SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____________ to ____________

Commission file number 1-9553

VIACOM INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 04-2949533 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer identification No.) |
| 1515 Broadway, New York, New York | 10036 |
| (Address of principal executive offices) | (Zip code) |

Registrant's telephone number, including area code (212) 258-6000

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes X No .

Number of shares of Common Stock Outstanding at April 30, 2001:

Class A Common Stock, par value $.01 per share - 137,458,692

Class B Common Stock, par value $.01 per share - 1,642,719,189

VIACOM INC.
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

VIACOM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; in millions, except per share amounts)

| Three Months Ended March 31, | 2001 | 2000 |
|---|---|---|
| Revenues | $ 5,752.2 | $ 3,025.8 |
| Expenses: | | |
| Operating | 3,478.4 | 1,995.1 |
| Selling, general and administrative | 1,124.9 | 561.1 |
| Depreciation and amortization | 745.2 | 229.2 |
| Total expenses | 5,348.5 | 2,785.4 |
| Operating income | 403.7 | 240.4 |
| Interest expense | (256.9) | (122.5) |
| Interest income | 11.4 | 9.5 |
| Other items, net | (9.8) | 1.7 |
| Earnings before income taxes | 148.4 | 129.1 |
| Provision for income taxes | (123.5) | (58.1) |
| Equity in loss of affiliated companies, net of tax | (27.1) | (6.1) |
| Minority interest, net of tax | (5.1) | 3.1 |
| Net earnings (loss) before cumulative effect of change in accounting principle | (7.3) | 68.0 |
| Cumulative effect of change in accounting principle, net of tax | -- | (452.3) |
| Net loss | $ (7.3) | $ (384.3) |
| Basic earnings (loss) per common share: | | |
| Net earnings (loss) before cumulative effect of change in accounting principle | $ -- | $ 0.10 |
| Net loss | $ -- | $ (0.55) |
| Diluted earnings (loss) per common share: | | |
| Net earnings (loss) before cumulative effect of change in accounting principle | $ -- | $ 0.10 |
| Net loss | $ -- | $ (0.54) |
| Weighted average number of common shares: | | |
| Basic | 1,628.4 | 694.8 |
| Diluted | 1,628.4 | 711.5 |

See notes to consolidated financial statements.

VIACOM INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except per share amounts)

| | At March 31, 2001 | At December 31, 2000 |
|---|---|---|
| ASSETS | (Unaudited) | |
| Current Assets: | | |
| Cash and cash equivalents | $ 947.8 | $ 934.5 |
| Receivables, less allowances of $244.8 (2001) and $246.2 (2000) | 3,986.4 | 3,964.1 |
| Inventory (Note 6) | 1,453.7 | 1,402.0 |
| Other current assets | 1,468.3 | 1,531.8 |
| Total current assets | 7,856.2 | 7,832.4 |
| Property and equipment: | | |
| Land | 747.5 | 713.8 |
| Buildings | 855.1 | 837.1 |
| Capital leases | 801.3 | 852.5 |
| Advertising structures | 2,077.7 | 2,076.5 |
| Equipment and other | 4,439.4 | 4,505.8 |
| | 8,921.0 | 8,985.7 |
| Less accumulated depreciation and amortization | 2,455.4 | 2,383.9 |
| Net property and equipment | 6,465.6 | 6,601.8 |
| Inventory (Note 6) | 3,905.0 | 3,632.9 |
| Intangibles, at amortized cost | 71,867.0 | 62,004.1 |
| Other assets | 2,456.4 | 2,574.9 |
| Total Assets | $ 92,550.2 | $ 82,646.1 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | $ 923.1 | $ 1,261.1 |
| Accrued expenses and other | 4,253.8 | 4,343.1 |
| Accrued participations | 1,257.2 | 1,220.3 |
| Program rights | 1,188.4 | 709.8 |
| Current portion of long-term debt (Note 7) | 150.0 | 223.9 |
| Total current liabilities | 7,772.5 | 7,758.2 |
| Long-term debt (Note 7) | 12,887.1 | 12,473.8 |
| Other liabilities | 7,184.4 | 7,407.0 |
| Commitments and contingencies (Note 8) | | |
| Minority interest | 1,247.9 | 7,040.2 |
| Stockholders' Equity: | | |
| Class A Common Stock, par value $.01 per share; 500.0 shares authorized; 138.8 (2001) and 138.9 (2000) shares issued | 1.4 | 1.4 |
| Class B Common Stock, par value $.01 per share; 3,000.0 shares authorized; 1,688.8 (2001) and 1,454.7 (2000) shares issued | 16.9 | 14.5 |
| Additional paid-in capital | 64,726.2 | 50,729.9 |
| Retained earnings | 1,424.5 | 1,431.8 |
| Accumulated other comprehensive loss (Note 1) | (201.1) | (152.5) |
| | 65,967.9 | 52,025.1 |
| Less treasury stock, at cost; 1.4 (2001 and 2000) Class A shares and 57.9 (2001) and 96.3 (2000) Class B shares | 2,509.6 | 4,058.2 |
| Total Stockholders' Equity | 63,458.3 | 47,966.9 |
| Total Liabilities and Stockholders' Equity | $ 92,550.2 | $ 82,646.1 |

See notes to consolidated financial statements.

VIACOM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in millions)

| Three Months ended March 31, | 2001 | 2000 |
|---|---|---|
| Operating Activities: | | |
| Net loss | $ (7.3) | $ (384.3) |
| Adjustments to reconcile net loss to net cash flow from operating activities: | | |
| Cumulative effect of change in accounting principle | -- | 753.9 |
| Depreciation and amortization | 745.2 | 229.2 |
| Distribution from affiliated companies | 18.8 | 12.0 |
| Equity in loss of affiliated companies | 27.1 | 6.1 |
| Minority interest | 5.1 | (3.1) |
| Change in operating assets and liabilities, net of effects of acquisitions | (335.7) | (505.2) |
| Net cash flow provided by operating activities | 453.2 | 108.6 |
| Investing Activities: | | |
| Acquisitions, net of cash acquired | (635.2) | (1.9) |
| Capital expenditures | (105.0) | (105.7) |
| Investments in and advances to affiliated companies | (24.7) | (64.6) |
| Proceeds from dispositions | 228.8 | -- |
| Proceeds from sales of short-term investments | 40.0 | 20.4 |
| Purchases of short-term investments | (12.9) | (34.8) |
| Other, net | -- | (7.1) |
| Net cash flow used for investing activities | (509.0) | (193.7) |
| Financing Activities: | | |
| Borrowings (repayments) from banks, including commercial paper, net | (1,210.6) | 868.4 |
| Proceeds from senior notes and debentures | 1,667.0 | -- |
| Purchase of treasury stock | (275.0) | (745.8) |
| Repayment of notes and debentures | (110.8) | -- |
| Payment of capital lease obligations | (45.1) | (35.2) |
| Proceeds from exercise of stock options | 45.1 | 14.3 |
| Other, net | (1.5) | 0.1 |
| Net cash flow provided by financing activities | 69.1 | 101.8 |
| Net increase in cash and cash equivalents | 13.3 | 16.7 |
| Cash and cash equivalents at beginning of the period | 934.5 | 680.8 |
| Cash and cash equivalents at end of period | $ 947.8 | $ 697.5 |
| Supplemental disclosure of cash flow information | | |
| Non-cash investing and financing activities: | | |
| Fair value of assets acquired | $ 10,961.5 | $ 1.9 |
| Fair value of liabilities assumed | (322.8) | -- |
| Acquisition of minority interest | 5,749.4 | -- |
| Cash paid, net of cash acquired | (635.2) | (1.9) |
| Impact on stockholders' equity | $ 15,752.9 | $ -- |

See notes to consolidated financial statements.

(Tabular dollars in millions, except per share amounts)

## 1) BASIS OF PRESENTATION

Viacom Inc. ("Viacom" or the "Company") is a diversified company with operations in six segments: (i) Cable Networks, (ii) Television, (iii) Infinity, (iv) Entertainment, (v) Video and (vi) Publishing (See Note 10). On May 4, 2000, CBS Corporation ("CBS") merged with and into the Company and effective from this date, CBS' results of operations are included in the Company's consolidated results of operations.

The accompanying unaudited consolidated financial statements of the Company have been prepared pursuant to the rules of the Securities and Exchange Commission. These financial statements should be read in conjunction with the more detailed financial statements and notes thereto included in the Company's most recent annual report on Form 10-K.

In the opinion of management, the accompanying financial statements reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair presentation of the financial position and results of operations and cash flows of the Company for the periods presented. Certain previously reported amounts have been reclassified to conform with the current presentation.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Earnings (Loss) per Common Share--Basic earnings (loss) per share is based upon net earnings (loss) divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the effect of the assumed exercise of stock options only in the periods in which such effect would have been dilutive. For the three months ended March 31, 2001, incremental shares of 31.9 million for the assumed exercise of stock options were excluded from the computation of diluted EPS because their inclusion would have been anti-dilutive.

The table below presents a reconciliation of weighted average shares used in the calculation of basic and diluted EPS:

| Three Months ended March 31, | 2001 | 2000 |
|---|---|---|
| Weighted average shares for basic EPS | 1,628.4 | 694.8 |
| Incremental shares for stock options | -- | 16.7 |
| Weighted average shares for diluted EPS | 1,628.4 | 711.5 |

(Tabular dollars in millions, except per share amounts)

Comprehensive Income (Loss)--Total comprehensive income (loss) for the Company includes net earnings (loss) and other comprehensive income items including unrealized gain (loss) on securities, cumulative translation adjustments and change in fair value of cash flow hedges.

| Three Months ended March 31, | 2001 | 2000 |
|---|---|---|
| Net earnings (loss) | $ (7.3) | $ (384.3) |
| Other comprehensive income (loss): | | |
| Unrealized gain (loss) on securities, net of tax | (10.6) | (4.6) |
| Cumulative translation adjustments | (37.2) | (2.2) |
| Change in fair value of cash flow hedges, net of tax | (.8) | -- |
| Comprehensive income (loss) | $ (55.9) | $ (391.1) |

Derivative Instruments and Hedging Activities - Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS 133") as amended. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at fair value. SFAS 133 also established new accounting rules for hedging instruments which, depending on the nature of the hedge, require that changes in the fair value of the derivatives either be offset against the change in fair value of assets or liabilities through earnings, or be recognized in other comprehensive income until the hedged item is recognized in earnings. The impact of adoption was immaterial on the Company's consolidated results of operations and financial position.

