

# TURNER TO MERGE INTO TIME WARNER; A \$7.5 BILLION DEAL

## Five Weeks of Negotiations Result in a \$20 Billion Media Giant

By MARK LANDLER

Ending a tumultuous five-week courtship, Time Warner Inc. and Turner Broadcasting System said yesterday that they would merge their sprawling operations, reinforcing Time Warner's position as the world's largest communications company.

Time Warner said it would buy the 82 percent of Turner it did not already own in a stock deal worth roughly \$7.5 billion. Ted Turner, the maverick founder of the Cable News Network and the chairman of Turner Broadcasting, is to become vice chairman of Time Warner.

"It took five weeks of fun to get to this point," said Gerald M. Levin, the chairman of Time Warner, who led the negotiations with Mr. Turner. "But this is a sublime combination."

Mr. Turner, who will cede control of his cable-programming company after a decade of fruitless efforts to acquire a television network, said: "I'm tired of being little for my whole life. This is a chance to see the world from a different perspective."

At a crowded news conference in New York that drew Mr. Turner's wife, Jane Fonda, the two executives stood before a wall emblazoned with the powerful brand names the new company would own — everything from CNN and Time magazine to Warner Brothers and the Cartoon Network.

With projected revenues of \$19.8 billion, the company would leapfrog even the Walt Disney Company, which is creating a \$16.4 billion giant with its planned acquisition of Capital Cities/ABC Inc.

Wall Street's reaction to the deal was muted. But the complex transaction sailed into rough water almost immediately after it was announced yesterday because of thorny management issues and a conflict between Time Warner and another partner, U.S. West Inc.

Moreover, the structure of the deal drew a sharp protest from two other big shareholders in Turner

Broadcasting: the Comcast Corporation and Continental Cablevision Inc. The companies said Time Warner treated them unfairly to win the approval of John C. Malone, the chief executive of Tele-Communications, who controls 21 percent of Turner's stock and held veto power over the deal.

U.S. West, a regional Bell telephone company that owns a \$2.5 billion stake in Time Warner's film and cable businesses, filed a lawsuit in Delaware Chancery Court yesterday to block the merger. The company said in the suit that the deal violated

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Ted Turner, left, with his new boss, Gerald M. Levin, says he can play the role of first mate. Page 38.