years are not affected, the executives said. TCI also would acquire TBS’s interest in SportSouth for $60 million and Time Warner’s interest in the Sunshine Network for $14 million. TCI’s Liberty Media also would negotiate an output deal with Turner’s New Line Cinema films for its pay cable service, Encore. In addition, TCI, along with all other holders of “C” class preferred stock in Turner, which would include both Comcast and Continental, would receive a premium .80 shares of Time Warner stock for each share of TBS stock they own. Holders of other classes of TBS stock would receive .75 shares of Time Warner stock for each of their shares.

While Ted Turner would get a seat on the Time Warner board of directors (which voted unanimously for the deal), Malone would not get a seat in his own right. However, Turner would have the right to fill one additional seat on the board and speculation is he would give it to Malone. But last week he kept mum on the subject.

The TBS board voted unanimously for the merger, but both Brian Roberts of Comcast and Tim Neher of Continental abstained.

Continental said it was “deeply troubled” by the “preferential treatment” accorded TCI, presumably meaning its 20-year affiliation agreements for the Turner network. Continental said it is considering action, but will not attempt to derail the deal.

Meanwhile, Levin restated the company’s commitment to building the WB broadcast network. And Malone also is expected to help the WB Network improve its relationship with cable operators, which will be essential to that network’s future growth. “We need a salesman out there,” said Warner Bros. co-chairman Robert Daly. “We need cable distribution to propel WB. Malone helped Fox grow. There’s no reason why he shouldn’t help us grow now that he’s a [major] shareholder.”

The combined companies had revenue of $187.7 billion in 1994 and cash flow of $3.4 billion. In 1995, revenue will approach $20 billion, and cash flow will exceed $4 billion, executives said.

### FCC wants to auction Primestar channels

**Cable-backed satellite company vows to fight, including in Congress, for DBS frequencies**

By Chris McConnell

Primestar Partners is losing its battle at the FCC for DBS channels. Three FCC commissioners have said they will vote to auction the channels Primestar had hoped to use to provide a high-power DBS service. Primestar, which now offers a direct-to-home satellite TV service from a GE Americom satellite, says it is not giving up on the channels.

“We’re going to explore all our avenues of appeal,” says Primestar Chairman Jim Gray, who last week added that he was not conceding defeat at the commission.

Gray’s company had hoped to reverse an FCC International Bureau decision to strip DBS licensee Advanced Communications Corp. of 51 DBS channels. The action spoiled a deal Advanced had struck with TCI subsidiary Tempo DBS to sell 27 of the channels for about $45 million. Tempo planned then to lease the channels to Primestar.

After Primestar, Tempo and others appealed the ruling, the bureau initially suggested a plan that would allow Primestar access to the channels, and limit Advanced to recovering about $5 million in costs rather than the original $45 million.

But commissioners Rachelle Chong and Susan Ness and FCC Chairman Reed Hundt have decided to auction the channels instead.

Word of the decisions by Ness and Hundt last week had Primestar focusing its efforts on Capitol Hill, where Senator John McCain (R-Ariz.) has said he will offer an amendment to the Senate Commerce Appropriations bill requiring the FCC to auction the disputed channels. Sources say participants in the cable-backed Primestar venture were lobbying lawmakers to launch a competing Senate measure that would require the commission to grant Primestar access to the channels.

“Not everyone in the Congress takes the position that Senator McCain has taken,” Gray says, although he did not comment on the prospect of any competing measure.

Should Primestar eventually be forced to bid on the channels, it will face at least one competitor in MCI. The long-distance carrier pushed hard for a chance to bid on the channels and has said it will offer a DBS service if it wins them.