The Company is exposed to fluctuations in foreign currency exchange rates. To manage foreign currency exposures, the Company may use derivative instruments, including swaps and forward contracts. Derivative instruments used by the Company in its hedging activities are not used for speculative trading purposes and are not designated as hedges. As of March 31, 2001, the change in fair value of the foreign currency exchange contracts was not material to the Company's consolidated results of operations.

As of March 31, 2001, the Company's outstanding interest rate swaps, which effectively convert variable interest payments on commercial paper to a fixed rate, were designated as hedges. The effective portion of the change in fair value of cash flow hedges are reported in other comprehensive income and reclassified into earnings in the same period in which the hedged transaction affects earnings. The ineffective portion included in earnings was not material.

2) ACQUISITIONS

On February 21, 2001, the Company completed a merger with Infinity Broadcasting Corporation ("Infinity"), acquiring approximately 36% of the issued and outstanding shares of Infinity common stock that it did not already own. Under the terms of the merger, which is tax free for the stockholders of Infinity and Viacom, each share of Infinity Class A common stock was converted into the right to receive 0.592 of a share of Viacom Class B Common Stock. The Infinity merger was accounted for at historical cost, with the exception of minority interest, which was accounted for under the purchase method of accounting. The total purchase price of approximately $13.4 billion represents the issuance of approximately 232 million shares of Viacom Class B Common Stock and the fair value of Infinity stock options assumed by the Company. Infinity stockholders received a cash payment in lieu of any fractional shares. The goodwill attributable to this transaction of approximately $7.6 billion is being amortized on a straight-line basis over 40 years.

(Tabular dollars in millions, except per share amounts)

On January 23, 2001, the Company completed its acquisition of BET Holdings II, Inc. ("BET") for approximately $3 billion, which principally represents the issuance of approximately 43.4 million shares of Viacom Class B Common Stock from treasury stock and the assumption by the Company of approximately $590 million in debt. The total cost to acquire BET has been allocated based on the fair value of the assets acquired and liabilities assumed at the time of the acquisition. The excess purchase price over the fair value of the tangible net assets acquired of approximately $2.9 billion was allocated to intangibles and is being amortized on a straight-line basis not to exceed 40 years. The final allocation of the purchase price will be based on comprehensive final evaluations of the fair value of BET's tangible and identifiable assets acquired and liabilities assumed. As of the acquisition date, BET's results are included as part of the Cable Networks segment.

The unaudited condensed pro forma results of operations data presented below assumes the Viacom/CBS merger, pre-merger CBS acquisitions, and other acquisitions, including UPN, BET and the acquisition of the minority interest of Infinity, had occurred as of January 1, 2000. The unaudited condensed pro forma results of operations were prepared based upon the historical consolidated results of operations of the Company and CBS prior to the merger. Financial results of CBS subsequent to the date of the Viacom/CBS merger are included in the Company's financial statements.

Pro Forma Results of Operations Data (unaudited)

| Three Months Ended March 31, | 2001 | 2000 |
|---|---|---|
| Revenues | $ 5,768.0 | $ 5,435.4 |
| Net loss before cumulative effect of change in accounting principle | $ (29.9) | $ (195.1) |
| Net loss | $ (29.9) | $ (647.4) |
| Basic and diluted loss per common share: | | |
| Net loss before cumulative effect of change in accounting principle | $ (.02) | $ (.11) |
| Net loss | $ (.02) | $ (.36) |

The pro forma financial information is presented for comparative purposes only and is not necessarily indicative of the operating results that actually would have occurred had the CBS, UPN, Infinity, BET and other acquisitions been consummated on January 1, 2000. In addition, these results are not intended to be a projection of future results and do not reflect any synergies that might be achieved from the combined operations.

3) STOCK REPURCHASE

The Company initiated a new share repurchase program to acquire up to $2.0 billion in the Company's Class B Common Stock in February 2001. During the first three months of 2001, the Company repurchased 4.5 million shares of its Class B Common Stock under its share repurchase programs for approximately $225.0 million.

(Tabular dollars in millions, except per share amounts)

4) MERGER-RELATED CHARGES

In connection with the integration of Viacom and CBS and the acquisition of UPN, the Company recorded merger-related charges of $698 million in the second quarter of 2000. These amounts included non-cash charges of $415 million principally attributable to compensation for stock options and $283 million of cash payments and accrued liabilities for severance, transaction fees and integration costs. As of March 31, 2001, the Company had paid and charged approximately $97 million for severance liabilities, $27 million for transaction fees and $40 million related to integration costs.

5) RECEIVABLES

As of March 31, 2001, the Company had an aggregate of $550.0 million outstanding under revolving receivable securitization programs. Proceeds from the sale of these receivables were used to reduce outstanding borrowings.

6) INVENTORY

| | At March 31, 2001 | At December 31, 2000 |
|---|---|---|
| Theatrical and television inventory: | | |
| Theatrical: | | |
| Released (including acquired film libraries) | $ 389.9 | $ 365.6 |
| Completed, not released | 28.4 | 49.5 |
| In process and other | 433.2 | 276.6 |
| Television: | | |
| Released (including acquired film libraries) | 974.3 | 881.9 |
| In process and other | 138.3 | 151.5 |
| Program rights | 2,314.6 | 2,163.4 |
| | 4,278.7 | 3,888.5 |
| Less current portion | 1,064.2 | 985.9 |
| | 3,214.5 | 2,902.6 |
| Merchandise inventory, including sell-through videocassettes | 272.5 | 309.9 |
| Videocassette rental inventory | 603.3 | 631.6 |
| Publishing, primarily finished goods | 74.1 | 67.9 |
| Other | 130.1 | 137.0 |
| | 1,080.0 | 1,146.4 |
| Less current portion | 389.5 | 416.1 |
| | 690.5 | 730.3 |
| Total Current Inventory | $ 1,453.7 | $ 1,402.0 |
| Total Non-Current Inventory | $ 3,905.0 | $ 3,632.9 |

(Tabular dollars in millions, except per share amounts)

7) LONG-TERM DEBT

The following table sets forth the Company's long-term debt, net of current portion:

| | At March 31, 2001 | At December 31, 2000 |
|---|---|---|
| Notes payable to banks (including commercial paper) | $ 4,531.7 | $ 5,735.5 |
| Senior debt (6.40% - 10.50% due 2002-2030) | 7,352.5 | 5,662.7 |
| Senior subordinated debt (8.875% - 10.25% due 2001-2007) | 564.1 | 664.4 |
| Subordinated debt (11.375% due 2009) | 39.1 | 39.4 |
| Other Notes | 41.7 | 43.5 |
| Obligations under capital leases | 508.0 | 552.2 |
| Total Debt | 13,037.1 | 12,697.7 |
| Less: current portion | 150.0 | 223.9 |
| Total Long-Term Debt | $ 12,887.1 | $ 12,473.8 |

On January 9, 2001, the Company issued under Rule 144A, $400 million of 6.40% unsecured senior notes due January 30, 2006, $500 million of 7.70% unsecured senior notes due July 30, 2010, and $750 million of 7.875% unsecured senior debentures due July 30, 2030; interest on the senior notes and debentures will be payable semi-annually. Proceeds from the debt issuance were used to repay bank debt, including commercial paper. During March 2001, these notes and debentures were exchanged for registered notes and debentures. The unsecured senior debentures and the unsecured senior notes due July 30, 2010, are redeemable at any time at their principal amount plus the applicable premium and accrued interest.

On February 1, 2001, the Company redeemed all $60.3 million outstanding of Infinity's 9% senior subordinated notes due 2006 at a redemption price equal to 104.5% of the principal amount.

In March 2001, the Company cancelled its credit agreements other than its Infinity $1.45 billion facility, and entered into two new credit facilities. These two new facilities total $3.5 billion and are comprised of a $1.5 billion 5-year revolving credit facility and a $2.0 billion 364-day revolving credit facility. The Company also amended and restated the Infinity $1.45 billion facility; the terms and conditions were substantially conformed to the new $1.5 billion 5-year revolving credit facility and the Company was designated as the borrower. The primary purpose of the facilities is to support commercial paper borrowings. The Company, at its option, may borrow in certain foreign currencies up to specified limits under the new $1.5 billion 5-year revolving credit facility. Borrowing rates under the facilities are determined at the time of each borrowing and are based generally on LIBOR plus a margin based on the Company's senior unsecured debt rating. At March 31, 2001, LIBOR for borrowing periods of one month and two months were 5.08% and 4.98%, respectively.

The new and amended facilities contain certain covenants which, among other things, require that the Company maintain a minimum interest coverage ratio. At March 31, 2001, the Company was in compliance with the financial covenants.

In March 2001, the Company increased its commercial paper program from $4.0 billion to $4.95 billion and Infinity cancelled its $3.25 billion commercial paper program. Borrowings under the program have maturities of less than a year and are supported by unused committed bank facilities. At March 31, 2001, the Company had borrowings under the program of approximately $3.3 billion.

8) COMMITMENTS AND CONTINGENCIES

The commitments of the Company for program license fees, estimated to aggregate approximately $14.3 billion, are not reflected in the balance sheet as of March 31, 2001. These commitments include approximately $10.3 billion for the acquisition of sports programming rights. A majority of such fees are payable over several years, as part of normal programming expenditures.

The Company, Blockbuster and Paramount Home Entertainment are among the defendants in a lawsuit filed on July 21, 1999 in the United States District Court for the Western District of Texas by one former and three present independent video retailers against the major motion picture studios and the Company. The plaintiffs, purporting to act as class representatives on behalf of themselves and all others similarly situated, allege that the Company and the studios conspired among themselves and with Blockbuster to restrain competition in the nationwide market for distribution of videocassettes for rental to the public in violation of federal and California law. Plaintiffs seek injunctive relief under federal law as well as triple the amount of the alleged actual damages to themselves and those similarly situated under California statutes. In January 2001, plaintiffs moved to withdraw their California state law claims from the federal lawsuit in Texas and filed a substantially similar complaint with approximately 200 additional named plaintiffs in Superior Court for the County of Los Angeles. This complaint also sought certification of a nationwide class of similarly situated plaintiffs. In March 2001, the Texas court denied the plaintiffs' motion for class certification of both the federal and the California state law claims in the federal action and denied the plaintiffs' motion to withdraw their California state law claims from that action. The Company believes that the plaintiffs' position in these litigations is without merit and intends to defend itself vigorously in the litigations.

