

# HBO's 'Dream' deal: \$600 million-\$1 billion

*Pay cable service signs 10-year deal with DreamWorks for exclusive movie rights*

By Rich Brown

**T**he Spielberg-Katzenberg-Geffen troika has found yet another way to increase its coffers: the signing of a 10-year deal with Home Box Office worth \$600 million-\$1 billion.

DreamWorks, the new Hollywood studio backed by Steven Spielberg, Jeffrey Katzenberg and David Geffen, has reached an agreement with HBO that gives the pay TV company exclusive rights to upcoming DreamWorks movies through 2006. The deal kicks off next year and is expected to include the studio's first 100 or so theatrical titles.

The HBO deal marks the second major television deal for DreamWorks, which three months ago formed a joint production venture with Capital Cities/ABC. DreamWorks and Capcities each have committed more than \$100 million to their seven-year venture, which will produce and distribute television shows for various media and day-parts for Capcities and other distribution outlets.

Exactly how much HBO will spend on its own deal with DreamWorks over 10 years depends on the number of theatrical features produced and how well those movies perform at the box office. DreamWorks is expected to produce 8-14 features per year rather than the 25-30 titles released annually by each of the larger studios. At that rate, HBO expects to see 90-100 DreamWorks movies during the course of its contract.

The DreamWorks-HBO deal is fairly typical in that the pay TV network will show the titles following their theatrical, home video and pay-per-view windows. The contract will not allow for earlier windows on any of the titles, according to HBO. DreamWorks plans to debut its first three features in 1996.

The DreamWorks deal will bring new movies to HBO just as the pay TV company faces the likely loss of movies from Paramount. (Viacom, Paramount's new owner, is said to be

eager to move the studio's titles to the Viacom-owned Showtime pay cable network.) Other studios that have exclusive deals with HBO include Columbia Pictures, 20th Century Fox, Savoy Pictures and Warner Bros. HBO and Warner Bros. are both part of Time Warner.

While HBO was busy striking its DreamWorks deal, Encore Media Corp.'s competing Starz! network extended a domestic-licensing deal with Universal Pay Television, giving it exclusive rights to Universal's theatrical releases through 2003. The extension also

gives Encore exclusive domestic pay TV rights to Imagine Entertainment's theatrical releases beginning in 1996 and calls for Universal's Television Group to produce original programming for Starz! under a new co-venture. ■



*Geffin, Katzenberg and Spielberg's DreamWorks will present its movies to cable over HBO through 2006.*

## Tax certificate may prevail, but not without changes

*FCC policy—and Viacom's \$2.3 billion deal—show signs of enduring congressional investigation, but with alterations*

By Kim McAvoy

**V**iacom's plans to sell its cable systems to a minority-controlled company for \$2.3 billion may survive Congress after all.

There is strong likelihood that the Senate Finance Committee will decide not to interfere with the deal and will allow Viacom to use the FCC's controversial tax certificate program. However, the committee is expected either to modify the program or to direct the FCC to make changes that will eliminate any potential for abuse. The FCC already has devised a plan to tighten the program.

Critics of the FCC's program say it does more for well-established financially successful companies than it does to enhance minority ownership.

The FCC's tax certificate enables sellers of broadcast and cable properties to defer capital gains tax if they sell to a minority or women. Viacom is seeking a tax break under the program that would enable it to defer up to \$600 million.

The Senate panel this week is slated to vote on a House bill that repeals the FCC's program and, through a retroactivity clause, would forbid Viacom and at least 17 others from using the tax break. The House bill affects all tax certificates issued after Jan. 16. Viacom did not close its deal until after that date.

The Senate may decide to cap the amount of tax deferral allowed under the program and establish a longer holding period than one year—the current requirement.