yield, high-risk securities known as junk bonds but that such an approach would be difficult. Even Drexel Burnham Lambert, the investment banking firm that Turner has engaged, has promise no more than to use its "best efforts" to raise the funds.

With the announcement last Monday confirming several days of press speculation that a deal between Turner and MGM/UA was in the works, the price of MGM/UA stock jumped from 17⅞ to 22⅝. It inched up throughout the week, hitting a high on Wednesday of 25 and closing Friday at 24¾. The difference between Friday's price and Turner's bid of $29 was considered a dollars-and-cents measure of the stock market's skepticism.

Simple mathematics and a look at MGM/UA's balance sheet have caused some analysts to doubt the feasibility of the Turner bid. Along with MGM's assets, Turner is also acquiring about $565 million of debt—$220 million in bank debt and $345 million in public notes—which required $48 million in interest payments during the first nine months of MGM/UA's fiscal 1985, which ends Aug. 31. If Drexel were to raise $1 billion through junk bonds paying, say, 13%, Turner's annual interest payment could approach $200 million. And MGM/UA was able to generate less than $100 million in cash flow in fiscal 1984.

But analysts saw several ways Turner could keep his debt or at least his debt-service burden to a minimum. Drexel, for instance, could offer different types of securities, some of which would allow Turner to defer interest payments for a few years.

To immediately reduced the debt, Turner could sell some of the assets, possibly all or part of the Culver City studio and its valuable real estate as well as receivables, which, as of the May 31, amounted to $282 million. Other pluses for Turner: savings of $10 million a year from the elimination of dividends and off-balance-sheet receivables (payments owed, but due so far in the future that they do not yet show up on the balance sheet) reportedly totaling $400 million.

Some of the options open to Turner such as deferring interest rob the future to pay for the present. But if Turner would hang on a few years, a couple of box-office hits could ease his financial burdens.

As both programer and superstation owner, Turner would have to rethink his position on cable copyright issues. He might be, for instance, less interested in reducing the compulsory license fees that cable systems must pay to carry superstations and other distant signals. MGM/UA's current cut of the compulsory license fees amounts to millions of dollars a year.

And, in one scenario drafted by a Washington communications attorney, Turner, as head of Turner-MGM, joins broadcasters in trying to eliminate the compulsory license to give himself a competitive advantage over other superstations. If Turner loads the superstation with sports and MGM programing for which he holds the copyrights, he could authorize cable systems to retransmit WTBS. His superstation competitors, still dependent on outside program suppliers, could not.

Turner's new prospects present ambivalences. Turner-MGM would probably be a member of the Motion Picture Association of America, an organization with which Turner has often clashed in legal and regulatory battles as have other cable and broadcast properties. Turner is represented on the board of the National Cable Television Association and is a member of the National Association of Broadcasters.

Turner surprised no one with the announcement that he was withdrawing his hostile $5-billion bid for CBS. That effort was effectively blocked July 30 when a federal judge in Atlanta permitted CBS to proceed with its plan to buy back 21% of its outstanding shares for $1 billion. Terms of the buyback offer contained provisions that put caps on the debt-to-capital ratio that the company could carry on its books. Turner's highly leveraged buyout would have caused the ratio to exceed that cap.

Although there was some speculation following the ruling that Turner would continue his pursuit of CBS by offering cash in lieu of some of the junk bonds for the CBS stock or by launching a proxy fight, it fizzled out with the news that Turner had set his sights on MGM/UA.

By all accounts, Turner will have a tough enough time financing that deal alone. What's more, according to Washington communication attorneys, the FCC's financial interest and syndication rules would make it impossible for Turner to own and operate both a broadcast network and a major production studio.

As the news that Turner was abandoning the CBS chase began to sink in, the CBS stock which had soared with Turner's takeover attempt, began to slide. On Aug. 2, the price dropped from $116¼ to $111 and the following Monday, it fell to $107¼. It closed at $105¾ on Friday.

Turner needs a win in his entrepreneurial ambitions. Last fall, Turner's challenge to MTV, the Cable Music Channel, failed almost at its start, and the ill-fated CBS bid, by his own estimation, cost TBS about $15 million. His Braves are in next-to-last-place. And although CNN and CNN Headline News may be deemed critical successes, they have done nothing but cost Turner money since their inceptions.

The bid for MGM/UA is by no means a sure win. It's a calculated risk, according to Harold Vogel, entertainment analyst for Merrill Lynch: "I'm not suggesting that it is an easy deal to do. It is on the border line, but it's on the doable side. It's a hell of a lot easier to do this one than CBS." □

How the MGM piece would fit into the Turner puzzle

If Ted Turner buys MGM, he will be acquiring a major studio that has had limited success in regular series television programing the past couple of seasons.

As it stands now, only one MGM/UA Entertainment Co. series is scheduled for a fall network premiere—*Lady Blue* on ABC—the only show picked up among the company's four pilots. Last season, two MGM/UA series were canceled not long after they were out of the gate: *Jessie* and *Paper Dolls*, both on ABC.

By contrast, among the major studios in prime time Universal Television will have 12 series, Columbia seven, Paramount five, Warner Bros. three and 20th Century-Fox four.

In syndication, MGM/UA is going into the fifth season of first-run episodes of *Fame* and a second season of weekly, first-run episodes of *Kids Inc.* Last January MGM/UA launched the *MGM/UA Premiere Network*, an ad-hoc network of 24 advertiser supported theatricals released in syndication on a once-a-month basis.

On June 12, producer David Gerber joined MGM/UA as president of its television division in a move that was widely seen as an effort to shore up the company's network television production schedule. Lawrence Gershman remains head of MGM/UA's worldwide television distribution and first-run syndication division.

For the first nine months of MGM/UA's fiscal year ending May 31, the company reported it grossed $103,833,000 in televison program distribution revenue, which mostly included revenue from the *MGM/UA Premiere Network* and the sale of other theatrical films and off-network series to television stations. That total was down 33% from $155,845,000 for the comparable figure the year before.

In addition, MGM/UA earned $65,848,000 in license fees from television shows and mini-series on networks for the first nine months, up 4% from $63,150,000 in year-before figures. That revenue included license fees and advertising revenue associated with first-run syndicated episodes of *Fame*. The studio's combined television activities accounted for 36% of MGM/UA's total nine-month sales of $477,955,000.

Turner already owns his own television distribution arm, Turner Program Services, headed by Henry Gillespie. Much of the product reflects Turner's own philosophy of family-oriented programing and has appeared on WTBS. TPS's library includes several Jacque Cousteau specials, 60 one-hour episodes of *Portrait of America*, narrated by Hal Holbrook, and a mini-series on General Douglas MacArthur, titled *American Caesar*.