The Company is a defendant in numerous lawsuits claiming various asbestos-related personal injuries, which allegedly occurred from use or inclusion of asbestos in certain products supplied by previously divested industrial business, generally in the pre-1970 time period. Typically, these lawsuits are brought against multiple defendants in state and federal courts. The Company was neither a manufacturer nor a producer of asbestos. As of March 31, 2001, the Company had pending approximately 105,800 asbestos cases, excluding cases in various stages of settlement. The Company has brought suit against certain of its insurance carriers with respect to asbestos claims. Under the terms of a settlement agreement resulting from this suit, carriers that have agreed to the settlement are now reimbursing the Company for a substantial portion of its current costs and settlement associated with asbestos claims. The Company believes that it has meritorious defenses to asbestos matters, that where appropriate it has adequately provided for resolution of matters and that any ultimate liability resulting from asbestos matters is not likely to have a material adverse effect on its results of operations, financial position or cash flows.

The Company from time to time receives claims from federal and state environmental regulatory agencies and other entities asserting that it is or may be liable for environmental cleanup costs and related damages, principally relating to discontinued operations conducted by companies acquired by the Company. The Company's liabilities reflect management's best estimate of its environmental exposure. Such liability was not discounted or reduced by potential insurance recoveries and reflects management's estimate of cost sharing at multiparty sites. The estimated liability was calculated based upon currently available facts, existing technology and presently enacted laws and regulations. On the basis of its experience and the information currently available to it, the Company believes that the claims it has received will not have a material adverse effect on its results of operations, financial position or liquidity.

In addition to the above matters, the Company and various of its subsidiaries are parties to certain other legal proceedings. Litigation is inherently uncertain and always difficult to predict. However, based on its understanding and evaluation of the relevant facts and circumstances, the Company believes that these matters are not likely to have a material adverse effect on its results of operations, financial position or cash flows.

9) PROVISION FOR INCOME TAXES

The provision for income taxes represents federal, state and foreign income taxes on earnings before income taxes. The estimated effective tax rates of 83.2% for 2001 and 45.0% for 2000 were both adversely affected by amortization of intangibles in excess of the amounts deductible for tax purposes. Excluding the non-deductible amortization of intangibles, the estimated effective tax rates would have been 42.5% for 2001 and 31.0% for 2000.

10) REPORTABLE SEGMENTS

The following tables set forth the Company's financial performance by reportable operating segment. Effective January 1, 2001, the Company operates its online business under the Cable Networks and Television segments and accordingly, now presents its online business as part of these respective segments. Prior period information has been reclassified to conform to the new structure. Intersegment revenues are recorded at fair market value as if the sales were to third parties and are eliminated in consolidation. Entertainment's revenues include intercompany revenues of $105.6 million and $79.0 million for the three months ended March 31, 2001 and March 31, 2000, respectively. Residual costs of discontinued businesses primarily include pension and postretirement benefit costs for benefit plans retained by CBS for previously divested industrial businesses.

The Company evaluates performance based on many factors; one of the primary measures is EBITDA, defined as operating income before depreciation and amortization. The Company believes that EBITDA is an appropriate measure of evaluating the operating performance of its segments. However, EBITDA should be considered in addition to, not as a substitute for or superior to, operating income, net earnings, cash flows, and other measures of financial performance prepared in accordance with generally accepted accounting principles ("GAAP"). As EBITDA is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similarly titled measures employed by other companies.

(Tabular dollars in millions, except per share amounts)

| Three months ended March 31, | 2001 | 2000 |
|---|---|---|
| Revenues: | | |
| Cable Networks | $ 982.4 | $ 771.1 |
| Television | 2,030.8 | 528.1 |
| Infinity | 835.6 | -- |
| Entertainment | 595.2 | 522.6 |
| Video | 1,307.9 | 1,211.1 |
| Publishing | 121.9 | 112.8 |
| Intercompany eliminations | (121.6) | (119.9) |
| Total Revenues | $5,752.2 | $3,025.8 |
| EBITDA: | | |
| Cable Networks | $ 359.4 | $235.5 |
| Television | 314.7 | 117.3 |
| Infinity | 323.1 | -- |
| Entertainment | 63.8 | 54.7 |
| Video | 160.5 | 150.3 |
| Publishing | 2.2 | (1.7) |
| Segment total | 1,223.7 | 556.1 |
| Reconciliation to Operating Income: | | |
| Corporate expense/eliminations | (51.3) | (86.5) |
| Residual costs of discontinued operations | (23.5) | -- |
| Depreciation and amortization | (745.2) | (229.2) |
| Total Operating Income | $ 403.7 | $240.4 |

| | At March 31, 2001 | At December 31, 2000 |
|---|---|---|
| Total Assets: | | |
| Cable Networks | $11,194.0 | $ 8,077.7 |
| Television | 25,588.4 | 25,417.9 |
| Infinity | 40,838.4 | 33,689.7 |
| Entertainment | 4,986.3 | 4,853.9 |
| Video | 8,108.2 | 8,385.1 |
| Publishing | 909.6 | 954.1 |
| Segment total | 91,624.9 | 81,378.4 |
| Corporate/Eliminations | 925.3 | 1,267.7 |
| Total Assets | $92,550.2 | $82,646.1 |

(Tabular dollars in millions, except per share amounts)

## 11) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Viacom International Inc. ("Viacom International") is a wholly owned subsidiary of the Company. The Company has fully and unconditionally guaranteed Viacom International debt securities. The Company has determined that separate financial statements and other disclosures concerning Viacom International are not material to investors. The following condensed consolidating financial statements present the results of operations, financial position and cash flows of the Company, Viacom International, the direct and indirect Non-Guarantor Affiliates of the Company, and the eliminations necessary to arrive at the information for the Company on a consolidated basis.

| | Three Months Ended March 31, 2001 | | | | |
|---|---|---|---|---|---|
| | Viacom Inc. | Viacom International | Non-Guarantor Affiliates | Eliminations | Viacom Inc. Consolidated |
| Revenues | $ 76.0 | $ 567.4 | $5,125.0 | $ (16.2) | $5,752.2 |
| Expenses: | | | | | |
| Operating | 33.3 | 197.4 | 3,256.9 | (9.2) | 3,478.4 |
| Selling, general and administrative | 34.8 | 153.8 | 936.3 | -- | 1,124.9 |
| Depreciation and amortization | 3.9 | 40.3 | 701.0 | -- | 745.2 |
| Total expenses | 72.0 | 391.5 | 4,894.2 | (9.2) | 5,348.5 |
| Operating income | 4.0 | 175.9 | 230.8 | (7.0) | 403.7 |
| Other income (expense): | | | | | |
| Interest income (expense), net | (335.3) | (1.7) | 91.5 | -- | (245.5) |
| Other items, net | (6.2) | .9 | (4.5) | -- | (9.8) |
| Earnings (loss) before income taxes | (337.5) | 175.1 | 317.8 | (7.0) | 148.4 |
| Benefit (provision) for income taxes | 135.7 | (76.9) | (182.3) | -- | (123.5) |
| Equity in earnings (loss) of affiliated companies, net of tax | 194.5 | 57.5 | (24.1) | (255.0) | (27.1) |
| Minority interest, net of tax | -- | 2.5 | (7.6) | -- | (5.1) |
| Net earnings (loss) | $ (7.3) | $ 158.2 | $ 103.8 | $ (262.0) | $ (7.3) |

(Tabular dollars in millions, except per share amounts)

| | Three Months Ended March 31, 2000 | | | | |
|---|---|---|---|---|---|
| | Viacom Inc. | Viacom International | Non-Guarantor Affiliates | Eliminations | Viacom Inc. Consolidated |
| Revenues | $ 9.6 | $ 533.1 | $2,536.1 | $(53.0) | $3,025.8 |
| Expenses: | | | | | |
| Operating | 10.0 | 181.9 | 1,823.4 | (20.2) | 1,995.1 |
| Selling, general and administrative | .3 | 189.8 | 371.0 | -- | 561.1 |
| Depreciation and amortization | .7 | 35.4 | 193.1 | -- | 229.2 |
| Total expenses | 11.0 | 407.1 | 2,387.5 | (20.2) | 2,785.4 |
| Operating income (loss) | (1.4) | 126.0 | 148.6 | (32.8) | 240.4 |
| Other income (expense): | | | | | |
| Interest income (expense), net | (94.6) | 13.1 | (31.5) | -- | (113.0) |
| Other items, net | (8.1) | 5.9 | 3.9 | -- | 1.7 |
| Earnings (loss) before income taxes | (104.1) | 145.0 | 121.0 | (32.8) | 129.1 |
| Benefit (provision) for income taxes | 42.7 | (59.5) | (41.3) | -- | (58.1) |
| Equity in earnings (loss) of affiliated companies, net of tax | (322.9) | (410.4) | (14.2) | 741.4 | (6.1) |
| Minority interest, net of tax | -- | 2.0 | 1.1 | -- | 3.1 |
| Net earnings before cumulative effect of change in accounting principle, net of tax | (384.3) | (322.9) | 66.6 | 708.6 | 68.0 |
| Cumulative effect of charge in accounting principle, net of tax | -- | -- | (452.3) | -- | (452.3) |
| Net earnings (loss) | $(384.3) | $(322.9) | $ (385.7) | $708.6 | $ (384.3) |

