem.

Nominating Committee

Based on the Nasdaq Listing Standards, the Board has determined that the following member of the Nominating Committee is not independent for the reason stated above: Brian E. Gardner.

Controlled-Company Exemption

HEIC holds Class A Common Stock and all of the Class B Common Stock, representing approximately 95.7% of the voting power of the Company. Therefore, notwithstanding the disclosures made herein under *"Corporate Governance Director Independence"*, the Board has determined that the Company is a "controlled company", as that term is defined under Rule 4350(c)(5) of the Nasdaq Listing Standards. Consequently, the Company is exempt from independent director requirements of Rule 4350(c) of the Nasdaq Listing Standards, except for the requirements pertaining to the composition of the audit committee and the executive sessions of independent directors, with which the Company has been complying. In 2007, all independent directors have met without management present after each regularly scheduled Audit Committee meeting, which meeting is held quarterly.

Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics that reflects long-standing positions of the Company and contains additional provisions. The Code applies to all employees, including the Company's principal executive officer, principal financial officer and controller, and to directors. A shareholder can request a free copy of the Code of Business Conduct and Ethics by writing to the Executive Vice President, Legal and Business Affairs and General Counsel of the Company at Crown Media Holdings, Inc., 12700 Ventura Boulevard, Studio City, California 91604.

Communicating with the Board of Directors

Any shareholder who wishes to contact a member of the Board of Directors of the Company may do so by sending an email to "*directors@hallmarkchannel.com*". Alternatively, a shareholder may contact directors by writing to the following address: Board of Directors, c/o Corporate Secretary, Crown Media Holdings, Inc., 12700 Ventura Boulevard, Studio City, California 91604. Communications received electronically or in writing will be distributed to the Chairman of the Board or the other members of the Board as appropriate depending on the facts and circumstances outlined in the communication received. For example, if any complaints regarding accounting, internal accounting controls and auditing matters are received, the Corporate Secretary will forward them to the Chairman of the Audit Committee for review.

As an alternative, any shareholder can contact a member of our Board of Directors through "Crown Media Ethics Compliance Hotline". This hotline is administered by "The Network", a company independent of the Company, and provides a means of anonymously reporting auditing, financial, ethical or other issues which the shareholder may feel need to be brought to the Board's attention. Any

reports received through The Network will be distributed to the Company's Audit Committee. The hotline number is 1-800-536-6751.

While the Company has no policy on directors attending the annual meeting, members of the Board are encouraged to attend the annual meetings of the Company's stockholders. All of our directors attended the 2007 Annual Meeting of Stockholders of the Company.

COMPENSATION DISCUSSION AND ANALYSIS

Overview and Objectives of the Compensation Program

The Company's compensation packages to its executive officers, as determined by the Compensation Committee, are designed to enable the Company to recruit, retain and motivate a talented and diverse group of people who contribute to our success. The packages are also intended to synchronize executive compensation with the Company's performance, motivate executive officers to achieve our business objectives and provide strong performance incentives. The Company's Chief Executive Officer provides input on determining and recommending compensation packages to executive officers other than for himself. The Compensation Committee also consults, as provided in his employment agreement, with the Chief Executive Officer in regard to his bonus. The goal of the Compensation Committee is that the packages are fair, reasonable and competitive with other companies in the cable and television industry similar in size to the Company.

In addressing compensation, the Compensation Committee attempts to balance the short term and long term components, to properly reward and encourage retention and align executive pay with that of executives at comparable companies in the industry. The Compensation Committee also focuses on aligning individual incentives with the Company's strategic and financial goals. Key incentive-based components in executive compensation packages are the annual individual performance-based incentive bonus, which is awarded in recognition of individual and Company performance each year, and awards granted under our Amended and Restated 2000 Long Term Incentive Plan ("LTIP").

Elements of Executive Compensation Packages

Compensation packages awarded to the Company's executive officers are comprised of base salary, annual cash bonus awards, awards granted under our LTIP and perquisites and other benefits.

Salary Determinations

Salary ranges for the Chief Executive Officer and other executives are based on an individual's experience and prior performance, as well as the Company's operating performance and the attainment of planned financial and strategic goals. In addition, the Compensation Committee reviews compensation levels of similarly situated executives at companies in the cable and television industry similar in size to the Company when determining the target range of salary payable to the executive officers. In determining their salaries and salaries for other officers, the Compensation Committee subjectively evaluates the experience, performance and attainment of initiatives, and no particular weight is given to any particular factor. Annual salaries for the Named Executive Officers are subject to the provisions of their respective employment agreements described below under the heading *"Compensation of Executive Officers and Directors Summary of Executive Employment Agreements".*

Bonus Determination

The Company pays annual incentive bonuses in March of each year. Employment agreements contain maximum and, in some cases, minimum percentages of base salary that are to be paid as annual bonuses. In addition, the Compensation Committee may, in its sole discretion, approve signing and discretionary bonuses for executive officers. Annual bonus payments for fiscal year 2007 paid to the

Named Executive Officers are determined and calculated in accordance with the below formula. The Compensation Committee has the authority to modify the below formula for subsequent years.

BONUS OPPORTUNITY: Target Incentive was from 20% to 25% of an executive's base pay on January 1, 2007. Total bonus opportunity was 0% to 135% of the Target Incentive.

PLAN MEASURES: The bonus plan measured performance of January 1 through December 31 of the plan year and used the following allocation of the Target Incentive for each target:

EBITDA (calculated using the same formula as is used to calculate EBITDA in the Company's Operating Plan) 50%

Advertising Revenue (recognized on an as-earned basis) 25%

Demographic Achievement (total daily average household delivery for adults ages 25-54, as determined by Nielsen) 25%

PLAN TARGETS: Targets shall be set each year based upon the Company's Operating Plan. The targets for 2007 were as follows:

EBITDA	$16.3 million
Advertising Revenue	$173.5 million
Demographic Achievement	130,000 Households

CALCULATIONS:

The calculation for payment of the EBITDA Target were as follows:

Percentage of EBITDA Target Achieved	Percentage of Allocated Target Incentive Payable
Below 85%	0%
85% or more, but less than 90%	80%
90% or more, but less than 95%	90%
95% or more, but less than 98%	95%
98% or more, but less than 102%	100%
102% or more, but less than 105%	110%
105% or more, but less than 110%	120%
110% or more	135%

The calculation for payment of the Advertising Revenue Target were as follows:

Percentage of Advertising Revenue Target Achieved	Percentage of Allocated Target Incentive Payable
Below 95%	0%
95% or more, but less than 98%	95%
98% or more, but less than 102%	100%
102% or more, but less than 105%	110%
105% or more, but less than 110%	120%
110% or more	135%

The calculation for payment of the Demographic Achievement for 2007 were as follows:

Total Daily Average Households (Women 25-54) Achieved	Percentage of Allocated Target Incentive Payable
Below 122,500	0%
122,500 - 124,999	85%
125,000 - 127,499	90%
127,500 - 129,999	95%
130,000 - 132,499	100%
132,500 - 134,999	105%
135,000 or more	110%

BONUS AMOUNT: Actual bonus amount is dependent on the degree to which the Company achieves the objective for each plan measure against performance ranges established for each metric. The Compensation Committee has the discretion to adjust the

total award and the result for each metric up or down by up to 20%.

Awards Granted Under Long Term Incentive Plan

GENERAL

Under our LTIP, the Board and the Compensation Committee have the discretion to grant incentive stock-based awards to our employees and directors, including, without limitation, Restricted Stock Units ("RSUs") and Share Appreciation Rights ("SARs"). These awards, which are intended as incentives for future performance, combined with the executive's salary and performance bonus, substantially form a total compensation package. In determining the awards to executives, the Compensation Committee analyzes stock-based awards made to similarly situated executives at companies in the cable and television industry similar in size to the Company and assesses each executive's performance.

RESTRICTED STOCK UNITS

The Company exchanged 94.8% of granted stock options for 2,050,693 RSUs in 2003. Since this exchange, the Company has not awarded any stock options to its employees or directors. Moreover, each year since 2003, the Company has granted to its executive officers two types of RSUs: Performance RSUs and Employment RSUs (except in 2003, the Company only granted Employment RSUs). Each RSU represents the right to receive one share of the Company's Class A Common Stock or, in the discretion of the Compensation Committee, the cash equivalent to the fair market value of one share of the Company's Class A Common Stock (calculated by taking the average of the stock price for the immediately preceding 14 business days). If any dividend is paid with respect to a share of Class A Common Stock while the RSUs are held, the Company will pay to each holder at its discretion an amount in cash, Class A Common Stock or other property, in each case having a value equal to the dividend. Such amounts of dividend shall vest and be paid at the same time as the underlying RSUs are settled. All RSUs are subject to forfeiture until certain conditions, including continued employment, have been met.

The Compensation Committee determines whether or not RSU grants will be made, grant eligibility, vesting, the size of the grant pool and the grant ranges for each executive level. Within the parameter established by the Compensation Committee, the Chief Executive Officer then determines the size of the grant pool for each department within the Company. Each Executive Vice President then makes specific individual grants for each employee within the department which he or she oversees. Below is a table summarizing certain key terms of the RSUs granted to the Company's executive officers that were outstanding in 2007. The Company did not grant any RSUs or other stock-based awards to its employees in 2007.

Year of Grant	Employment RSUs		Performance RSUs		
	Percentage	Vesting Dates(1)	Percentage	Vesting Dates	Vesting Criteria
2004	70%	Vested in equal one-third installments on the first, second and third anniversaries of the grant date (May 28, 2005, May 28, 2006 and May 28, 2007).	30%	Could have vested entirely on the third anniversary of the grant date (May 28, 2007).	The fair market value of one share of the Company's Class A Common Stock equals or exceeds $14.00 (calculated by taking the average of the stock price for the immediately preceding 14 business days of the vesting date). On May 28, 2007, all Performance RSUs were cancelled as a result of the Company's Class A Common Stock price not equaling or exceeding $14.00 per share.
2005	50%	Vest in equal one-third installments on the first, second and third anniversaries of the grant date (August 17, 2006, August 17, 2007 and August 17, 2008).	50%	Vest entirely on the third anniversary of the grant date (August 17, 2008).	The fair market value of one share of the Company's Class A Common Stock equals or exceeds $14.00 (calculated by taking the average of the stock price for the immediately preceding 14 business days of the vesting date).

2006(2)	35%	Vest entirely on the third anniversary of the grant date (August 18, 2009).	65%	See "Vesting Criteria" Performance RSUs were eligible to vest ("Achieved Performance RSUs") as follows: 150% of Performance RSUs if at least 3 of the major distribution agreements were renewed within 15 months of the grant date and the fourth major distribution agreement was renewed prior to its expiration date or within 120 days thereafter.

				100% of Performance RSUs if at least three of the major distribution agreements were renewed within 15 months of the grant date and the fourth major distribution agreement was renewed but not prior to its expiration date or within 120 days thereafter. 100% of Performance RSUs if all major distribution agreements were renewed on or prior to each agreement's expiration date. 65% of Performance RSUs if all major distribution agreements were renewed within 120 days after expiration. 0% of Performance RSUs if all major distribution agreements were not renewed as described above.	
				First Vesting: 65% of the Achieved Performance RSUs were vested and settled immediately after the amount of the Achieved Performance RSUs was determined as described above(3).	

	Second Vesting: The remaining Achieved Performance RSUs, 35%, will vest on December 31, 2008 in accordance with the following formula:	
	Percentage of value of the RSUs paid based on subscriber revenue achieved (the "Modifier")	
	Less than $47.86 million	65%
	$47.86 mil. to $55.17 mil	85%
	$55.17 mil. to $61.93 mil	100%
	$61.93 mil. or more	135%
	(The amount paid in the Second Vesting is net of any amounts paid in the First Vesting.)	
	Compensation Committee has the discretion to increase or decrease the Modifier by 20% and had the authority to extend the deadlines for satisfaction of the vesting conditions in the event that a renewal of the major distribution agreements was delayed for factors beyond the control of the Company.	

(1) Employment RSUs will vest if the employee is employed with the Company on the vesting date.

(2) With respect to Mr. Schleiff only, (a) 50% of RSUs granted in 2006 are Employment RSUs and the remaining 50% are Performance RSUs and (b) Employment RSUs vest entirely on the fourth anniversary of the date of grant (October 2, 2010). Mr. Schleiff's Performance RSUs have the same terms as set forth in the table above.

(3) The Compensation Committee determined that 100% of Performance RSUs are eligible to vest since all major distribution agreements were renewed on or prior to each agreement's expiration date. 65% of such 100% Performance RSUs were vested and settled in cash in April 2008.

SHARE APPRECIATION RIGHTS

The only employee with whom the Company has agreed to grant SARs is Henry Schleiff under the Share Appreciation Rights Agreement dated October 3, 2006. The value of each SAR corresponds to the value of one share of Class A common stock and will be settled at the Company's discretion in Class A common stock or cash. SARs will be granted during the term of employment the day after the fair market value of the Company's stock reaches the "threshold price" and stays at the threshold price or higher for 60 consecutive calendar days. SARs will then be granted each time that the fair market value of the Company's stock increases another incremental five dollars over the previous price at which an SAR grant was triggered and stays at such price or higher for 60 consecutive calendar days. Upon the occurrence of each event which triggers an SAR grant, Mr. Schleiff will be granted that number of SARs with a value equal to 0.8% of the Enterprise Growth as of the grant date divided by the triggering Company stock price. "Enterprise Growth" equals the increase in market capitalization (compared to the market capitalization based on the Start Price (defined below) or the last price triggering a grant of an SAR), adjusted upward or downward by the amount of debt incurred or paid down since the last trigger date. "Start Price" is $4.43, the average of the fair market value for the 5 business days prior to the date of public announcement of Mr. Schleiff's employment with the Company. "Threshold price" is $9.43, the Start Price plus $5. The vesting schedules and settlement provisions are described below in *"Potential Payments Upon Termination or Change in Control."*

Perquisites and Other Benefits

All Company executives are also entitled, subject to meeting certain eligibility requirements, to participate in the Company's benefit programs, including the Company's 401(k) plan and its medical, dental and other benefits plans. Certain executive officers are entitled to additional benefits, such as car allowance, reimbursement for financial consulting fees and particular travel conditions as agreed to under their respective employment agreements.

