

which is to say not enough to justify a merger," said one securities analyst.

Synergy may produce some unexpected results, however, said Lehman Brothers analyst Raymond Katz. "The day Blockbuster starts favoring Paramount product is the day Disney makes a corporate decision to go to electronic distribution."

#### How will Viacom pay for Paramount?

Of the roughly \$10 billion purchase price, \$6.6 billion will be paid in cash, the rest in a variety of securities. Roughly half of the cash will come from banks. The other half will come from NYNEX and Blockbuster, which are putting up \$1.2 billion and \$1.85 billion, respectively, through their purchase of various Viacom securities.



Viacom's Biondi

Wall Street whispers that "he is overpaying" began early in the bidding. But then, a chorus of similar whispers greeted Sumner Redstone when, in a similarly bruising bidding war, he acquired Viacom.

Since that time, Redstone and Viacom President Frank Biondi, helped by falling interest rates and a loosening up of the international financial markets, slowly but surely reduced the company's debt burden.

No one expects the same favorable winds to be as strongly at the back of Viacom/Blockbuster/Paramount, laden with at least \$10.5 billion in debt. But even if Blockbuster doesn't come aboard, most analysts say Viacom/Paramount will have more than enough cash flow to meet interest payments and other "fixed charges." Rearranging the debt is among Biondi's top priorities.

#### What's to become of Paramount plans to launch a fifth broadcast network?

It's full speed ahead for Paramount in its race with Warner Bros. to become the next network. "We are supportive of the concept, and Paramount has been doing a great job," says Viacom's Frank Biondi.

"It's a reassuring factor to a lot of

people who didn't know who was going to be [Paramount's] owner," said Kerry McCluggage, chairman, Paramount Television Group, who has been leading the fifth network effort.

Evidence that Paramount network plans are moving forward came last week with the signing of another affiliate—WTOG-TV Tampa, Fla. Paramount now counts 26 affiliates covering "over 45% of the country," according to McCluggage. Paramount expects to announce additional clearances this week.

Warner currently claims 19 affiliates representing 42% of the country.

#### Who will run the new company?

Sumner Redstone will be chairman—not surprising considering he will control the majority of voting shares in the merged company. Blockbuster's Wayne Huizenga will be vice chairman (assuming the Viacom/Blockbuster merger is completed) and Viacom's Frank Biondi will be president and CEO.

That's clear. What isn't is the fate of Paramount's current leadership, including Chairman Martin Davis and President Stanley Jaffe.

Some top managers are almost certain to depart as the heavily leveraged company tries to reduce overhead. And Biondi has indicated that duplication in the TV production and syndication areas will be eliminated. Biondi last week identified one Paramount executive who has been asked to stay on: movie studio head Sherry Lansing.

#### Can Barry Diller and John Malone get along?

Although they sit together on the QVC board, there may be serious breaches in the relationship between QVC Chairman Barry Diller and Telecommunications Inc. President/CEO John Malone. The two should be allies, if not friends, but the record of the battle for Paramount shows something else.

The Viacom lawsuit alleges Diller called Malone "an unscrupulous monopolist" in a telephone



QVC's Diller

conversation with Sumner Redstone. And a reporter quoted Paramount's Martin Davis saying Malone tipped off Paramount that QVC was planning to counter Redstone's bid: "Everything I know about



TCI's Malone

Diller's bid ahead of time came from John Malone." It was Malone, along with Comcast's Brian Roberts, who recruited Diller to QVC.

But not everyone agrees there is a problem between the two. "I have always thought they have had a good working relationship," says John Tinker, managing director of Furman Selz Inc. He says both men are "pragmatic, smart people" who, during the bidding war, had "responsibility to their primary companies."

"You can't make omelettes without breaking eggs," says Tinker, who said innuendo often made their [Malone and Diller] relationship seem worse than it was. "There has been a lot of misinformation."

#### What's to become of QVC's would-be partners, Bell South, Cox and Advance?

Of the three, Bell South is most likely to have a continuing formal relationship with the home shopping network. Although the telco's obligation to purchase \$1.5 billion in QVC securities is now void, it still has an option to purchase \$500 million of QVC common stock at \$60 per share. Last Friday, QVC stock was trading at around \$50.

Exercising that option would give Bell South two seats on the QVC board and membership in a shareholders' "control group," which would be made up of QVC Chairman Barry Diller, Comcast and possibly Liberty Media. The control group would agree to vote their shares together, consolidating their control of the company.

The commitments by both Cox and Advance Publications to purchase \$500 million in QVC securities were contingent on a successful Paramount bid. A Cox spokesperson said the company's chairman, James Kennedy, said he "has a lot of confidence in Barry Diller and if he comes up with