(Tabular dollars in millions, except per share amounts)

| | At March 31, 2001 | | | | |
|---|---|---|---|---|---|
| | Viacom Inc. | Viacom International | Non-Guarantor Affiliates | Eliminations | Viacom Inc. Consolidated |
| Assets | | | | | |
| Cash and cash equivalents | $ 155.2 | $ 356.9 | $ 435.7 | $ -- | $ 947.8 |
| Receivables, net | 66.0 | 386.2 | 3,575.1 | (40.9) | 3,986.4 |
| Inventory | 8.2 | 268.5 | 1,177.0 | -- | 1,453.7 |
| Other current assets | 357.7 | 425.0 | 739.8 | (54.2) | 1,468.3 |
| Total current assets | 587.1 | 1,436.6 | 5,927.6 | (95.1) | 7,856.2 |
| Property and equipment | 194.8 | 713.6 | 8,012.6 | -- | 8,921.0 |
| Less accumulated depreciation and amortization | 39.6 | 271.2 | 2,144.6 | -- | 2,455.4 |
| Net property and equipment | 155.2 | 442.4 | 5,868.0 | -- | 6,465.6 |
| Inventory | 9.9 | 582.8 | 3,331.5 | (19.2) | 3,905.0 |
| Intangibles, at amortized cost | 263.2 | 621.4 | 70,982.4 | -- | 71,867.0 |
| Investments in consolidated subsidiaries | 65,299.1 | 14,950.0 | -- | (80,249.1) | -- |
| Other assets | 142.0 | 818.3 | 1,837.3 | (341.2) | 2,456.4 |
| Total Assets | $ 66,456.5 | $ 18,851.5 | $ 87,946.8 | $ (80,704.6) | $ 92,550.2 |
| Liabilities and Stockholders' Equity | | | | | |
| Accounts payable | $ -- | $ 20.3 | $ 984.5 | $ (81.7) | $ 923.1 |
| Accrued expenses and other | 194.9 | 1,449.0 | 3,955.6 | (157.3) | 5,442.2 |
| Accrued participations | -- | -- | 1,284.9 | (27.7) | 1,257.2 |
| Current portion of long-term debt | -- | 14.6 | 135.4 | -- | 150.0 |
| Total current liabilities | 194.9 | 1,483.9 | 6,360.4 | (266.7) | 7,772.5 |
| Long-term debt | 10,187.4 | 751.4 | 2,152.5 | (204.2) | 12,887.1 |
| Other liabilities | (11,676.4) | 3,767.5 | 11,096.8 | 3,996.5 | 7,184.4 |
| Minority interest | -- | 160.5 | 1,087.4 | -- | 1,247.9 |
| Stockholders' equity: | | | | | |
| Preferred Stock | -- | 106.1 | 19.9 | (126.0) | -- |
| Common Stock | 18.3 | 185.7 | 721.1 | (906.8) | 18.3 |
| Additional paid-in capital | 64,726.2 | 7,246.8 | 67,163.8 | (74,410.6) | 64,726.2 |
| Retained earnings | 5,515.8 | 5,089.3 | (392.8) | (8,787.8) | 1,424.5 |
| Accumulated other comprehensive income (loss) | (0.1) | 60.3 | (262.3) | 1.0 | (201.1) |
| | 70,260.2 | 12,688.2 | 67,249.7 | (84,230.2) | 65,967.9 |
| Less treasury stock, at cost | 2,509.6 | -- | -- | -- | 2,509.6 |
| Total stockholders' equity | 67,750.6 | 12,688.2 | 67,249.7 | (84,230.2) | 63,458.3 |
| Total Liabilities and Stockholders' Equity | $ 66,456.5 | $ 18,851.5 | $ 87,946.8 | $ (80,704.6) | $ 92,550.2 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

| | At December 31, 2000 | | | | |
|---|---|---|---|---|---|
| | Viacom Inc. | Viacom International | Non-Guarantor Affiliates | Eliminations | Viacom Inc. Consolidated |
| Assets | | | | | |
| Cash and cash equivalents | $ 192.8 | $ 326.5 | $ 415.2 | $ -- | $ 934.5 |
| Receivables, net | 89.3 | 456.0 | 3,661.3 | (242.5) | 3,964.1 |
| Inventory | 11.3 | 259.9 | 1,130.8 | -- | 1,402.0 |
| Other current assets | 355.1 | 425.5 | 789.3 | (38.1) | 1,531.8 |
| Total current assets | 648.5 | 1,467.9 | 5,996.6 | (280.6) | 7,832.4 |
| Property and equipment | 170.0 | 744.8 | 8,070.9 | -- | 8,985.7 |
| Less accumulated depreciation and amortization | 14.2 | 319.9 | 2,049.8 | -- | 2,383.9 |
| Net property and equipment | 155.8 | 424.9 | 6,021.1 | -- | 6,601.8 |
| Inventory | -- | 518.6 | 3,132.1 | (17.8) | 3,632.9 |
| Intangibles, at amortized cost | 264.9 | 636.4 | 61,102.8 | -- | 62,004.1 |
| Investments in consolidated subsidiaries | 49,331.0 | 14,898.9 | -- | (64,229.9) | -- |
| Other assets | 198.2 | 695.1 | 1,813.0 | (131.4) | 2,574.9 |
| Total Assets | $ 50,598.4 | $ 18,641.8 | $ 78,065.6 | $ (64,659.7) | $ 82,646.1 |
| Liabilities and Stockholders' Equity | | | | | |
| Accounts payable | $ -- | $ 35.2 | $ 1,332.3 | $ (106.4) | $ 1,261.1 |
| Accrued expenses and other | 312.3 | 1,515.5 | 3,379.3 | (154.2) | 5,052.9 |
| Accrued participations | -- | -- | 1,234.5 | (14.2) | 1,220.3 |
| Current portion of long-term debt | -- | 10.8 | 213.1 | -- | 223.9 |
| Total current liabilities | 312.3 | 1,561.5 | 6,159.2 | (274.8) | 7,758.2 |
| Long-term debt | 7,194.1 | 858.2 | 4,613.2 | (191.7) | 12,473.8 |
| Other liabilities | (9,118.5) | 3,588.9 | 5,908.2 | 7,028.4 | 7,407.0 |
| Minority interest | -- | 158.9 | 6,881.3 | -- | 7,040.2 |
| Stockholders' equity: | | | | | |
| Preferred Stock | -- | 106.1 | 20.4 | (126.5) | -- |
| Common Stock | 15.9 | 185.7 | 508.8 | (694.5) | 15.9 |
| Additional paid-in capital | 50,729.9 | 7,253.4 | 54,621.6 | (61,875.0) | 50,729.9 |
| Retained earnings | 5,523.0 | 4,931.1 | (496.5) | (8,525.8) | 1,431.8 |
| Accumulated other comprehensive income (loss) | (.1) | (2.0) | (150.6) | .2 | (152.5) |
| | 56,268.7 | 12,474.3 | 54,503.7 | (71,221.6) | 52,025.1 |
| Less treasury stock, at cost | 4,058.2 | -- | -- | -- | 4,058.2 |
| Total stockholders' equity | 52,210.5 | 12,474.3 | 54,503.7 | (71,221.6) | 47,966.9 |
| Total Liabilities and Stockholders' Equity | $ 50,598.4 | $ 18,641.8 | $ 78,065.6 | $ (64,659.7) | $ 82,646.1 |

(Tabular dollars in millions, except per share amounts)

| | Three Months Ended March 31, 2001 | | | | |
|---|---|---|---|---|---|
| | Viacom Inc. | Viacom International | Non-Guarantor Affiliates | Eliminations | Viacom Inc. Consolidated |
| Net cash flow (used for) provided by operating activities | $(363.5) | $ 30.2 | $ 786.5 | $ -- | $ 453.2 |
| Investing Activities: | | | | | |
| Acquisitions, net of cash acquired | -- | -- | (635.2) | -- | (635.2) |
| Capital expenditures | -- | (29.4) | (75.6) | -- | (105.0) |
| Investments in and advances to affiliated companies | -- | (21.2) | (3.5) | -- | (24.7) |
| Proceeds from dispositions | -- | -- | 228.8 | -- | 228.8 |
| Proceeds from sales of short-term investments | -- | 40.0 | -- | -- | 40.0 |
| Purchases of short-term investments | -- | (12.9) | -- | -- | (12.9) |
| Other, net | -- | -- | -- | -- | -- |
| Net cash flow used for investing activities | -- | (23.5) | (485.5) | -- | (509.0) |
| Financing Activities: | | | | | |
| Borrowings (repayments) from banks, including commercial paper, net | 1,288.4 | (100.0) | (2,399.0) | -- | (1,210.6) |
| Proceeds from senior notes and debentures | 1,661.2 | -- | 5.8 | -- | 1,667.0 |
| Repayment of notes and debentures | (9.5) | -- | (101.3) | -- | (110.8) |
| Purchase of treasury stock | (275.0) | -- | -- | -- | (275.0) |
| Payment of capital lease obligations | -- | (3.1) | (42.0) | -- | (45.1) |
| Increase (decrease) in intercompany payables | (2,382.8) | 126.8 | 2,256.0 | -- | -- |
| Proceeds from exercise of stock options | 45.1 | -- | -- | -- | 45.1 |
| Other, net | (1.5) | -- | -- | -- | (1.5) |
| Net cash flow provided by (used for) financing activities | 325.9 | 23.7 | (280.5) | -- | 69.1 |
| Net increase (decrease) in cash and cash equivalents | (37.6) | 30.4 | 20.5 | -- | 13.3 |
| Cash and cash equivalents at beginning of period | 192.8 | 326.5 | 415.2 | -- | 934.5 |
| Cash and cash equivalents at end of period | $ 155.2 | $ 356.9 | $ 435.7 | $ -- | $ 947.8 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

| | Three Months Ended March 31, 2000 | | | | |
|---|---|---|---|---|---|
| | Viacom Inc. | Viacom International | Non-Guarantor Affiliates | Eliminations | Viacom Inc. Consolidated |
| Net cash flow (used for) provided by operating activities | $ 145.3 | $ 48.8 | $ (85.5) | $ -- | $ 108.6 |
| Investing Activities: | | | | | |
| Acquisitions, net of cash acquired | -- | -- | (1.9) | -- | (1.9) |
| Capital expenditures | -- | (25.8) | (79.9) | -- | (105.7) |
| Investments in and advances to affiliated companies | -- | (1.6) | (63.0) | -- | (64.6) |
| Proceeds from sales of short-term investments | -- | 20.4 | -- | -- | 20.4 |
| Purchases of short-term investments | -- | (34.8) | -- | -- | (34.8) |
| Other, net | -- | (7.1) | -- | -- | (7.1) |
| Net cash flow used for investing activities | -- | (48.9) | (144.8) | -- | (193.7) |
| Financing Activities: | | | | | |
| Borrowings from banks, including commercial paper, net | 835.6 | -- | 32.8 | -- | 868.4 |
| Purchase of treasury stock | (745.8) | -- | -- | -- | (745.8) |
| Payment of capital lease obligations | -- | (12.7) | (22.5) | -- | (35.2) |
| Increase (decrease) in intercompany payables | (315.8) | 24.0 | 291.8 | -- | -- |
| Proceeds from exercise of stock options and warrants | 14.3 | -- | -- | -- | 14.3 |
| Other, net | -- | -- | 0.1 | -- | 0.1 |
| Net cash flow provided by (used for) financing activities | (211.7) | 11.3 | 302.2 | -- | 101.8 |
| Net increase (decrease) in cash and cash equivalents | (66.4) | 11.2 | 71.9 | -- | 16.7 |
| Cash and cash equivalents at beginning of period | 81.6 | 486.0 | 113.2 | -- | 680.8 |
| Cash and cash equivalents at end of period | $ 15.2 | $ 497.2 | $ 185.1 | $ -- | $ 697.5 |

## Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition.