Compensation Consultants

From time to time, the Compensation Committee engages and consults with Towers Perrin, a human resources consulting firm, when developing, analyzing and reviewing compensation packages to be awarded to its executive officers. Towers Perrin has provided to the Compensation Committee relevant executive compensation data related to companies in the cable and television industry similar in size to the Company, such as base salaries, termination payments and the level or formula for performance-based cash bonuses and other incentive awards. Additionally, Towers Perrin has assisted the Compensation Committee in structuring various incentive compensation plans. The Compensation Committee and the Board also seek advice and recommendations from the human resource and compensation departments of its parent company, Hallmark Cards, on executive and director compensation matters. Such services are rendered by Hallmark Cards pursuant to a services agreement which it has with the Company.

In the past, the board has also engaged Pearl Meyer & Partners, an executive compensation consulting firm, to assist with the Company's LTIP and to recommend awards to be made to the Company's employees under such plan.

Deferred Compensation Plan

The Company offers a Deferred Compensation Plan to its executive officers and directors. The Deferred Compensation Plan offers an opportunity for the executive officers to defer payment, on a pre-tax basis, of portions of his or her salary, bonus compensation and such deferred payment will be deposited in an interest-bearing account until distribution. With respect to the interest rate earned, the

Company applies prime plus 1% at first of each month. RSU compensation may be deposited in an interest-bearing account or in a stock tracking fund at the option of the participant of the Plan. Under the terms of the Deferred Compensation Plan, an executive officer may elect to defer the following compensation:

Type of Compensation	Maximum Deferral
Base Salary	50%
Incentive Compensation	100%
RSU Compensation (whether settled in cash or stock)	100%

The amount of total compensation deferred must be at least $5,000.

An executive officer may elect to receive payment of all or part of that Plan year's deferral amount in a future year that is at least two years beyond the end of that Plan year. If such scheduled in-service distribution is more than $25,000, the distribution may be made in annual installments over 5 years. If such distribution is $25,000 or less, it must be taken as a lump sum. All scheduled in-service withdrawals will be paid in January. In some circumstances, hardship withdrawals of account balances are allowed without penalty. Hardship withdrawals are limited to unforeseeable emergencies, such as illness or casualty losses.

The Company suspended the Plan for 2006 and no deferrals of employee compensation earned were allowed in 2006. The Company continued to pay interest on amounts deferred in previous years and paid out these amounts in accordance with the terms of the plan. The Company reactivated the Plan in 2007 and also offered the Plan for fiscal year 2008.

Chief Executive Officer Compensation

The provisions of our Chief Executive Officer's employment agreement and related agreements which have been approved by the Board, determined the salary and stock-based awards granted to him during fiscal year 2007. In approving the compensation levels contained in Mr. Schleiff's employment agreements, the Board reviewed and considered the expected value of his leadership that he would bring to the Company. The Board then set his compensation during the term of his employment agreement in levels that reflected his potential achievements and quality of the Company under his leadership.

Tax Deductibility of Executive Compensation

Under Section 162(m) of the Internal Revenue Code and IRS Notice 2007-49, the Company may not be able to deduct certain forms of compensation in excess of $1,000,000 paid per year to its chief executive officer and its three most highly compensated officers (other than its CEO and CFO) who are employed by the Company at year-end. The Committee believes that it is generally in the Company's best interest to satisfy the requirements for deductibility under Internal Revenue Code Section 162(m). Accordingly, the Committee has taken appropriate actions, to the extent it believes feasible, to preserve the deductibility of annual incentive and long-term performance awards. However, notwithstanding this general policy, the Committee also believes that there may be circumstances in which the Company's interests are best served by maintaining flexibility in the way compensation is provided, whether or not compensation is fully deductible under Internal Revenue Code Section 162(m).

The Internal Revenue Code exempts qualifying performance-based compensation from the deduction limit if certain conditions are met. One of the conditions is stockholder approval of the

performance-based compensation provisions. At the 2007 Annual Meeting of Stockholders of the Company, the stockholders approved (1) the performance-based cash bonuses payable in 2007 and later years to Henry Schleiff and the other executive officers under their then employment agreements and (2) provisions in their then existing RSU agreements that could be settled in cash or stock in 2007 and later years.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the above Compensation Discussion and Analysis with the Company's management. Based on the Compensation Committee's review and discussions with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Proxy Statement.

This report is submitted by the members of the Compensation Committee and the members of the Board for the fiscal year 2007.

THE COMPENSATION COMMITTEE:

David E. Hall, Chairman
A. Drue Jennings
Deanne R. Stedem

The preceding information under the caption "Compensation Committee Report" shall be deemed to be "furnished" but not "filed" with the Securities and Exchange Commission.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Summary Compensation Table

The following table summarizes the cash and non-cash compensation earned in 2006 and 2007 awarded to or earned by individuals who served as our Chief Executive Officer, Chief Financial Officer and other most highly compensated executive officers serving during and/or at the end of 2007 (each, a "Named Executive Officer, collectively, the "Named Executive Officers").

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)	Changes in Pension Value and Nonqualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
William Abbott, Executive Vice President, Advertising Sales	2007	667,037	152,923	372,367			26,180	10,000(5)	1,228,507
	2006	520,139	148,079	(18,293)			36,483	10,000(5)	696,408
David Kenin, Executive Vice President, Programming	2007	788,111	177,325	406,436			18,425	11,400(5)	1,401,696
	2006	749,580	176,250	15,154			24,220	11,400(5)	952,383
Henry S. Schleiff, President and Chief Executive Officer	2007	1,031,216	1,701,506	486,800	1,368,145			20,004(5)	4,607,671
	2006	207,692	437,500	98,114	59,115			8,846(6)	811,267
Charles L. Stanford, Executive Vice President, Legal and Business Affairs, and General Counsel	2007	457,800	103,005	356,627					917,432
	2006	439,186	102,460	(31,254)					510,392
Brian C. Stewart, Executive Vice President and Chief Financial Officer	2007	350,000	78,750	266,049			30,957		725,757
	2006	311,695	66,736	(708)			48,138		377,723

(1) Represents performance bonus under the terms of employment agreements with the Company. See *"Compensation Discussion and Analysis Elements of Executive Compensation Package Bonus Determination."*

(2) The amounts in this column are calculated based on FAS 123R and equal to financial statement compensation costs for RSUs (granted in 2006 and prior years) as reported in our consolidated statement of income for the applicable year. Under FAS 123R, compensation cost is based on the fair value of our stock price at the end of each reporting period. The Company recognizes the compensation cost, net of estimated forfeitures, over the vesting term and includes changes in fair value at each reporting period.

(3) Represents compensation expense recognized in accordance with FAS 123R with respect to SARs. No actual SARs were granted in 2006 and 2007.

(4)

Represents interest earned on deferred compensation.

(5) Represents car allowance.

(6) Represents car allowance of $3,846 and reimbursement of financial consulting fee of $5,000.

Grants of Plan-Based Awards

The Company did not grant any SARs, RSUs or other stock-based awards to its Named Executive Officers in 2007.

Outstanding Equity Awards at Fiscal Year-End

The following table shows the number of unexercised stock options and unvested RSUs held by the Company's Named Executive Officers on December 31, 2007.

	Option Awards					Stock Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exerciseable**	**Number of Securities Underlying Unexercised Options (#) Unexerciseable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)(1)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)(2)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(1)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(2)**
(a)	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**(g)**	**(h)**	**(i)**	**(j)**
William Abbott, Executive Vice President, Advertising Sales									
2005 RSUs						11,000	71,500	33,000	214,500
2006 RSUs						46,200	300,300	85,800	557,700
David Kenin, Executive Vice President, Programming	200,000			11.29	01/02/2012				
2005 RSUs						13,333	86,665	40,000	260,000
2006 RSUs						46,200	300,300	85,800	557,700
Henry S. Schleiff, President and Chief Executive Officer									
Stock Appreciation Rights(3)			341,136	6.50	10/03/2010				
2006 RSUs						100,000	650,000	100,000	650,000
Charles L. Stanford, Executive Vice President, Legal & Business Affairs, and General Counsel									

2005 RSUs	10,000	65,000	30,000	195,000
2006 RSUs	46,200	300,300	85,800	557,700
Brian C. Stewart, Executive Vice President and Chief Financial Officer				
2005 RSUs	2,500	16,250	7,500	48,750
2006 RSUs	46,200	300,300	85,800	557,700

(1) Vesting dates and percentage breakdown of RSUs between Employment RSUs and Performance RSUs are set forth above under heading "*Compensation Discussion & Analysis Elements of Executive Compensation Packages Awards Under Long Term Incentive Plan*."

(2) The amounts in this column are calculated using a value of $6.50 per share, which is the closing market price for our Class A Common Stock on December 31, 2007.

(3) Represents compensation expense recognized in accordance with FAS 123R with respect to SARs. No actual SARs were granted in 2007. Grant and vesting terms are set forth below under heading *"Compensation of Executive Officers and Directors "Summary of Executive Employment Agreements" and "Potential Payments Upon Termination or Change-In-Control."*

Option Exercises and Stock Vested

The following table shows the number of stock options or RSUs issued to the Company's Named Executive Officers that were exercised or vested in fiscal year 2007.

	Option Awards(1)		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)(2)**	**Value Realized on Vesting ($)(3)**
(a)	**(b)**	**(c)**	**(d)**	**(e)**
William Abbott, Executive Vice President, Advertising Sales			25,000	167,163
David Kenin, Executive Vice President, Programming			32,000	213,718
Henry S. Schleiff, President and Chief Executive Officer				
Charles L. Stanford, Executive Vice President, Legal and Business Affairs, and General Counsel			21,667	145,030
Brian C. Stewart, Executive Vice President and Chief Financial Officer			6,000	40,073

(1) Mr. Kenin is the only Named Executive Officer who owns any stock options. Mr. Kenin did not exercise any stock options in 2007.

(2) Represents the number of RSUs vested during 2007.

(3) Represents cash amounts paid to settle vested RSUs in 2007.

Nonqualifed Deferred Compensation

Please see above under the headings *"Compensation Discussion and Analysis Deferred Compensation Plan"* for a description of material terms of the Company's Nonqualified Deferred Compensation Plan summarized below.

Name	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)	Aggregate Withdrawals / Distributions in Last FY ($)	Aggregate Balance at Last FYE ($)
(a)	(b)	(c)	(d)	(e)	(f)
William Abbott, Executive Vice President, Advertising Sales	16,385		9,795	(146,509)	113,330
David Kenin, Executive Vice President, Programming			18,425		212,765
Henry S. Schleiff, President and Chief Executive Officer					
Charles L. Stanford, Executive Vice President, Legal and Business Affairs, and General Counsel					
Brian Stewart, Executive Vice President and Chief Financial Officer			30,957		357,487

Summary of Employment Agreements with Named Executive Officers

Employment Agreement with William Abbott

On August 8, 2006, the Company entered into an employment agreement with William Abbott that provides for his employment as Executive Vice President, Advertising Sales, which agreement replaced Mr. Abbott's prior employment agreement and has a term through August 7, 2008. Under the employment agreement, Mr. Abbott's base salary is at an annual rate of $523,688 for the term of employment, subject to annual increases at the discretion of the Company. Mr. Abbott is also entitled to receive a bonus each year of up to 25% of his base salary, conditioned on the Company's achievement of certain EBITDA, advertising revenue and ratings goals. (See details pertaining to performance bonus below under heading *"Compensation Discussion and Analysis Elements of Executive Compensation Packages Bonus Determination."*) On May 28, 2007, the Company amended Mr. Abbott's employment agreement and extended the term of his employment for an additional one year, through August 18, 2009. Additionally, under the amendment, in addition to participating in the bonus plan described above, Mr. Abbott is also eligible to participate in the Company's advertising

sales year-end commission plan, although his compensation under the plan will be at reduced levels. The amounts payable under the plan, for achievement of annual advertising sales revenue targets, are based on a percentage of base salary. Mr. Abbott's percentages are from 2.5% to 15% of his then-current base salary.

Under the employment agreement, Mr. Abbott may not compete with the Company during the term of his employment. Additionally, for the one-year period following his termination of employment for any reason, Mr. Abbott may not employ any person who is working for the Company as an officer, policymaker or in a high-level creative, development or distribution position at the date of termination of Mr. Abbott's employment.

Employment Agreement with David Kenin

On December 20, 2001, Crown Media United States, LLC entered into an employment agreement with David Kenin that provides for his employment as Executive Vice President, Programming. The Employment Agreement, which was last amended on June 21, 2007, has a term through December 31, 2009. Mr. Kenin's annual base salary during the period January 3, 2008 through January 2, 2009 is $825,000 and $850,000 during the period January 3, 2009 through December 31, 2009. Following the end of each calendar year during the term, Mr. Kenin may be paid a bonus based on his performance during such calendar year if the Company so determines in its sole discretion.

Mr. Kenin's employment agreement contains identical non-compete and non-solicitation provisions to those contained in Mr. Abbott's employment agreement and which are described above.

Employment Agreement with Henry S. Schleiff

On October 3, 2006, the Company entered in an employment agreement with Henry S. Schleiff under which Mr. Schleiff has agreed to serve as the Company's President and Chief Executive Officer. The term of the Employment Agreement is four years, commencing October 3, 2006. The Employment Agreement provides for an annual base salary of $1,000,000 with a minimum increase of at least 4% per year on the anniversary date of employment. Additionally, Mr. Schleiff will be eligible to receive an annual performance bonus. The target annual performance bonus will be 100% of the then-current base salary with a potential payout range of 0% to 200% and a minimum guarantee of 50% for each calendar year of the term. This performance bonus will be based on achievement of criteria determined by the Company's Compensation Committee in consultation with Mr. Schleiff and will include such factors as improved EBITDA, demographics, operating cash, renewal progress of contracts with distributors, advertising revenue and other appropriate discretionary considerations.

Mr. Schleiff cannot compete with the Company during the term of his employment and, if Mr. Schleiff is terminated for cause or resigns other than for "good reason," for a period of time ending on the earlier of 12 months from the termination of employment or the fourth anniversary of the Employment Agreement.

