

Appendix I

**UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION**

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In the Matter of)
)
TIME WARNER INC.,)
a corporation;)
)
TURNER BROADCASTING)
SYSTEM, INC.,)
a corporation;)
)
TELE-COMMUNICATIONS, INC.,)
a corporation; and)
)
LIBERTY MEDIA CORPORATION,)
a corporation.)
)
_____)

File No. 961-0004

INTERIM AGREEMENT

This *Interim Agreement* is by and between Time Warner Inc. (“Time Warner”), a corporation organized, existing, and doing business under and by virtue of the law of the State of Delaware, with its office and principal place of business at New York, New York; Turner Broadcasting System, Inc. (“Turner”), a corporation organized, existing, and doing business under and by virtue of the law of the State of Georgia with its office and principal place of business at Atlanta, Georgia; Tele-Communications, Inc. (“TCI”), a corporation organized, existing, and doing business under and by virtue of the law of the State of Delaware, with its office and principal place of business located at Englewood, Colorado; Liberty Media Corp. (“LMC”), a corporation organized, existing and doing business under and by virtue of the law of the State of Delaware, with its office and principal place of business located at Englewood, Colorado; and the Federal Trade Commission (“Commission”), an independent agency of the United States Government, established under the Federal Trade Commission Act of 1914, 15 U.S.C. § 41 *et seq.*

WHEREAS Time Warner entered into an agreement with Turner for Time Warner to acquire the outstanding voting securities of Turner, and TCI and LMC proposed to acquire stock in Time Warner (hereinafter "the Acquisition");

WHEREAS the Commission is investigating the Acquisition to determine whether it would violate any statute enforced by the Commission;

WHEREAS TCI and LMC are willing to enter into an *Agreement Containing Consent Order* (hereafter "Consent Order") requiring them, *inter alia*, to divest TCI's and LMC's Interest in Time Warner and TCI's and LMC's Turner-Related Businesses," by contributing those interests to a separate corporation, The Separate Company, the stock of which will be distributed to the holders of Liberty Tracking Stock ("the Distribution"), but, in order to fulfill paragraph II(D) of that Consent Order, TCI and LMC must apply now to receive an Internal Revenue Service ruling as to whether the Distribution will be generally tax-free to both the Liberty Tracking Stock holders and to TCI under Section 355 of the Internal Revenue Code of 1986, as amended ("IRS Ruling");

WHEREAS "TCI's and LMC's Interest in Time Warner" means all of the economic interest in Time Warner to be acquired by TCI and LMC, including the right of first refusal with respect to Time Warner stock to be held by R. E. Turner, III, pursuant to the Shareholders Agreement dated September 22, 1995 with LMC or any successor agreement;

WHEREAS "TCI's and LMC's Turner-Related Businesses" means the businesses conducted by Southern Satellite Systems, Inc., a subsidiary of TCI which is principally in the business of distributing WTBS to MVPDs;

WHEREAS "Liberty Tracking Stock" means Tele-Communications, Inc. Series A Liberty Media Group Common Stock and Tele-Communications, Inc. Series B Liberty Media Group Common Stock;

WHEREAS Time Warner, Turner, TCI, and LMC are willing to enter into a Consent Order requiring them, *inter alia*, to forego entering into certain new programming service agreements for a period of six months from the date that the parties close this Acquisition ("Closing Date"), but, in order to comply more fully with that requirement, they must cancel now the two agreements that were negotiated as part of this Acquisition: namely, (1) the September 15, 1995, program service agreement between TCI's subsidiary, Satellite Services, Inc. ("SSI"), and Turner and (2) the September 14, 1995, cable carriage agreement between SSI and Time Warner for WTBS (hereafter "Two Programming Service Agreements");

WHEREAS if the Commission accepts the attached Consent Order, the Commission is required to place the Consent Order on the public record for a period of at least sixty (60) days and may subsequently withdraw such acceptance pursuant to the provisions of Rule 2.34 of the Commission's *Rules of Practice and Procedure*, 16 C.F.R. § 2.34;

WHEREAS the Commission is concerned that if the parties do not, before this order is

made final, apply to the IRS for the IRS Ruling and cancel the Two Programming Service Agreements, compliance with the operative provisions of the Consent Order might not be possible or might produce a less than effective remedy;

WHEREAS Time Warner, Turner, TCI, and LMC's entering into this Agreement shall in no way be construed as an admission by them that the Acquisition is illegal;

WHEREAS Time Warner, Turner, TCI, and LMC understand that no act or transaction contemplated by this Agreement shall be deemed immune or exempt from the provisions of the antitrust laws or the Federal Trade Commission Act by reason of anything contained in this Agreement;

NOW, THEREFORE, upon understanding that the Commission has not yet determined whether the Acquisition will be challenged, and in consideration of the Commission's agreement that, unless the Commission determines to reject the Consent Order, it will not seek further relief from Time Warner, Turner, TCI, and LMC with respect to the Acquisition, except that the Commission may exercise any and all rights to enforce this Agreement and the Consent Order to which this Agreement is annexed and made a part thereof, the parties agree as follows:

1. Within thirty (30) days of the date the Commission accepts the attached Consent Order for public comment, TCI and LMC shall apply to the IRS for the IRS Ruling.
2. On or before the Closing Date, Time Warner, Turner and TCI shall cancel the Two Programming Service Agreements.
3. This Agreement shall be binding when approved by the Commission.

Dated: _____

FOR THE FEDERAL TRADE COMMISSION

Stephen Calkins
General Counsel

FOR TIME WARNER INC., A CORPORATION

By: _____
Gerald A. Levin

Counsel for Time Warner Inc.

FOR TURNER BROADCASTING SYSTEM, INC., A CORPORATION

By: _____
General Counsel

Counsel for Turner Broadcasting System, Inc.

FOR TELE-COMMUNICATIONS, INC., A CORPORATION

By: _____
John C. Malone

Counsel for Tele-Communications, Inc.

FOR LIBERTY MEDIA CORPORATION, A CORPORATION

By: _____
Vice President

Counsel for Liberty Media Corporation

[Appendix II attached to paper copies but not available in electronic format]