(Tabular dollars in millions)

Management's discussion and analysis of the combined results of operations and financial condition should be read in conjunction with the Consolidated Financial Statements and related Notes.

In order to enhance comparability, the following discussion of the Company's results of operations is supplemented by pro forma financial information that gives effect to the Viacom/CBS merger and other acquisitions including UPN, BET and the acquistion of the minority interest of Infinity, as if they had occurred as of January 1, 2000 and excludes non-recurring items. The pro forma results are presented for informational purposes only and are not indicative of the operating results that would have occurred had the transactions actually occurred at the beginning of 2000, nor are they necessarily indicative of future operating results.

Effective January 1, 2001, the Company operates its online business under the Cable Networks and Television segments and accordingly, now presents its online business as part of these respective segments. Prior period information has been reclassified to conform to the new structure.

The table below presents the Company's total revenues and total operating income, as reported and on a pro forma basis for the three months ended March 31, 2001 and 2000, respectively.

| | Three Months Ended March 31, 2001 | Three Months Ended March 31, 2000 | Percent B/(W) |
|---|---|---|---|
| Total Revenues: | | | |
| As Reported | $ 5,752.2 | $ 3,025.8 | 90% |
| Pro Forma | $ 5,768.0 | $ 5,435.4 | 6% |
| Total Operating Income: | | | |
| As Reported | $ 403.7 | $ 240.4 | 68% |
| Pro Forma | $ 377.8 | $ 231.3 | 63% |

### EBITDA

The following tables set forth EBITDA (defined as operating income (loss) before depreciation and amortization principally of goodwill related to business combinations) for the three months ended March 31, 2001 and 2000. The Company believes that EBITDA is an appropriate measure of evaluating the operating performance of its segments. However, EBITDA should be considered in addition to, not as a substitute for or superior to, operating income, net earnings, cash flows, and other measures of financial performance prepared in accordance with generally accepted accounting principles ("GAAP"). As EBITDA is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similarly titled measures employed by other companies.

| | Three Months Ended March 31, 2001 | Three Months Ended March 31, 2000 | Percent B/(W) |
|---|---|---|---|
| Total EBITDA: | | | |
| As Reported | $1,148.9 | $ 469.6 | 145% |
| Pro Forma | $1,153.5 | $ 999.5 | 15% |

## Results of Operations

On a reported basis, revenues increased 90% to $5.75 billion for the first quarter of 2001 from $3.03 billion for the same quarter last year. Reported operating results are not comparable with prior-year periods due to the Viacom/CBS merger and non-recurring items.

On a pro forma basis, revenues increased 6% to $5.77 billion from $5.44 billion for the same prior-year period. Revenue increases were led by gains in nearly every business unit including increases in its Cable Networks, Television and Entertainment segments. The Video segment also contributed to the revenue increases driven by the increase in the number of company-operated stores and strong worldwide same-store sales growth of 5.3%.

EBITDA, on a pro forma basis, increased 15% to $1.15 billion for the first quarter of 2001 from $1.0 billion for the same prior-year period. EBITDA growth outpaced revenue growth for the periods presented primarily due to increased margins on the additional revenues.

## Segment Results of Operations

Cable Networks (MTV Networks ("MTVN") including MTV, VH1, Nickelodeon, Nick at Nite, TV Land, TNN and CMT; BET; and Showtime Networks Inc. ("SNI"))

| | Three Months Ended March 31, 2001 | Three Months Ended March 31, 2000 | Percent B/(W) |
|---|---|---|---|
| As Reported: | | | |
| Revenues | $ 982.4 | $ 771.1 | 27% |
| Operating income | $ 252.9 | $ 191.0 | 32 |
| EBITDA | $ 359.4 | $ 235.5 | 53 |
| Pro Forma: | | | |
| Revenues | $ 998.9 | $ 970.6 | 3% |
| Operating income | $ 254.6 | $ 208.9 | 22 |
| EBITDA | $ 365.4 | $ 312.4 | 17 |

For the first quarter of 2001, Cable Networks recorded double-digit EBITDA and operating income growth on both an as reported and pro forma basis. Higher pro forma revenues were primarily driven by double-digit revenue growth at MTV, VH1, BET, SNI and TV Land. Revenue gains were principally driven by advertising rate increases at MTV, VH1, BET and TV Land and higher cable affiliate fees. Pro forma EBITDA increases principally reflect higher cable affiliate and DBS revenues and modest growth in operating costs. Subscriber growth continued in the quarter; Nickelodeon and TNN passed the 80 million-subscriber mark and VH1 now reaches over 76 million subscribers. Showtime subscriptions increased 26% over the prior year by approximately 6.2 million subscriptions to 29.6 million subscriptions at March 31, 2001.

The Company completed its acquisition of BET on January 23, 2001 for approximately $3 billion consisting principally of Viacom Class B Common Stock and the assumption of debt. Pro forma results assume the acquisition of the CBS Cable Networks, TNN and CMT, and the acquisition of BET, had occurred on January 1, 2000.

Television (CBS and UPN Television Networks and Stations; Television Production and Syndication)

| | Three Months Ended March 31, 2001 | Three Months Ended March 31, 2000 | Percent B/(W) |
|---|---|---|---|
| As Reported: | | | |
| Revenues | $ 2,030.8 | $ 528.1 | 285% |
| Operating income | $ 118.7 | $ 88.1 | 35 |
| EBITDA | $ 314.7 | $ 117.3 | 168 |
| Pro Forma: | | | |
| Revenues | $ 2,030.8 | $1,888.0 | 8% |
| Operating income | $ 118.7 | $ 81.7 | 45 |
| EBITDA | $ 314.7 | $ 276.4 | 14 |

Television segment's pro forma revenues, EBITDA and operating income growth were principally led by the CBS Network, which achieved double-digit revenue growth in primetime with increased ratings and pricing in the first quarter of 2001. Television's revenue growth was driven by strong first quarter programming on the CBS Network, including Super Bowl XXXV, Survivor: The Australian Outback, CSI: Crime Scene Investigation, the continued success of its Monday night line-up and the timing of the National Semifinals of the NCAA Men's Basketball Championship Tournament. CBS Network's strong revenue growth was partially offset by higher programming costs, including increases in contractual sports rights.

Paramount Television revenues were higher for the quarter primarily from continuing network and first run syndication shows including Frasier, Charmed, 7th Heaven, Judge Judy and Judge Joe Brown. These higher revenues were partially offset by lower syndication library revenues and lower revenues from the cancelled series Beverly Hills 90210. Paramount Television's operating income and EBITDA decreased principally due to a change in product mix. United Paramount Network ("UPN") also continues to deliver improved results.

Pro forma results assume that the Viacom/CBS merger and the acquisition of the remaining 50% interest of UPN had occurred on January 1, 2000. Included in the pro forma results for first quarter 2000 are losses of approximately $31 million for iWon.com, which was previously a minority-owned, consolidated subsidiary. In 2001, iWon.com is accounted for under the equity method.

Infinity (Radio Stations, Outdoor Advertising Properties)

| | Three Months Ended March 31, 2001 | 2000 | Percent B/(W) |
|---|---|---|---|
| As Reported: | | | |
| Revenues | $ 835.6 | $ -- | NM |
| Operating income | $ 35.9 | $ -- | NM |
| EBITDA | $ 323.1 | $ -- | NM |
| Pro Forma: | | | |
| Revenues | $ 834.9 | $ 871.4 | (4)% |
| Operating income | $ 8.3 | $ 25.2 | (67) |
| EBITDA | $ 321.7 | $ 338.5 | (5) |

NM - not meaningful

Infinity's pro forma revenues and EBITDA decreased for the first quarter of 2001 reflecting difficult comparisons with the comparable prior year period, which benefited from an exceptionally strong advertising environment including very strong demand from Internet companies. Operating expenses, as a percentage of revenues, were essentially flat compared with the prior year. Infinity continues to maintain its strong margins and has gained market share by outpacing the out-of-home market.

On February 21, 2001, the Company completed its merger with Infinity, acquiring all of the issued and outstanding shares of Infinity common stock that it did not already own, or approximately 36%, for a total purchase price of approximately $13.4 billion. Pro forma results assume the acquisition of Infinity had occurred on January 1, 2000 and also assume the completion of all acquisitions and related divestitures of radio and outdoor properties by Infinity had occurred at the beginning of each period presented.

Entertainment (Paramount Pictures, Famous Players, Famous Music Publishing and Paramount Parks)

| | Three Months Ended March 31, 2001 | 2000 | Percent B/(W) |
|---|---|---|---|
| Revenues | $ 595.2 | $ 522.6 | 14% |
| Operating income | $ 25.3 | $ 14.9 | 70 |
| EBITDA | $ 63.8 | $ 54.7 | 17 |

For the first quarter of 2001, Entertainment revenues of $595.2 million increased 14% principally as a result of higher Features revenues. The higher Features revenues primarily consisted of higher domestic theatrical, foreign home video, pay television and features network revenues partially offset by lower foreign theatrical and domestic home video revenues. Domestic theatrical revenues include the box office success of Save The Last Dance, Down to Earth and Enemy at the Gates as well as continuing contributions from What Women Want. Higher foreign home video revenues were led by continuing contributions from the successful foreign video release of Mission: Impossible 2 while the higher features network revenues include contributions from Deep Impact and The Truman Show. Theaters' revenues were slightly lower primarily as a result of lower attendance partially offset by higher per capita spending. The parks begin full time operations during the second quarter and close full-time operations at the end of the third quarter and therefore, record the majority of revenues, operating income and EBITDA during the second and third quarters.