Employment Agreement with Charles L. Stanford

On August 8, 2006, the Company entered into a new employment agreement with Charles L. Stanford, for his services as Executive Vice President, Legal and Business Affairs and General Counsel, which was amended on January 29, 2008. This agreement replaced Mr. Stanford's previous 3-year employment agreement which would have expired on October 24, 2006. The new agreement, as amended, expires on August 8, 2010 and provides for an annual base salary of $485,268, subject to a minimum increase of 3.0% in October of each year of his term. Mr. Stanford is also entitled to receive a bonus each year of up to 20% of his base salary, conditioned on the Company's achievement of certain EBITDA, advertising revenue and ratings goals. (See details pertaining to performance bonus

below under heading *"Compensation Discussion and Analysis Elements of Executive Compensation Packages Bonus Determination"*.)

Mr. Stanford's employment agreement contains identical non-compete and non-solicitation provisions to those contained in Mr. Abbott's employment agreement and which are described above.

Employment Agreement with Brian C. Stewart

On July 24, 2006, the Company entered into an employment agreement with Brian C. Stewart, for his services as Senior Vice President, Finance and interim Chief Financial Officer. The agreement was for a term of two years, expiring on July 23, 2008, and provided for an annual base salary of $340,000, subject to annual adjustment in the discretion of the Company. Mr. Stewart is also entitled to receive a bonus each year of up to 20% of his base salary, conditioned on the Company's achievement of certain EBITDA, advertising revenue and ratings goals (See details pertaining to performance bonus below under heading *"Compensation Discussion and Analysis Elements of Executive Compensation Packages Bonus Determination"*.) On November 8, 2006, the parties amended Mr. Stewart's employment agreement. The amendment provides for his employment as the Company's Executive Vice President, Finance and Chief Financial Officer and an increase of his annual base salary to $350,000 through the remainder of the term. On January 29, 2008, the parties further amended Mr. Stewart's employment agreement and extended the term of his employment through July 24, 2010. Furthermore, pursuant to the amendment, Mr. Stewart receives an annual base salary of $400,000 effective January 1, 2008, subject to increases in the Company's discretion in January of each year of his term.

Mr. Stewart's employment agreement contains identical non-compete and non-solicitation provisions to those contained in Mr. Abbott's employment agreement and which are described above.

Potential Payments Upon Termination or Change-in-Control

Employment Agreements General

Except as otherwise described for Mr. Schleiff below, in all of our employment agreements with our Named Executive Officers, if his employment is terminated other than for death, disability or cause prior to the expiration of the employment agreements, the following will be paid by the Company:

- the greater of twelve months base salary or the remaining base salary for the remaining term of the employment agreement, paid in a lump sum and, except for Mr. Kenin, discounted at prime rates to present value at the time of payment;
- pro rata bonus through the termination date;
- any amounts payable under the RSU Agreements;
- unused vacation and/or personal time pay;
- vested ERISA benefits, such as those under the 401(k) plan; and
- benefits that may be required by law, such as those under COBRA.

In the event of termination for the reason stated above, the Named Executive Officer has no obligation to seek comparable employment and, if the executive accepts employment during the severance period, there will be no offset by the Company against the amounts paid for termination. Additionally, the non-competition provision in the employment agreements will not apply from the termination date.

If a Named Executive Officer's employment is terminated as a result of death, disability or for cause, the following will be paid by the Company:

the executive's salary through the later of the expiration date of the 5 business after the event which triggered the termination or the end of the month in which the triggering event occurred;

any amounts payable under the RSU Agreements;

unused vacation and/or personal time pay;

vested ERISA benefits, such as those under the 401(k) plan; and

benefits that may be required by law, such as those under COBRA.

Employment Agreement Henry S. Schleiff

In the event of a change in control of the Company during the first year of employment, Mr. Schleiff will receive a transaction bonus of $6,000,000; provided that he stays with the Company or a successor company for 6 months. The transaction bonus will be increased by $1,000,000 for each succeeding year Mr. Schleiff remains employed with the Company prior to a change in control through the fourth year of the term, up to a maximum of $9,000,000. The transaction bonus is payable 6 months after the date of the change in control. Mr. Schleiff is also entitled to the transaction bonus if his employment is terminated as a result of death or disability, by the Company without cause and (1) a change in control occurs within 90 days of such termination or (2) a change in control contract is executed prior to such termination and the change in control occurs within 180 days of such termination. "Change in control" means (1) a sale of shares, or a merger or other business combination of the Company so that immediately thereafter, Hallmark Cards and its subsidiaries no longer own directly or indirectly 50% or more of the Company's stock or (2) a sale of all or substantially all of the assets of the Company to persons other than Hallmark Cards and its subsidiaries.

The Employment Agreement provides that, if Mr. Schleiff's employment is terminated by the Company without cause, by Mr. Schleiff for good reason (which includes a material breach of contract by the Company, a reduction of authority or a change in the location of employment) or by Mr. Schleiff 6 months after a change in control, the Company then must pay: (1) his base salary for the balance of the term, paid in a lump sum discounted to the present value; (2) the pro rata portion of the bonus for the calendar year in which the termination occurs; (3) a lump sum payment, discounted to present value, of 50% of the target bonuses for the balance of the Employment Agreement; and (4) if a change in control has occurred, the transaction bonus to the extent described above. In the event of termination, Mr. Schleiff has no obligation to seek comparable employment and, if Mr. Schleiff accepts employment during the severance period, there will be no offset by the Company against the amounts paid for termination. If Mr. Schleiff's employment is terminated because of disability, he will be paid the base salary for six months and, to the extent described above, the transaction bonus.

RSU Agreements

GENERAL

If an executive's employment is terminated for any reason except for those stated below, any outstanding unvested RSUs will immediately terminate and no payment will be made in respect thereof.

2005 RSU AGREEMENT

Employment RSUs If any of the following occurs, any outstanding unvested Employment RSUs will vest immediately and be settled in stock or cash in an amount equal to the Vesting Price:

- death or disability;
- retirement at the "normal retirement age";
- involuntary termination without cause within 90 days prior to or ending one year after a change-in-control ("termination without cause" is deemed to have occurred it the executive is not offered a "comparable position" with the Company or its affiliated or successor companies following a change-in-control); or
- involuntary termination without cause within 90 days prior to any sale or merger of substantially all of the assets of the Company.

Performance RSUs In the event of involuntary termination without cause within 90 days prior to a change-in-control, all unvested Performance RSUs will vest and be settled if (1)(a) the change-in-control occurs prior to the first anniversary of the grant date and (b) the change-in-control price per share equals or exceeds $10.00; (2)(a) the change-in-control occurs after the first anniversary of the grant date but prior to the second anniversary of the grant date and (b) the change-in-control price per share equals or exceeds $12.00; or (3)(a) the change-in-control occurs after the second anniversary of the grant date but prior to the third anniversary of the grant date and (b) the change-in-control price per share equals or exceeds $14.00. "Change-in-control price per share" means the highest price per share of stock paid in the transaction resulting in a change-in-control ("Change-in-Control PPS").

2006 RSU AGREEMENT

Employment RSUs If any of the following occurs, any outstanding unvested Employment RSUs will vest immediately and be settled in stock or cash in an amount equal to the Vesting Price:

- death or disability; or
- involuntary termination without cause within 90 days prior to or 90 days after a change-in-control.

Performance RSUs In the event of an involuntary termination without cause within 90 days prior to or 90 days after a change-in-control, any outstanding unvested Performance RSUs will vest immediately and be settled in stock or cash in an amount equal to the Vesting Price.

Henry S. Schleiff Any outstanding unvested Employment RSUs will vest immediately if Mr. Schleiff's employment is terminated as a result of (1) death or disability or (2) termination without cause or for a good reason within 90 days prior to or 90 days after a change-in-control. If the Company terminates employment without cause or Mr. Schleiff terminates for good reason within 90 days prior to a vesting date for Performance RSUs, the Performance RSUs will vest immediately. All vested RSUs will be settled with either the Company's stock or cash calculated with the Vesting Price.

Henry S. Schleiff's Share Appreciation Rights Agreement

In the event of a change in control of the Company, then as of the change in control, (1) if there has been no prior SAR trigger and the change in control price (price of the Company's stock less transaction costs and certain other amounts) exceeds the Start Price (defined below), then Mr. Schleiff shall be granted that number of SARs equal to 0.8% of the Enterprise Growth (defined below) divided by the change in control price; or (2) if there has been a previous SAR trigger and the change in control price exceeds the previous SAR trigger, then Mr. Schleiff shall be granted that number of SARs equal to 0.8% of the Enterprise Growth divided by the change in control price. If Mr. Schleiff's employment is terminated without cause by the Company or by him for good reason or because of his death or disability, and if a change in control occurs within 90 days after the termination of employment or an agreement that will result in a change of control is executed prior to the termination and the change of control occurs within 180 days after the termination, Mr. Schleiff will receive a grant of SARs on the basis described above. "Start Price" is $4.43, the average of the fair market value for the 5 business days prior to the date of public announcement of Mr. Schleiff's employment with the Company. "Enterprise Growth" equals the increase in market capitalization (compared to the market capitalization based on the Start Price or the last price triggering a grant of an SAR), adjusted upward or downward by the amount of debt (and the liquidation preference and accrued but unpaid dividends on any preferred stock) incurred or paid down since the last trigger date.

SARs will vest upon the earlier of (1) 3 years of employment after the grant date, (2) termination of employment without cause by the Company, (3) termination by Mr. Schleiff for good reason or (4) upon a change in control of the Company. The Company at its discretion may settle SARs in cash or in stock.

Summary of Potential Termination or Change-in-Control Payments

The table below reflects the dollar amount of compensation to each Named Executive Officer in the event of termination of such individual's employment prior to the expiration of the employment agreements. The amounts shown assume that the termination was effective December 31, 2007.

WILLIAM ABBOTT

Benefits and Payments Upon Termination	Voluntary Termination on 12/31/07($)	Termination for Cause on 12/31/07($)	Involuntary Termination without Cause on 12/31/07($)(1)	Retirement at "Normal Retirement Age" on 12/31/07($)	Disability on 12/31/07($)	Death on 12/31/07($)
Compensation:						
Salary			897,446(2)			
Bonus			152,923(3)			
Incentives and Benefits:						
RSUs(4)						
2005 Employment RSUs			66,660	66,660	66,660	66,660
2005 Performance RSUs (if CIC PPS(5) ≤ $14)			199,980			
2005 Performance RSUs (if CIC PPS ≥ $14)						
2006 Employment RSUs			279,972		279,972	279,972
2006 Performance RSUs			519,948			
Deferred Compensation Plan(6)	113,330	113,330	113,330	113,330	113,330	113,330
Life Insurance Benefits(7)						200,000
Unused Vacation and/or Personal Time Pay	70,939	70,939	70,939	70,939	70,939	70,939

DAVID KENIN

Benefits and Payments Upon Termination	Voluntary Termination on 12/31/07($)	Termination for Cause on 12/31/07($)	Involuntary Termination without Cause on 12/31/07($)(1)	Retirement at "Normal Retirement Age" on 12/31/07($)	Disability on 12/31/07($)	Death on 12/31/07($)
Compensation:						
Salary			1,675,000(2)			
Bonus			177,325(3)			
Incentives and Benefits:						
RSUs(4)						
2005 Employment RSUs			80,798	80,798	80,798	80,798
2005 Performance RSUs (if CIC PPS ≤ $14)			242,400			
2005 Performance RSUs (if CIC PPS ≥ $14)						
2006 Employment RSUs			279,972		279,972	279,972
2006 Performance RSUs			519,948			
Deferred Compensation Plan(6)	212,765	212,765	212,765	212,765	212,765	212,765
Life Insurance Benefits(7)						200,000
Unused Vacation and/or Personal Time Pay	103,878	103,878	103,878	103,878	103,878	103,878

HENRY S. SCHLEIFF

Benefits and Payments Upon Termination	Voluntary Termination for Good Reason or on Change-in-Control on 12/31/07($)	Termination for Cause on 12/31/07 ($)	Involuntary Termination without Cause on 12/31/07($)(1)	Retirement at "Normal Retirement Age" on 12/31/07($)	Disability on 12/31/07 ($)	Death on 12/31/07 ($)
Compensation:						
Salary	2,906,922(2)		2,906,922(2)		527,500	
Bonus	3,196,090(8)		3,196,090(8)			
Transaction Bonus	7,000,000(9)		7,000,000(9)		7,000,000(9)	7,000,000(9)
Incentives and Benefits:						
RSUs(4)						
2006 Employment RSUs	606,000		606,000		606,000	606,000
2006 Performance RSUs	606,000		606,000			
Stock Appreciation Rights	4,600,000		4,600,000			
Deferred Compensation Plan(6)						
Life Insurance Benefits(7)						200,000
Unused Vacation and/or Personal Time Pay	46,334	46,334	46,334	46,334	46,334	46,334

CHARLES L. STANFORD

Benefits and Payments Upon Termination	Voluntary Termination on 12/31/07($)	Termination for Cause on 12/31/07($)	Involuntary Termination without Cause on 12/31/07($)(1)	Retirement at "Normal Retirement Age" on 12/31/07($)	Disability on 12/31/07($)	Death on 12/31/07($)
Compensation:						
Salary			293,509(2)			
Bonus			103,005(3)			
Incentives and Benefits:						
RSUs(4)						
2005 Employment RSUs			60,600	60,600	60,600	60,600
2005 Performance RSUs (if CIC PPS ≤ $14)			181,800			
2005 Performance RSUs (if CIC PPS ≥ $14)						
2006 Employment RSUs			279,972		279,972	279,972
2006 Performance RSUs			519,948			
Deferred Compensation Plan(6)						
Life Insurance Benefits(7)						200,000
Unused Vacation and/or Personal Time Pay	64,391	64,391	64,391	64,391	64,391	64,391

BRIAN C. STEWART

Benefits and Payments Upon Termination	Voluntary Termination on 12/31/07($)	Termination for Cause on 12/31/07($)	Involuntary Termination without Cause on 12/31/07($)(1)	Retirement at "Normal Retirement Age" on 12/31/07($)	Disability on 12/31/07($)	Death on 12/31/07($)
Compensation:						
Salary			196,640(2)			
Bonus			78,750(3)			
Incentives and Benefits:						
RSUs(4)						
2005 Employment RSUs			15,150	15,150	15,150	15,150
2005 Performance RSUs (if CIC PPS ≤ $14)			45,450			
2005 Performance RSUs (if CIC PPS ≥ $14)						
2006 Employment RSUs			279,972		279,972	279,972
2006 Performance RSUs			519,948			
Deferred Compensation Plan(6)	357,487	357,487	357,487	357,487	357,487	357,487
Life Insurance Benefits(7)						200,000
Unused Vacation and/or Personal Time Pay	41,672	41,672	41,672	41,672	41,672	41,672

(1) "Involuntary termination without cause" means the following:

2005 Employment RSUs: Termination within 90 days prior to or ending one year after a change-in-control ("termination without cause" is deemed to have occurred it the executive is not offered a "comparable position" with the Company or its affiliated or successor companies following a change-in-control); or involuntary termination without cause within 90 days prior to any sale or merger of substantially all of the assets of the Company.

