

Redstone family reaffirms opposition to Paramount sale

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Viacom Inc.'s plan to sell a stake in its historic Hollywood movie studio, Paramount Pictures, suffered another setback Friday when the Redstone family publicly reaffirmed its opposition.

Sumner Redstone and his daughter, Shari Redstone, are against the proposed sale of a 49% stake in the struggling Melrose Avenue film studio because such a deal would complicate other possible scenarios — such as selling all of Viacom or recombining it with CBS Corp.

Despite the boardroom opposition, Viacom Chief Executive Philippe Dauman has been trying to stitch together a deal. Dauman, according to knowledgeable people, has been negotiating with Chinese entertainment giant Dalian Wanda Group, which appears interested in adding Paramount to its growing portfolio, which includes the AMC Entertainment theater chain and the



The Redstone family says a proposed sale of a 49% stake in Paramount Pictures would complicate other possible transactions. (Anne Cusack / Los Angeles Times)

Hollywood production company Legendary Entertainment.

Dauman hopes that fetching a big price for the Paramount studio stake — perhaps as much as \$5 billion — would boost Viacom's sagging stock price.

But the Redstones — through their investment vehicle, National Amusements Inc. — said such a sale would be ill-advised at a time when Viacom's manage-

ment and board is in flux. They also don't want Viacom to sell off part of Paramount while the studio is at a low point. Nor do they want to introduce a significant new investor, such as Wanda, into the mix.

"Paramount is one of Viacom's most valuable assets. Any short-term benefits that might result from a Paramount transaction would be outweighed by the severe negative impact on Viaco-

m's future strategic flexibility to best capitalize on this important asset," National Amusements said Friday in a lengthy statement.

The Redstones appear to be clearing the field for a possible reunion of Viacom and CBS. The family, through National Amusements, holds nearly 80% of the voting shares in both companies, and would likely entrust CBS Chief Executive Leslie Moonves to run the merged entity.

Last month, National Amusements moved to dump Dauman and four other Viacom board members — although that effort was put on hold to allow a judge in Delaware to determine whether the Viacom board changes were valid.

"This [Paramount] decision should not be made by individuals who may be leaving the board shortly," National Amusements said in a swipe at Dauman and his supporters.

Viacom, for its part, accused the Redstones of meddling.

"It is beyond understanding that National Amusements would continue in its attempts to interfere with a potential transaction that would create a unique opportunity to drive long-term value for both Paramount and Viacom, without even waiting for the facts," a Viacom spokesman said Friday.

Viacom slipped 1.2%, or 52 cents, to \$44.28 a share Fri-

day. The stock is down about 40% from levels seen two years ago.

Wall Street is skeptical that Dauman will be able to pull off the deal with Wanda, which would require that he successfully navigate major roadblocks that the Redstones have placed in his path. Viacom's stock didn't budge this week after news that Dauman was getting closer to a deal with Wanda.

"Any deal maker knows that the Redstones are right," said investment banker Lloyd Greif. "Viacom could say, 'Hey, we got this great price for 49% of the studio,' but they would be taking their eye off the ball."

"They should be looking at what this transaction would mean for the value of the remaining 51% of Paramount, and for 100% of Viacom," Greif said. "It could chill the marketplace."

Greif added that a sale of 49% of the studio could complicate the daily operations of Viacom, which also owns MTV, Comedy Central, Nickelodeon and TV Land.

Last month, National Amusements unilaterally changed Viacom's bylaws, requiring that any financial transactions involving Paramount be approved by a unanimous vote by Viacom's board. In addition, Viacom must give National Amusements five days' notice before trying to consummate any deal.

"The notice period is intended to provide National Amusements with the opportunity to oppose any such transaction," the Redstone firm said. "If required, we will do so."

The film studio has been struggling, and some analysts believe that Paramount could be worth more later if it could reverse its lagging fortunes with some hits. Next week, Paramount releases its big summer bet, "Star Trek Beyond" from J.J. Abrams, and the company hopes the film will fly high.

Viacom, and Dauman, are under significant pressure. The company reports its quarterly earnings next month and already has signaled to Wall Street that the numbers would be lower than originally forecast, in part because of Paramount's boxoffice blues.