For the first quarter of 2001, Entertainment's operating income and EBITDA increased 70% to $25.3 million and 17% to $63.8 million, respectively, principally due to higher features profits from the revenue items noted above. Theaters' EBITDA was higher for the quarter primarily due to lower overhead while the increase in operating income resulted from lower depreciation expense in addition to lower overhead.

Video (Blockbuster)

| | Three Months Ended March 31, 2001 | Three Months Ended March 31, 2000 | Percent B/(W) |
|---|---|---|---|
| Revenues | $ 1,307.9 | $1,211.1 | 8% |
| Operating income | $ 53.8 | $ 44.7 | 20 |
| EBITDA | $ 160.5 | $ 150.3 | 7 |

Video revenues increased 8% to $1.31 billion primarily driven by higher worldwide same store sales and an increase in the number of company-operated stores. Worldwide same store sales, including rental and retail product, increased 5.3%, with an increase in worldwide same store rental revenues of 6.6%. Rental revenues increased 9% over the comparable prior year's quarter driven by significant growth in DVD rental activity. Blockbuster ended the first quarter of 2001 with 7,723 company-owned and franchise stores, a net increase of 475 stores over the first quarter of 2000 of which 29 company-owned stores were added in the first quarter 2001.

Video's gross margin increased to 59.6% for the first quarter of 2001 from 59.0% for the first quarter of 2000 principally due to the decrease in cost of sales as a percentage of total revenues. Blockbuster is continually evaluating its product mix and product offerings, as well as related strategic offerings, to try to optimize its stores' revenues and gross profit. Blockbuster intends to continue to increase its stores' depth of DVDs and other home entertainment products in response to accelerated consumer acceptance of DVD and other home entertainment products. These initiatives to optimize stores' revenues and gross profit may cause Blockbuster to alter the product mix in its stores which may cause Blockbuster to rationalize its stores existing product mix which could result in a non-cash charge.

Publishing (Consumer Publishing)

| | Three Months Ended March 31, 2001 | 2000 | Percent B/(W) |
|---|---|---|---|
| Revenues | $ 121.9 | $ 112.8 | 8% |
| Operating income | $ (3.5) | $ (7.0) | 50 |
| EBITDA | $ 2.2 | $ (1.7) | NM |

NM - not meaningful

The Publishing segment is comprised of Simon & Schuster Inc., which also includes other flagship imprints such as Pocket Books, Scribner and The Free Press.

For the quarter, Publishing reported higher revenues and EBITDA principally due to increased sales in the Pocket Books division. Publishing's best-selling titles in the first quarter included Dreamcatcher by Stephen King, Before I Say Goodbye by Mary Higgins Clark, End of the Rainbow by V.C. Andrews and An Hour Before Daylight by Jimmy Carter. Publishing typically has seasonally stronger operating results in the second half of the year.

Other Income and Expense Information

Corporate Expenses/Eliminations
Corporate expenses/eliminations, excluding depreciation expense, decreased 41% to $51.3 million for the first quarter of 2001 from $86.5 million for the first quarter of 2000 principally due to a $27.5 million decrease in intersegment profit eliminations. Corporate expenses of $24.4 million for the first quarter of 2001 decreased 24% from $32.2 million for the same prior-year period.

Interest Expense
Interest expense increased 110% to $256.9 million for the first quarter of 2001 from $122.5 million for the first quarter of 2000. The Company had approximately $13.0 billion and $6.8 billion principal amount of debt outstanding (including current maturities) as of March 31, 2001 and 2000, respectively, at weighted average interest rates of 7.0% and 7.3%, respectively.

Interest Income
Interest income increased 20% to $11.4 million for the first quarter of 2001 from $9.5 million for the first quarter of 2000.

Other Items, Net
"Other items, net" reflects a $9.8 million loss for the first quarter of 2001 compared to income of $1.7 million for the first quarter of 2000. The decrease of $11.5 million principally reflects a decrease of $10.6 million related to foreign exchange gains in the first quarter of 2001 as compared to the first quarter of 2000.

Provision for Income Taxes

The provision for income taxes represents federal, state and foreign income taxes on earnings before income taxes. The estimated effective tax rates of 83.2% for 2001 and 45.0% for 2000 were both adversely affected by amortization of intangibles in excess of the amounts deductible for tax purposes. Excluding the non-deductible amortization of intangibles, the estimated effective tax rates would have been 42.5% for 2001 and 31.0% for 2000.

Equity in Loss of Affiliated Companies, Net of Tax

"Equity in loss of affiliated companies, net of tax" was $27.1 million for the first quarter of 2001 as compared to $6.1 million for the first quarter of 2000, principally reflecting losses of internet equity ventures partially offset by the continuing improved performance of Comedy Central. The prior year's first quarter amounts include the equity losses of UPN. The remaining 50% interest of UPN was acquired by the Company in March 2000.

Minority Interest

Minority interest for the first quarter of 2001 primarily represents the minority ownership of Infinity, prior to its merger with the Company on February 21, 2001, and the minority ownership of Blockbuster common stock. Minority interest for the prior year's comparable quarter reflects the minority ownership of Blockbuster common stock.

Cumulative Effect of Change in Accounting Principle, Net of Tax

In 2000, the Company elected early adoption of Statement of Position 00-2, "Accounting by Producers or Distributors of Films." As a result of this early adoption, the Company recorded an after-tax non-cash charge of $452 million as a cumulative effect of a change in accounting principle in the consolidated statement of operations.

Net Earnings (Loss)

For the reasons described above, the Company reported a net loss of $7.3 million for the first quarter of 2001 as compared to a net loss of $384.3 million for the first quarter of 2000.

## Acquisitions

On February 21, 2001, the Company completed a merger with Infinity acquiring approximately 36% of the issued and outstanding shares of Infinity common stock that it did not already own. Under the terms of the merger, which is tax free for the stockholders of Infinity and Viacom, each share of Infinity Class A common stock was converted into the right to receive 0.592 of a share of Viacom Class B Common Stock. The Infinity merger was accounted for at historical cost, with the exception of minority interest, which was accounted for under the purchase method of accounting. The total purchase price of approximately $13.4 billion represents the issuance of approximately 232 million shares of Viacom Class B Common Stock and the fair value of Infinity stock options assumed by the Company. Infinity stockholders received a cash payment in lieu of any fractional shares. The goodwill attributable to this transaction of approximately $7.6 billion is being amortized on a straight-line basis over 40 years.

On January 23, 2001, the Company completed its acquisition of BET for approximately $3 billion, which principally represents the issuance of approximately 43.4 million shares of Viacom Class B Common Stock from treasury stock and the assumption by the Company of approximately $590 million in debt. The total cost to acquire BET has been allocated based on the fair value of the assets acquired and liabilities assumed at the time of the acquisition. The excess purchase price over the fair value of the tangible net assets acquired of approximately $2.9 billion was allocated to intangibles and is being amortized on a straight-line basis not to exceed 40 years. The final allocation of the purchase price will be based on comprehensive final evaluations of the fair value of BET's tangible and identifiable assets acquired and liabilities assumed.

## Liquidity and Capital Resources

The Company expects to fund its anticipated cash requirements (including the anticipated cash requirements of its capital expenditures, share repurchase programs, joint ventures, commitments and payments of principal and interest on its outstanding indebtedness) with internally generated funds, in addition to various external sources of funds. The external sources of funds may include the Company's access to commercial paper and the

Company's credit agreements, co-financing arrangements by the Company's various divisions relating to the production of entertainment products, and/or additional financings.

Subsequent to its August 1999 initial public offering, Blockbuster no longer participates in the Company's centralized cash management system. Cash generated by Blockbuster's operations is expected to be retained by Blockbuster to fund its anticipated cash requirements.

The Company filed a shelf registration statement with the Securities and Exchange Commission registering debt securities, preferred stock and warrants of Viacom that may be issued for aggregate gross proceeds of $5.0 billion. The registration statement was declared effective on January 8, 2001. The net proceeds from the sale of the offered securities may be used by Viacom for general corporate purposes, including repayment of borrowings, working capital and capital expenditures; or for such other purposes as may be specified in the applicable Prospectus Supplement. To date, the Company has not issued any securities under the shelf registration statement.

On May 10, 2001, the Company announced its intention to sell $1.4 billion of global debt securities to be comprised of $400 million of 6.40% unsecured senior notes due January 30, 2006 and $1 billion of 6.625% senior notes due May 15, 2011; interest on the senior notes will be payable semi-annually. Proceeds from the sale of securities will be used to repay existing short-term debt.

Share Repurchase Program

In January 2001, the Company repurchased 1.1 million shares of its Class B Common Stock for approximately $56.3 million. On February 1, 2001, the Company initiated a new repurchase program to acquire up to $2.0 billion of Viacom Class B Common Stock, and through April 30, 2001, the Company had repurchased under this program 5.4 million shares of its Class B Common Stock for $264.6 million.

## Commitments and Contingencies

The commitments of the Company for program license fees, estimated to aggregate approximately $14.3 billion, are not reflected in the balance sheet as of March 31, 2001. These commitments include approximately $10.3 billion for the acquisition of sports programming rights. A majority of such fees are payable over several years, as part of normal programming expenditures.