2005 Performance RSUs: Termination within 90 days prior to a change-in-control,

2006 Employment & Performance RSUs: Termination within 90 days prior to or 90 days after a change-in-control.

(2)

Remaining salary for the balance of the term of the employment agreements.

(3)

Actual amount of bonus earned in 2007 and paid in 2008.

(4)

Cash settlement amounts of RSUs vested pursuant to their respective RSU Agreements, calculated with a vesting price of $6.06 (average stock price for the immediately preceding 14 business days of December 31, 2007).

(5)

"CIC PPS" means change-in-control price per share.

(6)

Balance of deferred compensation plus accrued interest.

(7)

Proceeds payable to Named Executive Officer's beneficiaries upon his death.

(8)

Consists of actual amount of bonus earned in 2007 ($1,701,506) and 50% of bonus due through the end of the term calculated at target of 100% of his annual salary ($1,494,584).

(9)

Transaction Bonus is only payable if a change-in-control occurs. This amount assumes a change-in-control on December 31, 2007.

Director Compensation

We do not compensate directors who are employees of the Company or Hallmark Cards or its subsidiaries for services as members of our Board or any of its committees. Directors who are not employees of the Company or Hallmark Cards and its subsidiaries receive the following for serving on the Company's Board: (1) an annual retainer of $35,000 and $1,000 per meeting for each extraordinary meeting or meeting in excess of the number of regularly scheduled meetings, (2) RSUs valued at $40,000 are granted annually, (3) the chairman of the Audit Committee is paid $5,000 annually, and (4) chairmen of each other committee are paid $3,000 annually.

All directors receive reimbursement of expenses incurred in connection with participation in Board meetings.

The table below summarizes the compensation paid by the Company to its directors who are not employees of the Company or Hallmark Cards or its subsidiaries for the fiscal year ended in December 31, 2007:

Name	Fees Earned or Paid in Cash ($)	Stock Awards($)(1)	Option Awards($)	Non-Equity Incentive Plan Comp. ($)	Changes in Pension Value and Nonqualified Deferred Compensation Earnings($)(2)	All Other Compensation ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Wilford V. Bane, Jr.(3)	40,000						40,000
Glenn Curtis(4)	36,000	8,576					44,576
Fred Dressler(5)	27,250	35,083					62,333
Herbert A. Granath	77,500	8,576					86,076
Irvine O. Hockaday, Jr.	36,000	8,576			9,827		97,069
A. Drue Jennings	49,000	8,576					57,576
Peter A. Lund	42,000	8,576			17,351		67,927

(1) Represent 2007 RSUs valued and settled in accordance with FAS 123R and RSU agreements.

(2) Represents interest earned on deferred compensation.

(3) Mr. Bane resigned from our board in December 2007.

(4) Mr. Curtis assigned all of his board compensation to Liberty Media Corporation pursuant his contract with Liberty Media Corporation.

(5) Mr. Dressler passed away in December 2007.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based on a review of reports filed by our directors, executive officers and beneficial holders of 10% or more of our shares, and upon representations from those persons, all Securities and Exchange Commission stock ownership reports required to be filed by those reporting persons during 2007 were made timely.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information, as of April 27, 2008, with respect to beneficial ownership of our Class A Common Stock and Class B Common Stock, by each of the Named Executive Officer (defined above), each director, each holder of more than 5% of either Class A or Class B Common Stock, and all current directors and executive officers as a group.

Except as indicated in the footnotes to this table, the persons named each have sole voting and investment power over the shares shown as owned by them. The percentage of beneficial ownership is based on 74,117,654 shares of our Class A Common Stock and 30,670,422 shares of our Class B Common Stock outstanding as of April 27, 2008.

	Amount of Nature of Beneficial Ownership(1)				
	Class A Common Stock	% of Class	Class B Common Stock	% of Class	% of Total Voting Power
Name and Address of Beneficial Owner 5% Stockholders:					
Hallmark Entertainment Investments Co.(2)(3) 2501 McGee Street, Kansas City, MO 64108	57,586,336	77.7%	30,670,422	100%	95.7%
Liberty Media Corporation(3)(4) 9197 South Peoria Street, Englewood, CO 80112	57,586,336	77.7%	30,670,422	100%	95.7%
National Interfaith Cable Coalition, Inc.(3)(5) 74 Trinity Place, Suite 1550, New York, NY 10006	57,586,336	77.7%	30,670,422	100%	95.7%
J.P. Morgan Partners (BHCA), L.P.(3)(6) 390 Madison Avenue, New York, NY 10017	57,586,336	77.7%	30,670,422	100%	95.7%
The DIRECTV Group, Inc.(7) (formerly known as Hughes Electronics Corporation) 2230 E. Imperial Highway, El Segundo, CA 90245	5,360,202	7.2%			1.4%
S. Muoio & Co. LLC(8) 509 Madison Avenue, Suite 406, New York, NY 10022	3,877,552	5.2%			1.0%
Directors and Named Executive Officers (defined above):					
William Abbott	0	*			*
Dwight C. Arn	0	*			*
William Cella	0	*			*
Glenn Curtis	0	*			*
Steve Doyal	1,500	*			*
Brian E. Gardner	0	*			*
Herbert A. Granath	0	*			*
David E. Hall	2,500	*			*
Donald J. Hall, Jr.(9)	57,588,836	77.7%	30,670,422	100%	95.7%

Irvine O. Hockaday, Jr.(10)	40,795	*			*
A. Drue Jennings	0	*			*
David Kenin(11)	205,500	*			*
Peter A. Lund(12)	14,190	*			*
Brad R. Moore	0	*			*
Henry S. Schleiff	0	*			*
Charles L. Stanford	12,750	*			*
Deanne R. Stedem	1,000	*			*
Brian C. Stewart	10,500	*			*
All directors and executive officers as a group (19 persons)	57,877,571	77.9%	30,670,422	100%	95.7%

* The percentage of shares or voting power beneficially owned does not exceed 1% of the class.

(1)

Pursuant to Rule 13d-3 under the Securities and Exchange Act of 1934, as amended, a person has beneficial ownership of any securities as to which such person, directly or indirectly, through any contract, arrangement, undertaking, relationship, or otherwise has or shares voting power and/or investment power or as to which such person has the right to acquire such voting and/or investment power within 60 days from April 27, 2008. Percentage of beneficial ownership as to any person as of a particular date is calculated by dividing the number of shares beneficially owned by such person by the sum of the number of shares outstanding as of such date and the number of unissued shares as to which the person has the right to acquire voting and/or investment power within 60 days. The number of shares shown includes outstanding shares of common stock owned as of April 27, 2008 by the person indicated and shares underlying options owned by such person on April 27, 2008 that were exercisable within 60 days of that date.

(2)

Based on a Schedule 13D/A filed on April 18, 2006, jointly by Hallmark Cards, HEIC and Hallmark Entertainment Holdings, who as of that date shared voting and dispositive power with respect to 30,670,422 shares of Class B Common Stock, which are convertible at the option of the holder into an equivalent number of shares of Class A Common Stock, and 53,215,080 shares of Class A Common Stock. Does not include, under the column headed "Class A Common Stock," the number of shares of Class A Common Stock that HEIC would hold if it converted all of its shares of Class B Common Stock into shares of Class A Common Stock, which, if so converted, together with its shares of Class A Common Stock would equal approximately 80% of the total outstanding Class A Common Stock. HEIC is a majority owned subsidiary of Hallmark Entertainment Holdings and Hallmark Entertainment Holdings is a wholly-owned subsidiary of Hallmark Cards.

(3)

On March 11, 2003, Hallmark Entertainment Holdings, Liberty Crown and J.P. Morgan Partners contributed 100% of their Company shares in return for HEIC shares representing the following percentage interest in HEIC: Hallmark Entertainment Holdings, 83.4%; Liberty Crown, 11.2%; and J.P. Morgan Partners, 4.6%. In addition, VISN contributed 10% of its Company shares in return for HEIC shares representing an 0.8% interest in HEIC. Each of the HEIC stockholders entered into the stockholders agreement concerning HEIC and Crown shares. As a result, each of the above parties may be deemed to beneficially own Company shares held by HEIC described in note (2) above.

The total number of shares shown as beneficially owned by HEIC includes 4,357,066 shares of Class A Common Stock we believe to be beneficially owned by VISN and 14,190 shares beneficially owned by JP Morgan Partners outside of HEIC because the parties to the HEIC stockholders agreement may be deemed to be acting as a group. Beneficial ownership of these 4,371,256 shares of Class A Common Stock has been disclaimed by the other HEIC stockholders.

Each of Hallmark Entertainment Holdings and Liberty Crown has the right to nominate directors to the HEIC Board; and VISN is entitled to designate a non-voting observer to HEIC's Board. In addition, Liberty Crown has the right to nominate a director to the Company's Board. J.P. Morgan had the right to nominate a director on the Company's Board and on the board of HEIC but has formally surrendered such nomination rights. VISN also had the right to nominate a director on the Company's Board but has relinquished such nomination rights. Under the HEIC stockholders agreement, Hallmark Entertainment Holdings directs the voting of the Company shares owned by HEIC. Pursuant to the HEIC stockholders agreement, HEIC may not sell, pledge, distribute or transfer its Company common stock without the consent of Liberty Crown and J.P. Morgan Partners, except for mergers and other combinations approved in accordance with the Company stockholders agreement. This requirement terminates on the later of such date as each party (1) ceases to own beneficially at least 2.5% of the outstanding HEIC common stock and (2) ceases to own beneficially 75% of the HEIC stock owned by the party at March 11, 2003.

(4)

Based on a Schedule 13D/A filed on March 12, 2003 by Liberty Media Corporation and Liberty Crown.

(5)

The National Interfaith Cable Coalition, Inc. is a not-for-profit coalition of faith groups. To our knowledge, NICC is governed by a board of sixteen trustees appointed by the major faith groups who are members of NICC.

(6)

Includes 14,190 shares of Class A Common Stock underlying options that have vested and are held by J.P. Morgan Partners, LLC. Such options were initially issued to an individual designated by J.P. Morgan for serving on the Company's Board. Since issuance, the individual transferred such options to J.P. Morgan Partners, LLC pursuant to his contract with J.P. Morgan Partners, LLC. Although the individual resigned from our board in December 2006, such options will remain outstanding for 3 years after such date of termination in accordance with our LTIP. The general partner of J.P. Morgan Partners (BHCA), L.P. is JPMP Master Fund Manager, L.P., and the general partner of JPMP Master Fund is JPMP Capital Corp. JPMP Capital Corp. is a wholly-owned subsidiary of J.P. Morgan Chase & Co. which is a publicly-held company engaged in the commercial banking business.

(7)

Based on a Schedule 13G/A filed on February 20, 2008 by The DIRECTV Group, Inc.

(8)

Based on a Schedule 13G filed on March 13, 2008 by S. Muoio & Co. LLC.

(9)

Donald J. Hall, Jr., may also be deemed to be a beneficial owner of the shares beneficially owned by HEIC because Mr. Hall is a co-trustee of a voting trust which controls all of the voting securities of Hallmark Cards and he is Vice Chairman of the board of directors, Chief Executive Officer and President of Hallmark Cards. See note (2). Mr. Hall disclaims beneficial ownership of such shares, except to the extent of his pecuniary interest therein.

(10)

Includes 4,098 shares of Class A Common Stock underlying options that have vested.

(11)

Includes 200,000 shares of Class A Common Stock underlying options that have vested.

(12)

Consists of 14,190 shares of Class A Common Stock underlying options that have vested.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following summary descriptions of agreements to which we are a party are qualified in their entirety by reference to the agreement to which each summary description relates, each of which we have filed with the SEC.

Review, Approval of Ratification of Transactions with Related Persons

In general, the Company does not have a formal policy or procedures for the review, approval or ratification of related party transactions. The Audit Committee, under its charter, has been delegated by the Board the authority to review and approve related party transactions. Notwithstanding the foregoing, the Company, however, is subject to the following provisions in the Stockholders Agreement with respect to certain types of related party transactions: the Company is not permitted to, directly or indirectly, sell any of its material properties or assets to, or purchase any material property or assets from, or enter into any material contract or transaction, or for the benefit of any affiliate of the Stockholders ("affiliate transactions"), unless such transactions are entered into in good faith and on commercially reasonable terms. With respect to any affiliate transactions that have a value of (1) $35 million or less, such affiliate transactions must be approved by a majority of the independent directors and (2) more than $35 million, such affiliate transactions must be approved by a majority of the board not nominated by the interested Stockholder. Notwithstanding this provision, the following transactions are not considered affiliate transactions: (1) licensing of the "Hallmark" trademark from Hallmark Cards or its subsidiaries, (2) transactions pursuant to the distribution agreement with DirecTV and (3) transactions pursuant to the Tax Sharing Agreement, pursuant to which the Company became a member of Hallmark Cards consolidated federal tax group.

For related party transactions that are outside of the parameter of the transactions governed by the Stockholders Agreement as discussed above, management seeks approval of such transactions from the Audit Committee on a case-by-case basis. The Company enters into numerous transactions with Hallmark Cards throughout the year. The most common type of transaction is that necessary to execute channel promotions surrounding holidays. Many of these transactions are considered de minimus based on amounts paid to Hallmark Cards by the Company. For efficiency purposes, the Audit Committee approves in advance a certain amount of expenses to be applied to such de minimus transactions, which approval allows management to enter into such transactions without seeking approval for each of them. Prior to submitting any transaction to the Audit Committee for approval, management determines objectively that, based on market research, such transactions are commercially reasonable and valuable for the Company and is in the best interest of the Company to enter into them.

Registration Rights Relating to Film Assets

In connection with the acquisition of the film assets in 2001, we entered into several agreements, including a registration rights agreement. We agreed to grant Hallmark Entertainment Distribution four demand registration rights and unlimited piggyback registration rights with respect to the shares of Class A common stock that were issued with the purchase of the film assets. These registration rights were later assigned to and are currently held by HEIC.

