day, it seems probable that some sort of cash offer to Time shareholders would be successful in the end—though I'm not sure who [it would] come from or what price."

Launched into orbit by Paramount's Tuesday-night announcement, Time's stock rose $44 Wednesday to close at $170. Amid speculation that Time would be an acquirer rather than an acquiree, the stock fell to $168 on Thursday, and Paramount, which rose 75 cents Wednesday and $3.625 Thursday, closed Thursday at $58.375. Warner stock rose $1.75 Wednesday and $3 Thursday to close at $56.50. ATC stock climbed $6 over two days to close at $53.75.

How does a Time Paramount compare to a Time Warner? In certain ways, they are similar. In both cases, said Wallach, a deal "will marry one of the dominant studios with HBO, which is by far the dominant cable service." Additionally, each studio's distribution would be enhanced by the addition of ATC's cable holdings, he said. Either studio allying with HBO could create programing especially for the service, he said. Currently, Paramount Pictures has a contract with HBO, valued at $500 million, to supply 85 films to the company starting with its May 1988 releases.

Unlike Warner, Paramount has no cable operations to add to ATC's 4 million subscribers (including its share of Paragon Communications). On the other hand, Paramount would bring cable services to the merger with its ownership of the Madison Square Garden Network and a half-interest in the USA Network, held with MCA. However, analyst Dennis McAlpine of Oppenheimer & Co. said that Paramount's cable services and its lack of cable systems would have a minimal difference on the operating success of Time Paramount compared to that of Time Warner. Yet one cable industry participant said that the addition of Warner's subscribers to ATC could give Time Warner enough subscribers to launch a channel and be a "dominant influence" in determining the pricing of another company's cable service.

Paramount, which has acquired options to buy 79% of the stock of independent group owner TVX Broadcast Group, could

Where their money comes from

	1988 revenue (millions)
Paramount	
Motion Pictures & TV	$1,571.2
Publishing/Information	1,193.7
Theater, Sports, Other	291.0
TOTAL	**$3,055.9**
Time	
Magazines	$1,752.0
Programing	1,052.0
Books	891.0
Cable	812.0
TOTAL	**$4,507.0**
Warner	
Filmed Entertainment	$2,095.7
Music Recording & Pub.	2,040.0
Cable & Broadcasting	456.4
Publishing & Distribution	138.7
TOTAL	**$4,730.8**

Note: Excludes numbers for Paramount's finance subsidiary, which it is selling. Warner numbers include Lorimar Telepictures acquired in January 1989.

face cable system-TV station crossownership problems if it acquired Time. Paramount's expected initial acquisition of TVX stock would be a 49% interest in a holding company controlling 51% of TVX stock. This arrangement would normally define Paramount as having an attributable ownership of the stations, according to an FCC staffer. Because of ATC cable system holdings within the Grade B contours of TVX stations, Paramount would appear to have crossownership problems involving TVX's WTXF(TV) Philadelphia, KTXA(TV) Fort Worth and WLFL(TV) Raleigh, N.C., as well as with KRRT(TV) Kerrville, Tex. (San Antonio), the station TVX is planning to sell.

The TVX options themselves probably do not pose a problem because, the staffer said, incipient rights are generally treated as not attributable.

The alliance of Paramount's $1.2 billion publishing and information business and Time's book and magazine operations would in fact make a merged Time-Paramount a publishing powerhouse. In both companies are educational book operations, and Paramount's Simon & Schuster would probably benefit from ties to Time's Book of the Month Club.

A combined Time Warner in 1988 would have derived 34% of its revenues from film, television and cable programing; 30% from non-music publishing; 22% from music and music publishing, and 14% from cable systems and its broadcasting holdings in Chris-Craft (which Warner has agreed to divest). A combined Time and Paramount would have had roughly 51% of its revenues from publishing and information, 35% from film and video programing, 11% from cable operations and less than 4% from theater, sports and other entertainment operations.

Observers also said they believe the corporate culture of Time Warner would be different from that of a company formed if Paramount acquired Time. Time and Warner have plans for keeping their operations independent within the new company. King World Chief Financial Officer Jeff Epstein said: "In a hostile takeover, they're not going to have any obligation to keep their hands off. They're going to be much more involved.... It's not a question of who the companies are, but how they got there." Comparing Warner and Paramount outside of an acquisition process, McAlpine came to a similar conclusion: "Paramount is regarded as more hands-on. Warner is more laissez-faire—as long as you meet your budget, you're fine."

Under terms of the Hart-Scott-Rodino antitrust act, Paramount will have to wait at least until June 23 before acquiring Time to allow the Justice Department and the FTC to examine its offer for possible antitrust violations. "Ultimately, both mergers, if there were not asset sales, would create a very large, integrated U.S.-based media company," Wallach said. "It's very hard for a legislative or regulatory standpoint to differentiate them greatly." —GM

McCaw wants LIN for $6.5 billion

Company is primarily interested in cellular properties, but might hold onto TV stations to avoid tax bite

In the $120-per-share offer for LIN Broadcasting made last week, television played only a supporting role. The $6.5 billion, all-cash tender was made by McCaw Cellular Communications, whose only current business is cellular telephones and which is interested in LIN's major-market cellular franchises. Still, some observers suggested that at least for the near term any successful acquirer might keep LIN's seven-affiliate station group for financial rather than operational purposes.

A McCaw executive flew to Paris last week to deliver the bid to LIN's chairman and president, Donald Pels, who was at the French Open tennis tournament. LIN now has at least 10 business days to issue a formal response to the offer. McCaw has indicated its offer is good until July 6, and is contingent on, among other things, obtaining FCC approval for the transfer of cellular and TV licenses. McCaw said it might complete the offer while such licenses were placed in a blind trust.

If McCaw is successful, one report suggested that the Kirkland, Wash.-based operator would keep the TV stations. One reason it might make financial sense to do so is the hefty tax payments that would be incurred by spinning off the stations. According to Michael Plouf, LIN vice president, corporate development, and treasurer, an estimate that the stations have a tax basis of $150 million is "reasonable." With estimates of their value running at roughly $1 billion, the $850 million gain at a 34% tax rate implies a tax bill of almost $300 million, for a real net gain of $550 million. With both station multiples and interest rates falling, one investment banker suggested McCaw might be better off releveraging the stations: "It could finance these out at nine-and-a-half times or a little higher with a corporate guarantee." Analysts such as Ken Leon of Bear, Stearns & Co. doubted that McCaw would have trouble obtaining financing, although some expressed surprise at the record-breaking cellular values implied by the bid.

Whether McCaw is successful or not, the