The Company, Blockbuster and Paramount Home Entertainment are among the defendants in a lawsuit filed on July 21, 1999 in the United States District Court for the Western District of Texas by one former and three present independent video retailers against the major motion picture studios and the Company. The plaintiffs, purporting to act as class representatives on behalf of themselves and all others similarly situated, allege that the Company and the studios conspired among themselves and with Blockbuster to restrain competition in the nationwide market for distribution of videocassettes for rental to the public in violation of federal and California law. Plaintiffs seek injunctive relief under federal law as well as triple the amount of the alleged actual damages to themselves and those similarly situated under California statutes. In January 2001, plaintiffs moved to withdraw their California state law claims from the federal lawsuit in Texas and filed a substantially similar complaint with approximately 200 additional named plaintiffs in Superior Court for the County of Los Angeles. This complaint also sought certification of a nationwide class of similarly situated plaintiffs. In March 2001, the Texas court denied the plaintiffs' motion for class certification of both the federal and the California state law claims in the federal action and denied the plaintiffs' motion to withdraw their California state law claims from that action. The Company believes that the plaintiffs' position in these litigations is without merit and intends to defend itself vigorously in the litigations.

The Company is a defendant in numerous lawsuits claiming various asbestos-related personal injuries, which allegedly occurred from use or inclusion of asbestos in certain products supplied by previously divested industrial business, generally in the pre-1970 time period. Typically, these lawsuits are brought against multiple defendants in state and federal courts. The Company was neither a manufacturer nor a producer of asbestos. As of March 31, 2001, the Company had pending approximately 105,800 asbestos cases, excluding cases in various stages of settlement. The Company has brought suit against certain of its insurance carriers with respect to asbestos claims. Under the terms of a settlement agreement resulting from this suit, carriers that have agreed to the settlement are now reimbursing the Company for a substantial portion of its current costs and settlement associated with asbestos claims. The Company believes that it has meritorious defenses to asbestos matters, that where appropriate it has adequately provided for resolution of matters and that any ultimate liability resulting from asbestos matters is not likely to have a material adverse effect on its results of operations, financial position or cash flows.

The Company from time to time receives claims from federal and state environmental regulatory agencies and other entities asserting that it is or may be liable for environmental cleanup costs and related damages, principally relating to discontinued operations conducted by companies acquired by the Company. The Company's liabilities reflect management's best estimate of its environmental exposure. Such liability was not discounted or reduced by potential insurance recoveries and reflects management's estimate of cost sharing at multiparty sites. The estimated liability was calculated based upon currently available facts, existing technology and presently enacted laws and regulations. On the basis of its experience and the information currently available to it, the Company believes that the claims it has received will not have a material adverse effect on its results of operations, financial position or liquidity.

In addition to the above matters, the Company and various of its subsidiaries are parties to certain other legal proceedings. Litigation is inherently uncertain and always difficult to predict. However, based on its understanding and evaluation of the relevant facts and circumstances, the Company believes that these matters are not likely to have a material adverse effect on its results of operations, financial position or cash flows.

## Financial Position

Current assets increased to $7.9 billion at March 31, 2001 from $7.8 billion at December 31, 2000, due to increases in receivables and inventory, partially offset by a decrease in other current assets. The allowance for doubtful accounts as a percentage of receivables was 5.8% at March 31, 2001 and December 31, 2000. The change in property and equipment principally reflects capital expenditures of $105.0 million related to capital additions principally for cable networks and radio equipment and video stores offset by depreciation expense of $214.1 million. Intangibles of $71.9 billion at March 31, 2001 increased by $9.9 billion compared to $62.0 billion at December 31, 2000, principally reflecting the first quarter 2001 acquisition of BET and the merger with Infinity. Current liabilities of $7.8 billion at March 31, 2001 remained unchanged from December 31, 2000. Long-term debt, including current maturities, increased $.3 billion to $13.0 billion as of March 31, 2001 from $12.7 billion as of December 31, 2000 principally due to the BET acquisition partially offset by repayments to banks. The minority interest balance of $1.2 billion as of March 31, 2001 decreased from $7.0 billion as of December 31, 2000 reflecting the merger with Infinity.

## Cash Flows

Net cash flow from operating activities of $453.2 million for the three months ended March 31, 2001 principally reflects a net loss of $7.3 million adjusted for $745.2 million of depreciation and amortization partially offset by investments in inventory and decreases in accounts payable and accrued expenses. Net cash flow from operating activities of $108.6 million for the three months ended March 31, 2000 principally reflects a net loss of $384.3 million adjusted for non-cash expenses of $983.1 million for depreciation and amortization and cumulative effect of change in accounting principle. Prior year's net cash flow from operations also reflects a decrease in receivables of $192.2 million partially offset by a decrease in accounts payable and accrued expenses. Net cash expenditures for investing activities of $509.0 million for the three months ended March 31, 2001 reflects the acquisition of BET and capital expenditures of $105.0 million partially offset by proceeds from dispositions of radio stations and other assets for approximately $228.8 million. Net cash expenditures for investing activities of $193.7 million for the three months ended March 31, 2000 principally reflect capital expenditures of $105.7 million and investments in and advances to affiliated companies of $64.6 million. Financing activities for the three months ended March 31, 2001 reflect proceeds from the issuance of senior notes and debentures principally offset by the payment of bank debt and purchase of treasury stock. Financing activities for the three months ended March 31, 2000 principally reflect net borrowings from banks, offset by the purchase of treasury stock.

## Capital Structure

The following table sets forth the Company's long-term debt, net of current portion:

| | At March 31, 2001 | At December 31, 2000 |
|---|---|---|
| Notes payable to banks (including commercial paper) | $ 4,531.7 | $ 5,735.5 |
| Senior debt | 7,352.5 | 5,662.7 |
| Senior subordinated debt | 564.1 | 664.4 |
| Subordinated debt | 39.1 | 39.4 |
| Other notes | 41.7 | 43.5 |
| Obligations under capital leases | 508.0 | 552.2 |
| | 13,037.1 | 12,697.7 |
| Less current portion | 150.0 | 223.9 |
| | $ 12,887.1 | $ 12,473.8 |

The notes and debentures are presented net of an aggregate unamortized discount of $14.8 million as of March 31, 2001 and $21.4 million as of December 31, 2000.

Debt, including the current portion, as a percentage of total capitalization of the Company was 17% at March 31, 2001 and 21% at December 31, 2000.

On January 9, 2001, the Company issued under Rule 144A, $400 million of 6.40% unsecured senior notes due January 30, 2006, $500 million of 7.70% unsecured senior notes due July 30, 2010, and $750 million of 7.875% unsecured senior debentures due July 30, 2030; interest on the senior notes and debentures will be payable semi-annually. Proceeds from the debt issuance were used to repay bank debt, including commercial paper. During March 2001, these notes and debentures were exchanged for registered notes and debentures. The unsecured senior debentures and the unsecured senior notes due July 30, 2010, are redeemable at any time at their principal amount plus the applicable premium and accrued interest.

On February 1, 2001, the Company redeemed all $60.3 million outstanding of Infinity's 9% senior subordinated notes due 2006 at a redemption price equal to 104.5% of the principal amount.

In March 2001, the Company cancelled its credit agreements other than its Infinity $1.45 billion facility, and entered into two new credit facilities. These two new facilities total $3.5 billion and are comprised of a $1.5 billion 5-year revolving credit facility and a $2.0 billion 364-day revolving credit facility. The Company also amended and restated the Infinity $1.45 billion facility; the terms and conditions were substantially conformed to the new $1.5 billion 5-year revolving credit facility and the Company was designated as the borrower. The primary purpose of the facilities is to support commercial paper borrowings. The Company, at its option, may borrow in certain foreign currencies up to specified limits under the new $1.5 billion 5-year revolving credit facility. Borrowing rates under the facilities are determined at the time of each borrowing and are based generally on LIBOR plus a margin based on the Company's senior unsecured debt rating. At March 31, 2001, LIBOR for borrowing periods of one month and two months were 5.08% and 4.98%, respectively.

The new and amended facilities contain certain covenants which, among other things, require that the Company maintain a minimum interest coverage ratio. At March 31, 2001, the Company was in compliance with the financial covenants.

In March 2001, the Company increased its commercial paper program from $4.0 billion to $4.95 billion and Infinity cancelled its $3.25 billion commercial paper program. Borrowings under the program have maturities of less than a year and are supported by unused committed bank facilities. At March 31, 2001, the Company had borrowings under the program of approximately $3.3 billion.

### Merger-Related Charges

In connection with the integration of Viacom and CBS and the acquisition of UPN, the Company recorded merger-related charges of $698 million in the second quarter of 2000. These amounts included non-cash charges of $415 million principally attributable to compensation for stock options and $283 million of cash payments and accrued liabilities for severance, transaction fees and integration costs. As of March 31, 2001, the Company had paid and charged approximately $97 million for severance liabilities, $27 million for transaction fees and $40 million related to integration costs.

### Market Risk

The Company uses derivative financial instruments to reduce its exposure to market risks from changes in foreign exchange rates and interest rates. The Company does not hold or issue financial instruments for speculative trading purposes. The derivative instruments used are foreign exchange forward contracts and swaps. The foreign exchange contracts have principally been used to hedge the British Pound, the Australian Dollar, the Japanese Yen, the Canadian Dollar, the Singapore Dollar and the European Union's common currency (the "Euro"). These derivatives, which are over-the-counter instruments, are non-leveraged. Realized gains and losses on contracts that hedge anticipated future cash flows are recognized in "Other items, net" and were not material in the periods presented. The Company is primarily vulnerable to changes in LIBOR which is the rate currently used in existing agreements; however, the Company does not believe this exposure to be material.

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS 133") as amended. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at fair value. SFAS 133 also established new accounting rules for hedging instruments which, depending on the nature of the hedge, require that changes in the fair value of the derivatives either be offset against the change in fair value of assets or liabilities through earnings, or be recognized in other comprehensive income until the hedged item is recognized in earnings. The impact of adoption was immaterial on the Company's consolidated results of operations and financial position.

The Company is exposed to fluctuations in foreign currency exchange rates. To manage foreign currency exposures, the Company may use derivative instruments, including swaps and forward contracts. Derivative instruments used by the Company in its hedging activities are not used for speculative trading purposes and are not designated as hedges. As of March 31, 2001, the change in fair value of the foreign currency exchange contracts was not material to the Company's consolidated results of operations.

As of March 31, 2001, the Company's outstanding interest rate swaps, which effectively convert variable interest payments on commercial paper to a fixed rate, were designated as hedges. The effective portion of the change in fair value of cash flow hedges are reported in other comprehensive income and reclassified into earnings in the same period in which the hedged transaction affects earnings. The ineffective portion included in earnings was not material.