RHI Entertainment Distribution Programming Agreement

Hallmark Entertainment Distribution was owned by Hallmark Cards through Hallmark Card's wholly-owned subsidiary Hallmark Entertainment, LLC, therefore, was our related party. In January 2006 Hallmark Cards sold its ownership interests in Hallmark Entertainment LLC, and thus also Hallmark Entertainment Distribution, to its President and certain new investors. Hallmark Entertainment Distribution changed its name to RHI, and Hallmark Entertainment LLC changed its name to RHI Entertainment. As a result, the programming agreement with RHI Entertainment Distribution is currently with a non-related party.

Crown Media United States has licensed programming for distribution in the United States from RHI Entertainment Distribution, since 1998. It currently licenses this programming under a Second Amended and Restated Program License Agreement dated as of January 1, 2005 ("Second Restated Agreement"). A special committee of the Board of Directors and the entire Board of Directors (with directors affiliated with Hallmark Cards and J.P. Morgan Partners abstaining from the vote) approved the Second Restated Agreement. This Second Restated Agreement expires on December 31, 2008.

In 2007, the Company licensed from RHI Entertainment Distribution 6 original movies and 3 original mini-series. We have exclusive rights to these original movies and mini-series during a three year first exhibition window (the window is five years for certain holiday-themed movies). We may exhibit these original movies and mini-series in any television media in the United States, its territories and possessions (together with Puerto Rico), including pay-per-view and high definition television. We may also sublicense its exhibition rights in any television media regarding the original and other movies and mini-series covered by the agreement to third parties, subject to the reasonable consent of RHI Entertainment Distribution. To the extent that the license fees received from such sublicenses exceed the license fees that Crown Media United States paid to RHI Entertainment Distribution for the same programming, Crown Media United States must pay half of such excess amounts to RHI Entertainment Distribution. Also in 2007, the Company modified existing first exhibition windows and exercised its option to license second exhibition windows for certain original movies that were previously produced and licensed under the Second Restated Agreement. Starting 2008, the Company no longer has any obligation to license original movies from RHI Entertainment. The license fee payable for the original movies produced in 2005 is $1,600,000 per movie; in 2006 is $1,680,000 per movie and in 2007 is $1,764,000 per movie. If the movies are produced for the Hallmark Channel's "Mystery Movie" series,

the license fees are increased by $200,000 and if they are holiday-themed movies, the license fees are increased by $100,000. The license fees for mini-series produced in 2005 are $800,000 per hour; in 2006 are $840,000 per hour; and in 2007 are $882,000 per hour. Crown Media United States must also share any revenue from video on demand or pay per view exploitation with RHI Entertainment Distribution.

In addition to the original movies and mini-Series, Crown Media United States has agreed to license from RHI Entertainment Distribution 22 "off network" movies and mini-series in 2005 and a maximum of 15 "off-network" movies and mini-series in 2006 through 2013. These programs generally will not have been seen on cable television in the United States prior to their exhibition on the Hallmark Channel. The license fees payable for the off-network movies are $268,029 per movie in 2005; $281,420 per movie in 2006; $295,491 per movie in 2007 and $310,266 per movie in 2008 and subsequent years. The license fees payable for the off-network mini-series are $335,024 per hour in 2005; $351,775 per hour in 2006; $369,364 per hour in 2007 and $387,832 per hour in 2008 and subsequent years. Crown Media United States' initial exhibition period for these off-network movies and mini-series is three years and Crown Media United States' exhibition rights are exclusive in all television media in the United States, including Puerto Rico. Crown Media United States' exhibition rights to these off-network movies and mini-series do not, however, include pay per view or video on demand. RHI Entertainment Distribution has an option to require Crown Media United States to license these off-network movies and mini-series for an additional, consecutive three year period at a cost of 50% of the initial license fee.

Historically, the original movies and mini-series produced by RHI Entertainment Distribution have been an essential element of the Hallmark Channel's programming schedule and have been the highest-rated programming on the Channel. Crown Media United States is free, however, to license original programming from other suppliers. The off-network programming and older library programming acquired from RHI Entertainment Distribution have also been a critical part of the Hallmark Channel and Hallmark Movie Channel programming lineups.

During the years ended December 31, 2006 and 2007, Crown Media United States paid RHI Entertainment Distribution $51.1 million and $42.5 million, respectively under the First and Second Amended and Restated Program License Agreements. As of December 31, 2006 and 2007, Crown Media United States had $18.4 million and $21.4 million in accrued and unpaid program license fees under the program agreement, respectively.

"Hallmark Hall of Fame" Programming License Agreement

In 2008, Crown Media United States entered into an agreement with Hallmark Cards to license 58 "Hallmark Hall of Fame" movies, consisting of 16 contemporary Hallmark Hall of Fame titles (i.e., produced from 2003 to 2008) and 42 older titles, for exhibition on the Hallmark Channel and Hallmark Movie Channel. These titles are licensed for ten year windows, with windows commencing at various times between 2007 and 2010, depending on availability. This agreement makes the Hallmark Channel and Hallmark Movie Channel the exclusive home for these movies, which are consistent with our Channels' brand images. The total license fee for these movies is $17.2 million and is payable in equal quarterly installments over its 10 year exhibition window.

VISN Preferred Interest

VISN, a subsidiary of the National Interfaith Cable Coalition, Inc. ("NICC"), owns a $25.0 million preferred interest in Crown Media United States. Under the Crown Media United States Amended and Restated Company Agreement, originally dated November 13, 1998, the members agreed that if during any year ending after January 1, 2005 and prior to December 31, 2009, Crown Media United States has federal taxable income (with possible adjustments) in excess of $10.0 million, and the preferred interest has not been redeemed, Crown Media United States will redeem the preferred interest in an amount equal to the lesser of:

such excess;

$5.0 million; or

the amount equal to the preferred liquidation preference on the date of redemption.

Crown Media United States may voluntarily redeem the preferred interest at any time, however, it is obligated to do so on the date of redemption (December 31, 2010). The preferred interest has a liquidation preference of $25.0 million. See information below on a January 2, 2008, agreement under which VISN may request the preferred interest be replaced with promissory notes of Crown Media Holdings.

Crown Media United States Programming Agreement with NICC

On November 13, 1998, the Company, Vision Group, VISN and Henson Cable Networks, Inc. signed an amended and restated agreement governing the operation of Crown Media United States, as amended at various times through December 1, 2005 (the "company agreement"). The Company agreement includes the provisions regarding the redemption of the preferred interest held by VISN as described above.

A December 2005 agreement between Crown Media Holdings and NICC replaced a prior program production agreement and settled various disputes which had arisen under the prior agreement. In the new agreement, the Company agreed to fund and license the following programming produced by NICC through the end of 2007:

A Sunday Morning one-hour series entitled "New Morning with Naomi Judd" at a cost of $3.5 million in 2005, $4.6 million in 2006 and $5.6 million in 2007. The 2006 and 2007 amounts are payable quarterly in those years.

A weekday one-hour daily series entitled "New Morning" at a cost of $1.9 million in 2005, $4.2 million in 2006 and $5.1 million in 2007. The 2005 amount includes a deferred amount of $535,000 to be paid as indicated below for deferred payments. The 2006 and 2007 amounts are payable quarterly in those years.

A Sunday morning programming block, broadcast from 6 a.m. to 12 noon, at a cost of approximately $485,000 in 2005, $5.8 million in 2006 and $5.8 million, increased by a percentage equal to the increase in the Consumer Price Index, in 2007. These amounts include deferred payments of $125,000 for 2005 and $1.5 million for each of 2006 and 2007. The 2006 and 2007 amounts not deferred are payable quarterly in those years.

In addition, Crown Media Holdings agreed to finish funding four specials, the production of which had been commenced prior to the amendment, at a total additional cost of $1.4 million in 2005 and 2006, and to fund an additional two non-dramatic specials, to be produced in 2006 and 2007, at a total cost of $1.3 million. A quarter of the amounts for the additional two specials was paid in January 2006, another quarter was paid in June 2006 and the remaining one-half was paid in June 2007. The Hallmark Channel was not obligated to broadcast the latter two specials. Crown Media Holdings

provided $2.0 million in each of 2005, 2006 and 2007 to fund the development by NICC of "made for television" movies and would have paid NICC an additional $1.0 million if the movie "A Reason to Believe," which was to be produced under the prior agreement, was not produced. This movie was replaced by another movie, therefore, the $1.0 million penalty was not paid. The 2005 amount includes a deferred payment of $1.8 million; the 2006 amount was paid semi-annually in 2006; and the 2007 amount was paid in January 2007. The Hallmark Channel had a right of first negotiation to acquire broadcast rights to the movies resulting from this development and, if it elected not to acquire these rights, may have still recovered a portion of its funding if the movies are produced for others. In addition, NICC has received $45,000 in consulting fees from a series which RHI Entertainment has produced, and received a deferred payment of $750,000 as the last payment for certain terminated obligations. As part of the sale of Hallmark Entertainment, Hallmark Cards assumed responsibility for the $3.0 million settlement amount agreed to by Hallmark Entertainment and credited the amount against amounts payable to it by the Company.

The deferred payments mentioned above were paid to NICC on December 31, 2007. If NICC would have sold Crown Media Holdings common stock to finance any deficit, the increase in the sale price of the common stock between the time NICC sells the stock to fund a deferred amount and a market price of the Crown Media Holdings common stock on the date the deferred amounts are paid by Crown Media Holdings would have been added to the deferred amounts instead of interest.

If there had been a change of control of Crown Media Holdings prior to the expiration of the agreement (i.e., December 31, 2007), NICC would have been paid immediately a $15.0 million "termination payment," any remaining portions of the payments for the non-dramatic specials and the "made for television" movie development described above and the deferred payments described above. The Hallmark Channel would have been obligated to continue to broadcast and pay for the Sunday "New Morning with Naomi Judd" and weekday "New Morning" series and the Sunday morning programming block for an additional six months following the change in control, after which all funding and broadcast obligations to NICC would have ceased. Also, Crown Media Holdings would have been required to redeem the $25.0 million preferred interest of NICC in Crown Media United States, LLC, for that amount plus accrued interest at LIBOR from November 27, 2005.

The NICC Agreement also granted NICC a conditional right to require the Company to repurchase all of the shares of the Company's Class A common stock then owned by NICC (the "Put Right"). There having been no change in control of the Company, on July 1, 2007, NICC and the Company commenced a required 60-day negotiating period regarding continuation of the programming commitments. This 60-day period expired August 29, 2007, without agreement between the parties. As a result, the purported Put Right became contractually exercisable on August 30, 2007, with a November 1, 2007, expiration. However, the Company believes that in September 2007 it reached a binding agreement with NICC, under which NICC agreed it would not exercise the Put Right.

On January 2, 2008, Crown Media Holdings entered into an agreement with the NICC regarding termination of any right of NICC to compel Crown Media Holdings to buy all of the outstanding shares of Class A common stock owned by NICC and NICC's subsidiary VISN Management Corp. ("VMC") at the then current market value. The January 2008 agreement also covers other aspects of Crown Media Holdings' relationship with NICC.

The January 2008 agreement provided for the following:

The put described above was terminated, and the purported exercise of the put was waived.

Crown will provide to NICC for two years ending December 31, 2009 the use of a two-hour time period each Sunday morning for programming by NICC and NICC shall retain any advertising revenue from such time period. Neither NICC nor Crown makes any payment regarding this time period or the programming.

NICC voluntarily relinquished its right to designate one director on Crown Media Holdings' Board of Directors, effective with the resignation of its designee on December 19, 2007.

In settlement of a claim of NICC for $15,000,000 in the event of a change of control, Crown will pay NICC the total amount of $3,750,000 in three installments of $1,250,000 each on January 20, 2008, January 20, 2009 and January 20, 2010. If there is a change of control, Crown will pay the remaining unpaid installments at that time.

At the request of VMC, Crown will replace the preferred interest in Crown Media United States held by NICC/VMC with two promissory notes of Crown. One note will be issued to VMC, and the other note will be issued to an independent not-for-profit corporation designated by VMC. These notes, if issued, would together involve the same face amount, quarterly payment of interests and mandatory redemption terms as the preferred interest. If the preferred interest is not exchanged for notes, Crown will redeem the preferred interest as set forth in the Company Agreement of Crown Media U.S. and will continue payments on the preferred interest at 6% per annum.

To the extent required by the Stockholders Agreement of HEIC, Crown will consent, and obtain the consent of HEIC, for VMC to assign its ownership of HEIC shares to a non-profit corporation designated by VMC or to NICC. The shares will continue to be subject to the HEIC Stockholders Agreement.

Deferred payments and shared advertising revenue due on December 31, 2007 or January 30, 2008 under the December 2005 agreement continue to be payable at approximately the same times.

Except as provided or referenced in the January 2008 Agreement, the term and conditions of the following prior agreements between or among the parties to the January 2008 agreements were superseded: The Company Agreement; and the December 2005 agreement. The Stockholders Agreement is modified to the extent provided in the January 2008 Agreement. In addition, the parties provided mutual releases.

During the years ended December 31, 2006 and 2007, Crown Media United States paid the National Interfaith Cable Coalition $18.4 million and $22.1 million, respectively, related to the Company Agreement and the December 2005 Agreement.

DIRECTV Affiliation Agreement

On August 20, 2001, Crown Media United States entered into an Affiliation Agreement with DIRECTV, Inc., a wholly owned subsidiary of DIRECTV Enterprises, Inc. Pursuant to the Affiliation Agreement, DIRECTV distributes the Hallmark Channel on the TOTAL CHOICE® tier of its DBS distribution system in the United States and pay us license fees for such distribution. At the same time we entered into a Stock Purchase Agreement with DIRECTV Enterprises whereby we issued 5,360,202 shares of our Class A common stock, which shares were subsequently transferred to its parent company, The DIRECTV Group, Inc. As of December 31, 2007, DIRECTV accounted for 16.6 million of our subscribers. In March 2008, the Company entered into a new multi-year affiliation agreement with DIRECTV, Inc.

Hallmark Advertising

Hallmark Cards purchased $1.2 million and $508,000 of advertising on the Hallmark Channel in the United States at negotiated market rates, respectively, during the years ended December 31, 2006 and 2007.

