



Corporation, then the owner of the largest cable television system in the United States, I was responsible for all of the company's franchising activities. When Teleprompter was acquired by Westinghouse in 1981, I became Vice President of Government Relations and then Vice President of Corporate Affairs for Group W cable, a wholly-owned subsidiary of Westinghouse. I reported directly to the Chairman and Chief Executive Officer of Group W Cable, and my department was responsible for Group W Cable's government relations with all local communities in which Group W Cable owned and operated cable systems. My department also handled all cable franchise transfers and renewals.

3. When Westinghouse decided in late 1985 to sell Group W Cable to a consortium of five cable companies which included American Television and Communications Corporation ("ATC"), a majority-owned subsidiary of Time, I was charged with the responsibility of obtaining local approvals for transfers of control of Group W Cable's franchises. By that time, Group W Cable had become the owner of cable television systems which included approximately 500 local cable franchises with more than two million subscribers in over 30 states.

4. I have been retained by Paramount to provide expert assistance in obtaining necessary state and local approvals for the transfer of control of cable franchise systems in connection with Paramount's offer to purchase all outstanding shares of Time Inc. ("Time"). Pursuant to this assignment, I have assembled a highly skilled professional

staff with extensive experience in cable transfer work. The group includes some of the best people in the business, many of whom worked with me on the Group W Cable transfer process. It is a group which in the aggregate has more than 140 years of direct experience in the cable industry.

5. I understand that, according to Amendment No. 1 to its Schedule 14D-9 filed with the Securities and Exchange Commission on June 19, 1989, Time's board of directors rejected Paramount's bid, claiming that it was "highly conditional." Paramount Appendix, Ex. O (Amendment No. 1 to Schedule 14D-9 at 3). Noting that Paramount had conditioned its offer on the receipt of "all material approvals, consents and franchise transfers relating to Time's programming and cable television business," Time claimed that obtaining such approvals "could result in substantial delays in the consummation" of Paramount's offer, that such approvals "might never be obtained," and that:

as a result of such delays, the present value of any consideration to be received by Time's stockholders in the [Paramount] Offer is expected to be substantially lower than the \$175 per Share proposed to be paid in the [Paramount] Offer.

Id. Time's board further stated that it would:

take at least three months and is more likely to take nine to twelve months for [Paramount] to obtain every required approval, including the cable franchise transfers which have taken at least that long in similar, but mutually agreed, transactions."

Id. (emphasis added).

6. Active and hostile opposition by Time and ATC to Paramount's efforts to local transfer approvals will delay

the consummation of Paramount's bid. However, I believe such approvals can be obtained, even in a hostile environment. Moreover, based on my experience, I believe that Time has significantly overstated the amount of time it should take to obtain necessary transfer approvals at the state and local levels in a friendly environment, i.e., if Time and ATC abandon their present tactics to delay and obstruct such approvals. I note that my views in this regard are shared by lawyers who represent cable systems and cities, as reported by the Wall Street Journal. See Paramount Reply Appendix, Exs. B and C.

7. It is my understanding that ATC and its subsidiaries operate approximately 767 cable franchises in 32 states with approximately four million basic cable subscribers. Based on industry averages and my experience, a large percentage of these cable franchise agreements will not require approvals for a transfer of control in the parent company. In fact, Mr. Collins, ATC's Chairman and Chief Executive Officer, has stated that only 180 of ATC's 767 existing franchise agreements require local approval for the transfer of control from ATC to Paramount. Collins Aff. at ¶ 11. In those communities where consents are required, I believe that local franchise authorities are likely to approve a transfer application to a qualified buyer of the parent company -- particularly where the transfer will not result in a change of control of the operating company -- as long as certain basic criteria are met. In my experience, those criteria primarily focus on the financial, technical and good character

qualifications of the buyer. Historically, the vast majority of requests for cable franchise transfers have been granted with little or no difficulty. Very few transfer requests, to my knowledge, have resulted in an outright refusal by franchising authorities to approve such requests.