Bank Credit Facility and Hallmark Notes

Bank Credit Facility

In 2001, we entered into a credit agreement (which agreement has been amended subsequently, with the most recent amendment dated March 10, 2008) with a syndicate of banks, led by JP Morgan Chase Bank, N.A. as Administrative Agent and Issuing Bank. The facility is guaranteed by our subsidiaries and is secured by all tangible and intangible property of Crown Media Holdings and its subsidiaries. As a result of amendments through March 2008, the bank credit facility is a revolving line of credit with JP Morgan Chase Bank, N.A., in the amount of $90.0 million.

By an Amendment No. 14 in March 2008, the maturity date of the bank credit facility was extended to May 31, 2009. Under this Amendment, the amounts available under this facility are or will be reduced from $130.0 million as follows:

Date		Revolving Credit Commitment
March 10, 2008	$	90,000,000
June 30, 2008	$	60,000,000
September 30, 2008	$	50,000,000
March 31, 2009	$	45,000,000

In connection with Amendment No. 14, JP Morgan Chase Bank became the sole lender under the bank credit facility by acquiring the interests of all other lending banks. Concurrent with the execution of Amendment No. 14, the existing Hallmark Cards' support letter of credit was reissued by JPMorgan in the face amount of $90.0 million and with an expiration date of June 10, 2009.

Each loan under the bank credit facility bears interest at a Eurodollar rate or an alternate base rate as we may request at the time of borrowing. The Eurodollar rate is based on the London interbank market for Eurodollars, and remains in effect for the time period of the loan ranging from one, two, three, six or twelve months. The alternate rate is based upon the prime rate of JP Morgan Chase Bank, a certificate of deposit rate or the Federal Funds effective rate, which is adjusted whenever the rates change. We are required to pay a commitment fee of 0.15% per annum (0.2% from March 1, 2005, to April 27, 2006) of the committed, but not outstanding, amounts under the revolving credit facility, payable in quarterly installments.

Since March 2005, Hallmark Cards has provided an irrevocable letter of credit as credit support for our obligations under our bank credit facility. The amounts resulting from rate and fee reductions for the bank credit facility since that time are paid by us to Hallmark Cards as compensation for providing the support letter of credit to the bank lenders.

The credit agreement, as amended, contains a number of affirmative and negative covenants. Events of default under the amended credit agreement include, among other things, (1) the failure to pay principal or interest, with the default continuing unremedied for five days after receipt of a remittance advice, (2) a failure to observe covenants, (3) a change in control, or (4) a termination by Hallmark Cards or any of its affiliates of the right of Crown Media Holdings or its subsidiaries to use the names "Hallmark" or "Crown" in their television services or any Channels owned or operated by them. For purposes of the credit facility, a change in control means that (a) Hallmark Cards ceases to own directly or indirectly at least 80% of the equity interest of Hallmark Entertainment Investment, (b) Hallmark Entertainment Holdings ceases to have sufficient voting power to elect a majority of Crown Media Holdings' board of directors or beneficial ownership of over a majority of the outstanding equity interest of Crown Media Holdings having voting power, (c) the majority of the Board is not comprised of individuals who were either in office or who were nominated by a two-third's

vote of individuals in office or so nominated as at December 17, 2001, or (d) the consummation by the Company of a Rule 13e-3 transaction (or a "going-private" transaction) as defined in the Securities Exchange Act.

Waiver and Standby Purchase Agreement

On March 10, 2008, we, Hallmark Cards and affiliates of Hallmark Cards who hold obligations of ours entered into an Amended and Restated Waiver and Standby Purchase Agreement (the "Waiver Agreement"). The Waiver Agreement replaces a previous version of March 21, 2006 as amended through October 2007. The Waiver Agreement extended to March 31, 2009 the period during which the Hallmark parties will defer the payment of obligations listed below. The Waiver Agreement of March 2008 also included the following changes: The annual addition of interest to principal on the obligations described below (except the 10.25% Note continues to add interest semi-annually to the principal); the extension of the maturity dates of three notes (the 2001, 2005 and 2006 notes mentioned below) to December 31, 2009; fixing the interest rate of these three notes to a rate of LIBOR plus 5%, adjusted quarterly; the accrual and addition to principal of interest through November 15, 2008 on these three notes; a requirement to pay interest on these three notes in cash, quarterly commencing November 16, 2008; and a change to the definition of Excess Cash Flow. As revised, the Waiver Agreement defers all payments due on any of the following obligations and, except as noted above, payment of interest thereon until March 31, 2009, or an earlier date as described below as the waiver termination date, whereupon all of these amounts become immediately due and payable (the "Waiver Period"):

Note and interest payable to HC Crown, dated December 14, 2001, in the original principal amount of $75.0 million, payable to HC Crown. (Total amount outstanding at December 31, 2006 and 2007, including accrued interest was $93.5 million and $101.4 million, respectively. See *Note and Interest Payable to HC Crown* below.)

$70.0 million note and interest payable to Hallmark Cards affiliate dated March 21, 2006, arising out of the sale to Crown Media Holdings of the Hallmark Entertainment film library. (Total amount outstanding at December 31, 2006 and 2007, including accrued interest was $53.4 million and $57.9 million, respectively. See *Note and Interest Payable to Hallmark Cards Affiliate* below.)

10.25% senior note, dated August 5, 2003, in the initial accreted value of $400.0 million, payable to HC Crown. (Total amount outstanding at December 31, 2006 and 2007, including accrued interest was $562.2 million and $621.3 million, respectively. See *Senior Note* below.)

Note and interest payable to Hallmark Cards affiliate, dated as of October 1, 2005, in the principal amount of $132.8 million. (Total amount outstanding at December 31, 2006 and December 31, 2007, including accrued interest was $146.4 million and $158.8 million, respectively. See *Note and Interest Payable to Hallmark Cards Affiliate* below.)

Tax Note and interest payable to Hallmark Cards in the amount of $33.1 million, dated as of July 27, 2007. (Total amount outstanding at December 31, 2007, including accrued interest was $22.1 million. See *Note and Interest Payable to Hallmark Cards* below.)

All obligations of the Company under the bank credit facility by virtue of Hallmark Cards' deemed purchase of participations in all of the obligations under a letter of credit which Hallmark Cards has given in support of the facility or the purchase by Hallmark Cards of all these obligations pursuant to the bank credit facility.

Hallmark Cards has agreed that it will not accelerate the maturity of any of the foregoing obligations or initiate collection proceedings during the Waiver Period. Interest will continue to accrue on these obligations during the Waiver Period and will be payable as indicated above. The Company will continue to pay interest on the bank credit facility during the Waiver Period.

The waiver termination date is on March 31, 2009, or earlier upon occurrence of any of the following events: (a) the Company fails to pay any principal or interest, regardless of amount, due on any indebtedness to unrelated parties (other than the credit facility) with an aggregate principal amount in excess of $5.0 million or any other event or condition occurs that results in any such indebtedness becoming due prior to its scheduled maturity, provided that the waiver will not terminate if the Company reduces the principal amount of such indebtedness to $5.0 million or less within five business days of a written notice of termination from Hallmark Cards; (b) certain bankruptcy events occur; (c) the Company defaults in its payment of licensing fees under the Second Amended and Restated Program License Agreement with RHI Entertainment Distribution (formerly known as Hallmark Entertainment Distribution at which time it was a wholly-owned subsidiary of Hallmark Cards); (d) a representation and warranty of the Company in the Waiver Agreement is false or misleading in any material respect; (e) the Company fails to pay interest on the bank credit facility described above to the extent that Hallmark Cards has purchased all or a portion of the indebtedness thereunder or to perform any covenants in the Waiver Agreement; or (f) the security agreements granted to the Hallmark parties shall not remain perfected.

Under the Waiver Agreement, if the bank lender under the bank credit facility accelerates any of the indebtedness under the bank credit facility or seeks to collect any indebtedness under it, then the Company may require that Hallmark Cards or its designated subsidiary exercise an option to purchase all the outstanding indebtedness under the bank credit facility as provided in the bank credit facility. All expenses and fees in connection with this purchase would be added to the principal amount of the credit facility obligations.

The Waiver Agreement does not limit any existing rights of Hallmark Cards or its affiliates to offset amounts owed to us under the Hallmark Tax Sharing Agreement or as otherwise agreed by us against these obligations. Additionally, during the Waiver Period, Hallmark Cards is permitted to offset future tax benefits it realizes pursuant to the Tax Sharing Agreement, first against accrued and unpaid interest and then to the unpaid principal balance of the Tax Note until the earlier of such time as the balance reaches zero or the maturity date of the Tax Note.

Pursuant to the Waiver Agreement, the Company must make prepayments on the outstanding debt from 100% of any "Excess Cash Flow" during the Waiver Period. "Excess Cash Flow" is defined as 1) the net proceeds of any debt or equity financings; 2) the net cash proceeds from the sale, transfer or release by the Company of assets outside the ordinary course of business; and 3) if positive, the consolidated net cash flow from operations calculated in the same manner (and subject to the same restrictions on selling, general and administrative expenses, capital expenditures and similar items) as "Cash Flow Before Interest, Taxes (including tax sharing payments) and Principal" as set forth in the Crown Media Holdings 2008 budget as approved by the Board of Directors of Crown Media Holdings and provided to the Hallmark parties. For 2009, the restrictions will be those contained in the 2009 budget to be approved by the Board of Directors of Crown Media Holdings and reasonably acceptable to the Hallmark parties.

In addition, we provided a release to Hallmark Cards and related parties for any matters prior to the date of the restated Waiver Agreement.

In consideration for Hallmark Cards to execute Amendment No. 4 to the waiver and standby agreement, on July 27, 2007, the Company executed a Copyright Security Agreement and Security and Pledge Agreement for the benefit of Hallmark Cards and its affiliates. Under the agreements, the Company and its subsidiaries grant security interests to Hallmark Cards and its affiliates in any copyright license and program license agreements and all other personal property.

Hallmark Letter of Credit

Pursuant to Amendment No. 8 to the bank credit facility, Hallmark Cards provided an irrevocable letter of credit issued by Citibank, N.A. to JP Morgan Chase Bank in the original amount of $320.0 million, as credit support for our obligations under the Company's bank credit facility (the "credit facility"). The support letter of credit was reduced to $220.0 million upon the consummation of the sale of the Company's international business and the reduction of the aggregate outstanding credit exposure of its lenders to $220.0 million. It was subsequently reduced to $130.0 million along with the bank credit facility. The letter of credit was renewed in March 2008 and reduced to $90.0 million. It expires on June 10, 2009. Drawdowns under the letter of credit may be made for amounts due and payable under the credit facility and upon the occurrence of certain other events. Any proceeds received by JP Morgan Chase Bank from drawing under this support letter of credit will be used to purchase on behalf of Hallmark Cards, subordinated participations in our obligations under the bank credit facility. As consideration, we agreed to pay Hallmark Cards' the amounts resulting from the 2.0% reduction in the interest rate and the 0.3% reduction in the commitment fee payable by the Company under the bank credit facility as provided in Amendment No. 8. In addition, we agreed to pay the fee charged for the letter of credit which was 0.625% of the amount of the letter of credit.

In conjunction with Amendment No. 10, Hallmark Cards extended its letter of credit to correlate to the maturity date of the credit facility and also increased the size of the letter of credit from $220.0 million to $240.0 million. In consideration of this extension and increase in the size of the letter of credit, the Company agreed to continue to pay Hallmark Cards the difference between the interest rate formerly charged the Company before the letter of credit was available and the rate now charged with the backing of the letter of credit. Since the interest rate was further reduced in Amendment No. 10 to LIBOR plus 0.75%, the interest differential now payable to Hallmark Cards is 2.25% of the outstanding indebtedness under the credit facility. In addition, the Company agreed to continue to pay the fee charged for the letter of credit which was increased to 0.875% of the amount of the letter of credit.

Note and Interest Payable to HC Crown

On December 14, 2001, the Company executed a $75.0 million promissory note with HC Crown. Due to the Waiver Agreement, the line of credit and related interest are not due until December 31, 2009. This line of credit is subordinate to the bank credit facility. The rate of interest under this line of credit was equal to LIBOR plus three percent (currently LIBOR plus 5% per annum pursuant to the March 2008 amendment to the Waiver Agreement). At December 31, 2006, and 2007, borrowings under the note were $87.7 million and $93.5 million, respectively. Accrued interest on the note of $5.8 million and $7.9 million are included in line of credit and interest payable to HC Crown as of December 31, 2006 and 2007, respectively, on the accompanying consolidated balance sheets. At December 31, 2006, $87.7 million of the outstanding balance bore interest at the Eurodollar rates of 8.37%. At December 31, 2007, $93.5 million of the outstanding balance bore interest at the Eurodollar rates of 8.23%. At December 31, 2006 and 2007, $93.5 million and $101.4 million were included in the line of credit and interest payable to HC Crown on the accompanying consolidated balance sheets, respectively.

Note and Interest Payable to Hallmark Cards Affiliate

On March 21, 2006, the Company converted approximately $70.4 million of payables to a Hallmark Cards affiliate to a promissory note bearing interest at LIBOR plus 3% per annum (currently LIBOR plus 5% per annum pursuant to the March 2008 amendment to the Waiver Agreement). Pursuant to the Waiver Agreement, the promissory note is payable in full on December 31, 2009. At December 31, 2006, and 2007, borrowings under the note were $49.3 million and $53.4 million, respectively. Accrued interest on the note of $4.1 million and $4.5 million is included in note and interest payable to

Hallmark Cards affiliate as of December 31, 2006 and 2007, respectively, on the accompanying consolidated balance sheet. At December 31, 2006, $49.3 million of the outstanding balance bore interest at the Eurodollar rates of 8.37%. At December 31, 2007, $53.4 million of the outstanding balance bore interest at the Eurodollar rates of 8.23%. At December 31, 2006 and 2007, $53.4 million and $57.9 million were included in the line of credit and interest payable to Hallmark Cards affiliate in the accompanying consolidated balance sheet, respectively.

During the third quarter of 2006, Hallmark Cards used $18.0 million of the 25% in the federal tax benefits from losses the Company generated to reduce the $70.4 million balance on the line of credit and interest payable to Hallmark Cards affiliate. On September 1, 2006, Hallmark Cards also reduced the balance of line of credit by $3.1 million, which was related to the December 1, 2005, agreement with NICC.

Senior Secured Note

In August 2003, the Company issued a senior note to HC Crown for $400.0 million. A portion of the proceeds was used to repurchase the Company's outstanding trust preferred securities, and the balance of the proceeds, after expenses, was used to reduce amounts outstanding under its bank credit facility.

In accordance with the Waiver Agreement, payments are not required until March 31, 2009. The principal amount of the senior note accretes at 10.25% per annum, compounding semi-annually, to $596.6 million at August 5, 2007. From that date, interest at 10.25% per annum was scheduled to be payable semi-annually on the accreted value of the senior note to HC Crown, but now will be payable subsequent to March 31, 2009. The note matures on August 5, 2011, and is pre-payable without penalty. At December 31, 2006 and 2007, $562.2 million and $621.3 million, respectively, of principal and accreted interest were included in the senior note payable in the accompanying consolidated balance sheets. The note purchase agreement for the senior note contains certain covenants which restrict the Company, among other matters, from the incurrence of any additional indebtedness, the repurchase or other acquisitions of the Company's stock, investments in other parties and the incurrence of liens on the Company's assets. As a fee for the issuance of the notes, the Company paid $3.0 million to HC Crown, which was initially capitalized and is being amortized as additional interest expense over the term of the note payable.

Note and Interest Payable to Hallmark Cards Affiliate

On October 1, 2005, the Company converted approximately $132.8 million of its license fees payable to Hallmark affiliates to a promissory note bearing interest at LIBOR plus 3% per annum (currently LIBOR plus 5% per annum pursuant to the March 2008 amendment to the Waiver Agreement). Pursuant to the Waiver Agreement, the promissory note is payable in full on December 31, 2009. At December 31, 2006, and 2007, borrowings under the note were $137.4 million and $146.4 million, respectively. Accrued interest on the note of $9.0 million and $12.4 million is included in note and interest payable to Hallmark Cards affiliate as of December 31, 2006, and 2007, respectively, on the accompanying consolidated balance sheets. At December 31, 2006, $137.4 million of the outstanding balance bore interest at the Eurodollar rates of 8.37%. At December 31, 2007, $146.4 million of the outstanding balance bore interest at the Eurodollar rates of 8.23%. At December 31, 2006 and 2007, $146.4 million and $158.8 million were included in the note and interest payable to Hallmark Cards affiliate in the accompanying consolidated balance sheets, respectively.

Note and Interest Payable to Hallmark Cards

On July 27, 2007, the Company issued a $33.1 million promissory note payable to Hallmark Cards due in July 2009 with interest at LIBOR plus 3% per annum (the "Tax Note") in satisfaction of a tax

sharing obligation resulting from an Internal Revenue Service examination of Hallmark Cards' consolidated returns for 2003 and 2004. The Tax Note may be prepaid in whole or in part with no penalty. The Company is not required to make any cash payments prior to maturity. Until the Note and related interest is paid in full, Hallmark Cards will offset any future tax benefits it realizes pursuant to the Tax Sharing Agreement, first against accrued and unpaid interest and then against the unpaid principal balance. In September 2007, Hallmark Cards offset $6.5 million against $508,000 of accrued and unpaid interest and $6.0 million of unpaid principal. Additionally, in September 2007, the Company recorded an additional $85,000 charge to interest expense related to the receipt of an invoice for the actual amount owed in regard to the return of tax benefits under the Tax Sharing Agreement as described below. In December 2007, Hallmark Cards offset $5.7 million against $571,000 of accrued and unpaid interest and $5.1 million of unpaid principal.

There was no accrued interest on the Tax Note to be included in note and interest payable to Hallmark Cards as of December 31, 2007, on the accompanying consolidated balance sheet. At December 31, 2007, $22.1 million of the outstanding balance bore interest at the Eurodollar rates of 8.23%. At December 31, 2007, $22.1 million was included in the note and interest payable to Hallmark Cards in the accompanying consolidated balance sheet.

The Tax Note and any payment thereunder are subordinated to the bank credit facility of the Company. Hallmark Cards is permitted, though, to offset future tax benefits it realizes pursuant to the Tax Sharing Agreement, first against accrued and unpaid interest and then to the unpaid principal balance of the Tax Note until the earlier of such time as the balance reaches zero or the maturity date of the Tax Note.

Interest Paid to HC Crown

Interest expense paid to HC Crown, which formerly was payable to the Company's bank syndicate and resulted from a reduction in the interest rate and commitment fee payable to the Company's bank syndicate in Amendment No. 8 and Amendment No. 10 to the Company's credit facility, was $3.2 million for the year ended December 31, 2005, $4.4 million for the year ended December 31, 2006, and $1.8 million for the year ended December 31, 2007.

Tax Sharing Agreement

On March 11, 2003, Crown Media Holdings became a member of Hallmark Cards consolidated federal tax group and entered into the Tax Sharing Agreement with Hallmark Cards. Hallmark Cards includes Crown Media Holdings in its consolidated federal income tax return. Accordingly, Hallmark Cards has benefited from past tax losses and may benefit from future tax losses, which may be generated by Crown Media Holdings. Based on the Tax Sharing Agreement, Hallmark Cards pays Crown Media Holdings all of the benefits realized by Hallmark Cards as a result of consolidation, 75% in cash on a quarterly basis and the balance when Crown Media Holdings becomes a taxpayer. Under the Tax Sharing Agreement, at Hallmark Cards' option, this 25% balance may also be applied as an offset against any amounts owed by Crown Media Holdings to any member of the Hallmark Cards consolidated group under any loan, line of credit or other payable, subject to any limitations under any loan indentures or contracts restricting such offsets. The Company does not expect to receive any cash amounts under the agreement in 2008. See discussions of the Tax Note above pursuant to which Hallmark Cards may offset any future tax benefits against the Tax Note until the Tax Note is paid in full.

An independent member of the Board of Directors of Crown Media Holdings, with advice of independent counsel approved Crown Media Holdings' entering into the Tax Sharing Agreement.

The Company received $30.0 million (including the $18.0 million offset to intercompany debt during 2006) and $12.2 million (including the $12.2 million offset to the Tax Note during 2007) under the Tax Sharing Agreement during 2006 and 2007, respectively.

Stockholders Agreement and Registration Rights

General

We are a party to a stockholders agreement, amended and restated as of August 30, 2001, as amended (including the modification in the January 2, 2008, agreement with NICC) with VISN, The DIRECTV Group, Inc. ("DIRECTV"), and Hallmark Entertainment Investments. The stockholders agreement provides that our Board will consist of not less than 15 directors, with 12 nominated by Hallmark Entertainment Investments, and two independent directors, who must not be officers, directors or employees of any of the parties or their affiliates, and who will be nominated by the Board. The rights of the parties to nominate a director will terminate on the later of (1) such party owning less than 5% of our common stock then outstanding or (2) such party ceasing to own at least 75% of the number of shares of our common stock held by them immediately after our initial public offering in May 2000. Hughes is entitled to appoint an observer to the board of directors of Crown Media Holdings until Hughes and its affiliates cease to own beneficially in the aggregate at least 75% of the shares of our common stock acquired by DirecTV, the predecessor holder of the shares now held by Hughes, in the August 2001 transaction.

The stockholders agreement also provides that we will not enter into any material transaction, except for specified transactions, with any of the other parties or their affiliates involving an aggregate value of (1) $35.0 million or less, unless such transaction is approved by a majority of our independent directors and (2) more than $35.0 million, unless such transaction is approved by a majority of the members of our Board not nominated by the interested party.

In addition, the stockholders agreement provides that, in the event that Hallmark Entertainment Investments proposes to transfer 20% or more of our outstanding common stock to an unaffiliated third party, each other party to the stockholders agreement will have the right to participate on the same terms in that transaction with respect to a proportionate number of such other party's shares, except for Hughes.

Hallmark Entertainment Investments Co. Stockholders Agreement

On March 11, 2003, Hallmark Entertainment Holdings contributed 100% of the Crown Media Holdings shares owned by it to Hallmark Entertainment Investments. Two of Crown Media Holdings investors, Liberty Crown, Inc. ("Liberty"), a subsidiary of Liberty Media, and J.P. Morgan, also contributed 100% of their Crown Media Holdings Shares to Hallmark Entertainment Investments and VISN contributed 10% of its Crown Media Holdings shares to Hallmark Entertainment Investments, all in return for Hallmark Entertainment Investments shares. Prior to the Hallmark Entertainment Investments transaction, J.P. Morgan and Liberty were parties to the Crown Media Holdings stockholders agreement described above. As a result of the Hallmark Entertainment Investments transaction, J.P. Morgan and Liberty no longer have any rights pursuant to such stockholders agreement. However, Hallmark Entertainment Investments has advised Crown Media Holdings that J.P. Morgan and Liberty will retain similar rights with respect to Crown Media Holdings pursuant to the Hallmark Entertainment Investments stockholders agreement dated March 11, 2003, among Hallmark Entertainment Investments, Hallmark Entertainment Holdings, Liberty, VISN, and J.P. Morgan, including the following:

Liberty has the right to designate one person as one of the directors to the Crown Media Holdings Board that Hallmark Entertainment Investments is entitled to nominate under the Crown Media Holdings stockholders agreement described above. J.P. Morgan had the right to

designate one person as one of the directors to the Crown Media Holdings Board but has surrendered such right.

Hallmark Entertainment Investments will not permit Crown Media Holdings or its subsidiaries to enter into any material transaction, except for specified transactions, with any affiliates involving an aggregate value of (a) $35.0 million or less, unless such transaction is approved by a majority of Crown Media Holdings' independent directors and (b) more than $35.0 million, unless such transaction is approved by a majority of the members of Crown Media Holdings' Board not nominated by any affiliate of Hallmark Entertainment Holdings (provided that directors designated by Liberty and J.P. Morgan will not be treated as being nominated by any affiliate of Hallmark Entertainment Holdings);

registration rights as provided for minority stockholders in the Crown Media Holdings stockholders agreement;

Hallmark Entertainment Investments may not take certain actions as specified in the Hallmark Entertainment Investments stockholder agreement without the consent of J.P. Morgan and Liberty; and

if Hallmark Entertainment Holdings proposes to transfer 20% or more of Hallmark Entertainment Investments common stock to an unaffiliated third party, each of J.P. Morgan, Liberty and VISN will have the right to participate on the same terms in the transaction on a proportional basis.

Registration Rights

Under the stockholders agreement, Hallmark Entertainment Investments has the right to require us on four occasions, and the other parties, as a group, have the right to require us on two occasions, to register for sale their shares of our common stock, so long as the number of shares they require us to register in each case is at least 7% of our common stock then outstanding. The other parties also have an unlimited number of "piggyback" registration rights. This means that any time we register our common stock for sale, they will have the right to include their common stock in that offering and sale.

We are obligated to pay all expenses that result from the registration of the other parties' common stock under the stockholders agreement, other than registration and filing fees, attorneys' fees, underwriter fees or expenses and underwriting discounts and commissions. We have also indemnified the other parties against any liabilities that may result from their sale of common stock, including Securities Act liabilities.

Rights Relating To Crown Media United States Amended and Restated Company Agreement

Under the stockholders agreement, so long as we or any of our affiliates are entitled to have a representative on the Crown Media United States governance committee, and VISN and its affiliates either are entitled to nominate to, or designate a member of, our Board, or beneficially own any preferred interests in Crown Media United States, neither we nor any of our affiliates were able without the consent of the member of our Board nominated by VISN or a representative of NICC, to vote in favor of:

any specified change in, or action described in, the Crown Media United States amended and restated company agreement that relates to VISN's preferred interest in Crown Media United States or that relates to VISN's rights to programming on the Hallmark Channel in the U.S. or its programming budget;

any repayment or redemption of specified equity interests in Crown Media United States;

any transfer of all of Crown Media United States' assets or any business combination involving Crown Media United States where Crown Media United States is not the surviving entity, unless the transferee assumes specified obligations under the Crown Media United States amended and restated company agreement until the later of the fifth anniversary of these offerings or the second anniversary of the transfer or business combination;

the dissolution of Crown Media United States, except in connection with a complete liquidation;

any transfer of all of Crown Media United States' assets to, or any business combination involving Crown Media United States' with, us or any of our affiliates, or any other material transaction with us or any of our affiliates, unless we comply with specified restrictions relating to any financial benefit we receive from the transaction that is more than what we would have received had the transaction been on an arm's-length basis or on commercially reasonable terms;

any transfer of all of Crown Media United States' assets or any business combination involving Crown Media United States where Crown Media United States is not the surviving entity, prior to the second anniversary of the initial public offering; or

any amendment to the Crown Media United States' amended and restated company agreement that would result in none of us or our affiliates having the right to consent to take any of the actions listed in the above bullet points.

The restrictions set forth above were extinguished upon execution of a settlement agreement dated January 2, 2008 between Crown Media Holdings and NICC, pursuant to which NICC voluntarily relinquished its right to designate a director on our Board, effective with the resignation of NICC's designee on December 19, 2007 (for a description of this settlement agreement, see above "Crown Media United States Program Agreement with NICC").

Intercompany Services Agreement

The Company has an intercompany services agreement with Hallmark Cards, which was entered into in 2003 for a term of three years and then extended for additional one-year terms through January 1, 2009. Under the agreement, Hallmark Cards provides us with the following services:

tax services;

risk management, health, safety and environmental services and insurance;

legal services;

treasury and cash management services; and

real estate consulting services.

We have agreed to pay Hallmark Cards $530,000 in 2006 and $546,000 in 2007 per year for these services, plus out-of-pocket expenses and third party fees, payable in arrears on the last business day of each quarter. The balance of the payable for services, expenses and fees under this and the previous services agreement as of December 31, 2006 and 2007, was approximately $4.5 million and $5.1 million, respectively. We believe that the services being provided under the agreement have a value at least equal to the annual fee.

Hallmark Trademark License Agreements

Crown Media United States operates under the benefit of a limited trademark license agreement with Hallmark Licensing, Inc., dated March 27, 2001, which has been extended through September 1, 2008. The amended and restated Crown Media United States trademark agreement permits Crown Media United States to name its network service as the "Hallmark Channel." The agreement contains usage standards, which limit certain types of programming and programming content aired on Crown Media United States' network. Crown Media United States also has a similar trademark license agreement with Hallmark Licensing, Inc., which is effective January 1, 2004, and as extended expires September 1, 2008, to permit the use of the Hallmark trademark in the name of the "Hallmark Movie Channel".