8. I believe that Paramount will be able to satisfy the criteria of a qualified buyer and secure approvals for the transfer of control of cable franchises -- even in a hostile environment. The fact that Paramount does not currently operate a cable company should not delay such approvals. Historically, companies with little or no experience in owning and operating cable businesses have acquired cable companies and received regulatory approvals for those transfers. Westinghouse, Houston Industries and even Time are examples of such. Indeed, companies outside the cable television business frequently purchase operators of cable systems precisely because the operating companies are well-established and successfully managed. Paramount's acquisition of Time, and through it a majority ownership interest in ATC and its subsidiaries, is no different.

9. ATC has a solid reputation as a successful owner and operator, or co-owner and co-operator of cable franchise systems. Following Paramount's acquisition of Time, it is my understanding that ATC will remain owner or co-owner of all of its current cable television systems, and ATC's cable systems will continue to operate under the current management structure. Therefore, I believe local franchise authorities

are not likely to seriously question the ability of Paramount, through its then majority-owned ATC subsidiary, to manage and operate cable franchise systems.

10. The process of seeking approvals of franchise transfers in Paramount's case should be similar to what I experienced in the Group W Cable situation. In fact, I believe that Paramount's approvals should go more smoothly, again assuming that Paramount can seek such approvals without the active opposition of Time and ATC.

11. As noted above, Group W Cable owned cable television systems which included approximately 500 cable franchises with more than two million subscribers in over 30 states. The sale of Group W Cable involved the largest one-time transfer of franchises to date in terms of the number of subscribers in the history of the cable industry.

12. Although Group W Cable sought local approval for the change of control in every community -- whether required or not -- it is important to note that more than 50% of the cable franchise agreements did not require local approval of such transfers. In approximately four to five months, Group W Cable was able to obtain local approvals for transfers of control of 97% of the franchises where local approvals were required.

13. Although Group W Cable had good success in achieving necessary local approvals, its transfers were more complicated than the approvals Paramount is seeking in several respects. Paramount's requests are simple; they seek approval for Paramount itself to acquire Time's stock. In Group W

Cable's case, local franchisors were asked to approve a complex process involving a sale to a consortium of buyers with over 30 possible ultimate owners.

14. Because the Paramount transaction involves the change in control of a public corporate parent -- Time -- that is at least one corporate layer removed from the cable operating company -- ATC or one its subsidiaries -- I would expect that the cable franchises of ATC and its subsidiaries will involve fewer approvals than were involved in the Group W Cable transaction. The statements in Mr. Collins's affidavit and information which has been provided to me regarding the terms of ATC's franchise agreements supports this view.

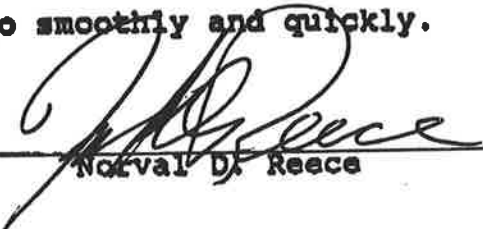
15. Group W Cable was transferring ownership to a consortium of cable operators who had not previously served those local communities. Thus, ownership and operation was changing at the local level. Here, ATC has a proven track record in the communities in which it owns and operates cable franchise systems, and, it is my understanding, that ATC will continue to manage and operate those systems after Paramount acquires Time.

16. In some cases, Group W Cable sought approval for as many as three successive transfers of control with no requirement that the buyer bring any further request before the franchising authority for such transfers. That is, in some cases, Group W asked local authorities to approve transfers not simply to the consortium of buyers but also to approve subsequent transfers to individual members of the consortium,

subsidiaries of those members, and joint venturers or partners of those members.

17. This complication is not present in the Paramount situation. Approvals are being sought only for Paramount to acquire control of Time, not for successive transfers of franchises themselves at undetermined points in time. In the Group W Cable transfer process, the complications created by requests for multiple or successive transfers first to a "consortium" and then to many different entities prompted questions from franchising authorities about who would have ultimate management authority and financial responsibility after the transfers were approved. These complexities are not present in the case of Paramount's acquisition of Time.

18. Thus, I believe that Paramount can obtain the necessary local transfer approvals even in a hostile environment. Without the opposition of Time and ATC, I believe the transfer process will go smoothly and quickly.

  
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Norval D. Reece

Affirmed before me this  
10th day of July, 1989

  
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Notary Public

DANIEL J. VICTOR  
NOTARY PUBLIC, State of New York  
No. 31-4820449  
Qualified in New York County  
Commission Expires April 30, 1990