Under the agreement, if Hallmark Cards notifies us in writing that it has determined that we have failed to comply with the usage standards set forth in the agreement or have otherwise breached our obligations under the agreement, we are required to stop any non-complying activity within 10 days of that notice or we may be in default of the agreement. We also may be in default if Hallmark Cards delivers such a written notice to us with respect to its standards three or more times in any 12-month period. In addition, there may be a default under the agreement if we fail to cure any breach of the program agreement with RHI Entertainment Distribution, if we fail to make any payments due under loan agreements within five days of the due date, or if we receive an opinion from our auditors that shows that we no longer are a going concern.

The license agreements can be terminated immediately and without notice if we transfer in any way our rights under the license agreements, if we have an event of default under the agreement or in events of bankruptcy, insolvency or similar proceedings.

Certain Business Relationships and Conflicts of Interest

Hallmark Entertainment Investments controls a majority of our outstanding shares of Class A Common Stock and all of our outstanding shares of Class B common stock, representing approximately 95.8% of the voting power on all matters submitted to our stockholders. Hallmark Entertainment Investments' control could discourage others from initiating potential merger, takeover or other change of control transactions that may otherwise be beneficial to our businesses or holders of Class A common stock. As a result, the market price of our Class A common stock or our business could suffer.

Hallmark Entertainment Investments' control relationship with us also could give rise to conflicts of interest, including:

- conflicts between Hallmark Entertainment Investments, as our controlling stockholder, and our other stockholders, whose interests may differ with respect to, among other things, our strategic direction or significant corporate transactions;

- conflicts related to corporate opportunities that could be pursued by us, on the one hand, or by Hallmark Entertainment Investments or its other affiliates, on the other hand; or

- conflicts related to existing or new contractual relationships between us, on the one hand, and Hallmark Entertainment Investments and its affiliates, on the other hand.

In addition, our directors, who are also officers or directors of Hallmark Entertainment Investments or its affiliates, will have fiduciary duties, including duties of loyalty, to both companies and may have conflicts of interest with respect to matters potentially involving or affecting us.

Our certificate of incorporation provides that Hallmark Cards will have no duty to refrain from engaging in activities or lines of business that are the same as or similar to the activities or lines of business in which we engage, and neither Hallmark Cards nor any officer or director of Hallmark

Cards, except as provided below, will be liable to us or to our stockholders for breach of any fiduciary duty by reason of any such activities of Hallmark Cards. In the event that Hallmark Cards acquires knowledge of a potential transaction or matter which may be a corporate opportunity for both Hallmark Cards and us, Hallmark Cards will have no duty to communicate or offer that corporate opportunity to us and will not be liable to us or our stockholders for breach of any fiduciary duty as a stockholder by reason of the fact that Hallmark Cards pursues or acquires that corporate opportunity for itself, directs that corporate opportunity to another person, or does not communicate information regarding that corporate opportunity to us.

In the event that one of our directors or officers who is also a director or officer of Hallmark Cards acquires knowledge of a potential transaction or matter which may be a corporate opportunity for both us and Hallmark Cards, that director or officer will have fully satisfied his or her fiduciary duty to us and our stockholders with respect to that corporate opportunity if that director or officer acts in a manner consistent with the following policy:

- a corporate opportunity offered to any person who is one of our officers, and who is also a director but not an officer of Hallmark Cards, will belong to us;

- a corporate opportunity offered to any person who is one of our directors but not one of our officers, and who is also a director or officer of Hallmark Cards, will belong to us if that opportunity is expressly offered to that person in his or her capacity as one of our directors, and otherwise will belong to Hallmark Cards; and

- a corporate opportunity offered to any person who is one of our officers and an officer of Hallmark Cards will belong to us if that opportunity is expressly offered to that person in his or her capacity as one of our officers, and otherwise will belong to Hallmark Cards.

For purposes of the policy:

- a director who is our Chairman of the Board or Chairman of a committee of the Board will not be deemed to be one of our officers by reason of holding that position, unless that person is one of our full-time employees;

- references to us shall mean us and all corporations, partnerships, joint ventures, associations and other entities in which we beneficially own, directly or indirectly, 50% or more of the outstanding voting stock, voting power, partnership interests or similar voting interests; and

- the term "Hallmark Cards" means Hallmark Cards and all corporations, partnerships, joint ventures, associations and other entities, other than us, as we are defined in this paragraph, in which Hallmark Cards beneficially owns, directly or indirectly, 50% or more of the outstanding voting stock, voting power, partnership interests or similar voting interests.

The foregoing provisions of our certificate of incorporation will expire on the date that Hallmark Cards ceases to own beneficially common stock representing at least 20% of the total voting power of all of our classes of outstanding capital stock and no person who is one of our directors or officers is also a director or officer of Hallmark Cards or any of its subsidiaries.

Other than as disclosed above and under " Stockholders Agreement and Registration Rights," there are no specific policies in place with respect to any conflicts that may arise. We expect conflicts to be resolved on a case-by-case basis, and in a manner consistent with applicable law.

Transactions with JP Morgan Chase Bank

We have a revolving credit facility with JP Morgan Chase Bank, N.A., providing a secured line of credit of up to a total of $90.0 million due May 31, 2009. Prior to an amendment in March 2008, which included an extension of the maturity date, this revolving credit agreement was with a syndicate of

banks led by JP Morgan Chase Bank and was at varying amounts, including $130.0 million during 2007. For information regarding the terms of the bank credit agreement, please see "Bank Credit Facility and Hallmark Notes" above. As part of this credit facility, JP Morgan Chase Bank originally committed to lend to us up to $45.0 million, which was first reduced to $31.0 million and subsequently reduced to $29.0 million. As of March 2008, JP Morgan Chase Bank's commitment is for the entire $90.0 million of the credit facility. At December 31, 2006 and 2007, JP Morgan Chase Bank had outstanding loans to us under the line of credit of $24.6 million and $15.5 million, respectively. Each loan under the credit facility bears interest at a Eurodollar rate or an alternate base rate as we may request at the time of borrowing in accordance with the credit agreement. We are required to pay a commitment fee of 0.2% per annum of the committed, but not outstanding, amounts under the revolving credit facility, payable in quarterly installments. This commitment fee was 0.5% per annum prior to an amendment effective March 2005. We paid a total of $12.8 million in interest and $125,000 in fees to JP Morgan Chase Bank under the credit facility for the year ended December 31, 2006. We paid a total of $5.4 million in interest and $125,000 in fees to JP Morgan Chase Bank under the credit facility for the year ended December 31, 2007. In connection with the March 2008 amendment, we paid to JP Morgan Chase Bank an upfront commitment fee of $45,000 and an arrangement fee of $75,000.

JP Morgan Chase Bank was our related party as a result of an executive officer being on the Board of the Company. This director resigned from the Company's board in August 2006. The JP Morgan Chase Bank may also be considered a related party because of the interest of JP Morgan in Hallmark Entertainment Investments.

AUDIT COMMITTEE

Report of the Audit Committee

Management is responsible for the Company's internal controls, and the Company's independent auditors are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with U.S. generally accepted accounting principles and issuing a report on the financial statements. The Audit Committee has general oversight responsibility with respect to these matters. The Audit Committee reviews the results and scope of the audit conducted by the Company's independent auditors.

The Audit Committee has met and held discussions with our management and independent auditors. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles. The Audit Committee has:

- reviewed and discussed the audited financial statements with management;
- discussed with the independent auditors the matters required to be discussed by the statements on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and
- received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committee*), as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and has discussed with the independent accountant the independent accountant's independence.

Based on the Audit Committee's review and discussions detailed above, the Audit Committee recommended to the Board that the audited financial statements be included in the Company's Annual

Report on Form 10-K for the year ended December 31, 2007 for filing with the Securities and Exchange Commission.

THE AUDIT COMMITTEE:

A. Drue Jennings, Chairman
Herbert Granath
Peter A. Lund

The preceding information under the caption "Report of the Audit Committee" shall be deemed to be "furnished" but not "filed" with the Securities and Exchange Commission.

Pre-Approval Policy and Procedures for Services of Independent Public Accountants

As part of its duties under the Audit Committee Charter, the Audit Committee annually pre-approves all audit and non-audit services performed by the Company's auditors in order to assure that the auditors are independent from the Company. If a type of service to be provided by the auditors has not been pre-approved during this annual process, the Audit Committee pre-approves such service on a case-by-case basis. The Audit Committee does not delegate to management its responsibilities to pre-approve services performed by the auditors.

Appointment of Auditors for 2008

The Audit Committee of our Board engaged KPMG LLP to serve as our independent public accountant for the year ending December 31, 2008. We expect representatives of KPMG LLP to attend the annual meeting, be available to respond to appropriate questions from stockholders and be given an opportunity to speak, if desired.

Audit Fees

The following table presents aggregate fees billed for professional services rendered by KPMG LLP, our principal accountant in fiscal years 2006 and 2007:

	Fiscal Year	
Type of Fee	**2006**	**2007**
Audit Fees(1)	1,487,989	1,169,844
Audit-Related Fees		
Tax Fees		
All Other Fees		
Total Fees	1,487,989	1,169,844

(1) *Audit Fees* are for the audit of our annual financial statements, review of financial statements included in our Forms 10-Q and services rendered in connection with management's assessment of internal controls over financial reporting and the related report in accordance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

SUBMISSION OF STOCKHOLDER PROPOSALS

The deadline for submitting stockholder proposals consistent with Rule 14a-8 promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), for inclusion in the proxy statement for the next annual meeting is January 19, 2009.

Our bylaws provide that any stockholder wishing to bring any nomination or other business before an annual meeting must give timely notice in proper written form to the Company Secretary not less than 90 days nor earlier than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders. However, in the event that the annual meeting is called for a date that is not within 30 days before or 60 days after the anniversary date of the immediately preceding annual meeting, to be timely, the stockholder notice must be received not later than the close of business on the 90th day and not earlier than the 120th day prior to such annual meeting, or by the 10th day after public disclosure of the date of the annual meeting. For the Company's year 2009 annual meeting, notice must be received by March 26, 2009. The notice must be in writing and set forth (a) as to each person whom the stockholder proposes to nominate for election as a director, all information relating to the person that is required to be disclosed pursuant to Regulation 14A under the Exchange Act (including the person's written consent to being named and to serving, if elected, as a director), (b) as to any other business proposed to be brought before the meeting, a brief description of and the reasons for the business, and any material interest of the person bringing the proposal, and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, the name and address of, and the class and number of shares owned by, the stockholder and any beneficial owner.

OTHER BUSINESS

The Board knows of no other matters for consideration at the meeting. If any other business should properly arise, the persons appointed in the enclosed proxy have discretionary authority to vote in accordance with their best judgment.

By Order of the Board of Directors

/s/ BRIAN E. GARDNER

BRIAN E. GARDNER
Secretary

May 15, 2008

Form of Proxy

CROWN MEDIA HOLDINGS, INC.

ANNUAL MEETING OF STOCKHOLDERS

June 24, 2008
11:00 a.m.

Sheraton New York Hotel & Towers
811 Seventh Avenue
New York, New York 10019

PROXY

The Board solicits this proxy for use at the Annual Meeting on June 24, 2008.

The shares of stock you hold in your account will be voted as you specify on the reverse side.

If no choice is specified, the proxy will be voted "FOR" the Board's nominees.

By signing the proxy, you revoke all prior proxies and appoint Henry S. Schleiff and Brian C. Stewart, and each of them, with full power of substitution, to vote all your shares on the matters shown on the reverse side and any other matters that may come before the Annual Meeting and all adjournments.

(to be signed and dated on the other side)

The Board Recommends a Vote "FOR" the Board's nominees.

1.

Election of Directors:

o FOR all nominees listed below (except as marked to the contrary below)
o WITHHOLD AUTHORITY to vote for all nominees listed below

Dwight C. Arn	William Cella	Glenn Curtis	Steve Doyal
Brian E. Gardner	Herbert Granath	David Hall	Donald Hall, Jr.
Irvine O. Hockaday, Jr.	A. Drue Jennings	Peter A. Lund	Brad R. Moore
Henry Schleiff	Deanne Stedem		

(INSTRUCTION: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, WRITE THE NOMINEE'S NAME ON THE LINE IMMEDIATELY BELOW.)

2.

In their discretion, to vote upon other matters properly coming before the meeting.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED. IF NO DIRECTION IS GIVEN, THE PROXY WILL BE VOTED "FOR" THE BOARD'S NOMINEES.

Address Change? Mark Box o
Indicate changes below:

Dated: _____ , 2008

_____

Signature

_____

Signature if held jointly

Please sign exactly as your name(s) appears on Proxy. If held in joint tenancy, all persons must sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the proxy.

COMPANY #
CONTROL #

Voting Instructions

There are three ways to vote your Proxy: by telephone, via the Internet or by mail. The telephone and Internet voting procedures are designed to authenticate your identity, allow you to vote your shares and to confirm that your instructions have been properly recorded. If your shares are held in the name of a bank or broker, the availability of telephone and Internet voting will depend on the processes of the bank or broker; therefore you should follow the voting instructions on the form you receive from your bank or broker.

Vote by Telephone

Use any touch-tone telephone to vote your proxy 24 hours a day, 7 days a week by calling 1-800-435-6710. Have your proxy card in hand when you call. You will be prompted to enter your 3-digit company number and a 7-digit control number (these numbers are located above). Follow the recorded instructions.

Your telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card. The deadline for telephone voting is 11:59 p.m. EDT on June 23, 2008.

Vote Via the Internet

Log on to the Internet and go to the web site http://www.proxyvote.com 24 hours a day, 7 days a week. Have your proxy card in hand when you access the web site. You will be prompted to enter your 3-digit company number and a 7-digit control number (these numbers are located above). Follow the instructions provided.

If you vote over the Internet, you may incur costs such as telecommunication and Internet access charges for which you are solely responsible. Your telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card. The deadline for Internet voting is 11:59 p.m. EDT on June 23, 2008.

Vote by Mail

Mark, sign and date your proxy card and return it in the postage-paid envelope provided so that it is received by June 23, 2008.

Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

If you vote by telephone or the Internet, please do NOT mail your proxy card.

YOUR VOTE IS IMPORTANT. THANK YOU FOR VOTING.

QuickLinks