### Other Matters

In early April 2001, the United States Court of Appeals, DC Circuit, granted the Company's motion for interim relief from the Federal Communications Commission (the "FCC") national broadcast station ownership cap, which prohibits a company from owning stations that reach more than 35% of the nation's television households. As a result of the favorable ruling, the Company will not be required to divest broadcast stations in excess of that cap, pending the outcome of further proceedings in that court.

On April 19, 2001, the FCC voted to eliminate the dual network rule as it applied to the "Big Four" networks' ownership of UPN and/or The WB, thereby permitting the Company to own both the CBS and UPN broadcast television networks.

Cautionary Statement Concerning Forward looking Statements

This quarterly report on Form 10-Q, including "Management's Discussion and Analysis of Results of Operations and Financial Condition," contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are not based on historical facts, but rather reflect the Company's current expectations concerning future results and events. These forward-looking statements generally can be identified by the use of statements that include phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee," "likely," "will" or other similar words or phrases. Similarly, statements that describe the Company's objectives, plans or goals are or may be forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be different from any future results, performance and achievements expressed or implied by these statements.

A variety of factors, including those set forth under the heading "Cautionary Statement Concerning Forward-Looking Statements" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2000, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements. There may be additional risks that the Company does not currently view as material or that are not presently known.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Response to this is included in "Item 2 - Management's Discussion and Analysis of Results of Operations and Financial Condition - Market Risk."

## PART II -- OTHER INFORMATION

### Item 2. Changes in Securities and Use of Proceeds.

On January 23, 2001, the Company issued approximately 43.4 million shares of Viacom Class B Common Stock in connection with its acquisition of BET Holdings II, Inc., in a transaction exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended.

### Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

| Exhibit No. | Description of Document |
| --- | --- |
| (2) | Plan of Acquisition |
| (a) | Amended and Restated Agreement and Plan of Merger, dated as of September 6, 1999, as amended and restated as of October 8, 1999 and as of November 23, 1999, among Viacom Inc., CBS Corporation and Viacom/CBS LLC (incorporated by reference to Exhibit 2.1 to the Registration Statement on Form S-4 filed by Viacom Inc.) (File No. 333-88613). |
| (b) | Agreement and Plan of Merger, dated as of October 30, 2000, among Viacom Inc., IBC Merger Corp. and Infinity Broadcasting Corporation (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K of Viacom Inc. with a Report Date of October 30, 2000) (File No. 1-9553). |
| (3) | Articles of Incorporation and By-laws |
| (a) | Restated Certificate of Incorporation of Viacom Inc. effective May 4, 2000 (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-4 filed by Viacom Inc.) (File No. 333-88613). |
| (b) | Amended and Restated By-laws of Viacom Inc. effective May 4, 2000 (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-4 filed by Viacom Inc.) (File No. 333-88613). |
| (4) | Instruments defining the rights of security holders, including indentures |
| (a) | Specimen certificate representing Viacom Inc. Class A Common Stock (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-4 filed by Viacom Inc.) (File No. 33-13812). |
| (b) | Specimen certificate representing Viacom Inc. Class B Common Stock (incorporated by reference to Exhibit 4(a) to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended June 30, 1990) (File No. 1-9553). |

| Exhibit No. | | Description of Document |
| --- | --- | --- |
| | (c) | The instruments defining the rights of holders of the long-term debt securities of Viacom Inc. and its subsidiaries are omitted pursuant to section (b)(4)(iii)(A) of Item 601 of Regulation S-K. Viacom Inc. hereby agrees to furnish copies of these instruments to the Securities and Exchange Commission upon request. |
| (10) | | Material Contracts |
| | (a) | Viacom Inc. 2000 Long-Term Management Incentive Plan (As Amended and Restated through January 31, 2001) (filed herewith).* |
| | (b) | Viacom Inc. 2000 Stock Option Plan for Outside Directors (As Amended and Restated through January 31, 2001) (filed herewith).* |

(b) Reports on Form 8-K.

Current Report on Form 8-K of Viacom Inc. with a Report Date of January 5, 2001, announcing the meeting of stockholders of Infinity Broadcasting Corporation to seek approval of the merger of Viacom Inc. and Infinity Broadcasting Corporation.

Current Report on Form 8-K of Viacom Inc. with a Report Date of January 5, 2001, announcing the intention of Viacom Inc. to sell $1.5 billion of global debt securities.

Current Report on Form 8-K of Viacom Inc. with a Report Date of February 14, 2001, relating to the issuance of earnings information for the fourth quarter and full year ending December 31, 2000.

Current Report on Form 8-K of Viacom Inc. with a Report Date of February 21, 2001, announcing the completion of the merger of Viacom Inc. and Infinity Broadcasting Corporation pursuant to the Agreement and Plan of Merger, dated as of October 30, 2000, with Financial Statements of Businesses Acquired included therein.

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*Management contract or compensatory plan required to be filed as an exhibit to this form.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VIACOM INC.
(Registrant)

Date May 14, 2001

/s/ Sumner M. Redstone
Sumner M. Redstone
Chairman of the Board of Directors,
Chief Executive Officer

Date May 14, 2001

/s/ Susan C. Gordon
Susan C. Gordon
Vice President, Controller,
Chief Accounting Officer

## Exhibit Index

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| (b) | Specimen certificate representing Viacom Inc. Class B Common Stock (incorporated by reference to Exhibit 4(a) to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended June 30, 1990) (File No. 1-9553). |
| (c) | The instruments defining the rights of holders of the long-term debt securities of Viacom Inc. and its subsidiaries are omitted pursuant to section (b)(4)(iii)(A) of Item 601 of Regulation S-K. Viacom Inc. hereby agrees to furnish copies of these instruments to the Securities and Exchange Commission upon request. |
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EXHIBIT 10(a)

# Viacom Inc.
# 2000 Long-Term Management Incentive Plan
# (As Amended and Restated through January 31, 2001)

## ARTICLE I

General

Section 1.1 Purpose.

The purpose of the Viacom Inc. 2000 Long-Term Management Incentive Plan (the "Plan") is to benefit and advance the interests of Viacom Inc., a Delaware corporation (the "Company"), and its subsidiaries by rewarding certain key employees of the Company and its subsidiaries for their contributions to the financial success of the Company and thereby motivate them to continue to make such contributions in the future.

Section 1.2 Definitions.

As used in the Plan, the following terms shall have the following meanings:

(a) "Agreement" shall mean the written agreement or certificate governing a Grant under the Plan, which shall contain terms and conditions not inconsistent with the Plan and which shall incorporate the Plan by reference.

(b) "Appreciation Value" shall mean the excess, if any, of the Value of a Phantom Share on the applicable Valuation Date or date of termination of employment or of the Participant's death, Retirement or Permanent Disability (as described in Section 5.5(a) hereof), as the case may be, over the Initial Value of such Phantom Share.

(c) "Board" shall mean the Board of Directors of the Company.

(d) "Class B Common Stock" shall mean shares of Class B Common Stock, par value $0.01 per share, of the Company.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended, including any successor law thereto.

(f) "Committee" shall mean the Compensation Committee of the Board (or such other Committee(s) as may be appointed or designated by the Board) to administer the Plan in accordance with Section 1.3 of the Plan.

(g) "Date of Grant" shall mean the effective date of the Grant of the Stock Options, Stock Appreciation Rights, Restricted Shares, Restricted Share Units and/or Phantom Shares as set forth in the applicable Agreement.

(h) "Effective Date" shall have the meaning set forth in Article X.

(i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, including any successor law thereto.

(j) "Fair Market Value" of a share of Class B Common Stock on a given date shall be the closing price on such date on the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is then listed, as reported by the Fitch Group Daily Market Publications or, if there is no such report or the Company no longer subscribes to such publication, the 4:00 p.m. (New York time) closing price as reported by The Wall Street Journal (Northeast edition) or any other authoritative source selected by the Company.

(k) "Grant" shall mean a grant under the Plan which may consist of a grant of Stock Options, Stock Appreciation Rights, Restricted Shares, Restricted Share Units or Phantom Shares or a combination of any of the above.

(l) "Initial Value" shall mean the value of a Phantom Share as specified by the Committee as of the Date of Grant or the Value of a Phantom Share calculated as of the Date of Grant or such earlier date as the Committee may determine.

(m) "Outstanding Phantom Share" shall mean a Phantom Share granted to a Participant for which the Valuation Date has not yet occurred.

(n) "Outstanding Stock Option" shall mean a Stock Option granted to a Participant which has not yet been exercised and which has not yet expired or been terminated in accordance with its terms.

(o) "Participant" shall mean any employee who has met the eligibility requirements set forth in Section 1.4 hereof and to whom an outstanding Grant has been made under the Plan.

(p) "Permanent Disability" shall have the same meaning as such term or a similar term has in the long-term disability policy maintained by the Company or a subsidiary thereof for the Participant and that is in effect on the date of the onset of the Participant's Permanent Disability, unless the Committee determines otherwise, in its discretion, and sets forth an alternative definition in the applicable Agreement; provided, however, with respect to grants of Incentive Stock Options, permanent disability shall have the meaning given it under the rules governing Incentive Stock Options under the Code.

(q) "Phantom Share" shall mean a contractual right granted to a Participant pursuant to Article V to receive an amount equal to the Appreciation Value at such time, and subject to such terms and conditions, as are set forth in the Plan and the applicable Agreement.

(r) "Restricted Share" shall mean a share of Class B Common Stock granted to a Participant pursuant to Article III, which is subject to the restrictions set forth in Section 3.3 hereof and to such other terms, conditions and restrictions as are set forth in the Plan and the applicable Agreement.

(s) "Restricted Share Unit" shall mean a contractual right granted to a Participant pursuant to Article IV to receive either Class B Common Stock, a cash payment equal to the Fair Market Value of such Class B Common Stock or a combination of Class B Common Stock and cash, subject to the terms and conditions as are set forth in the Plan and in the applicable Agreement.

(t) "Retirement" shall mean the resignation or termination of employment after attainment of an age and years of service required for payment of an immediate pension pursuant to the terms of any qualified defined benefit retirement plan maintained by the Company or a subsidiary in which the Participant participates; provided, however, that no resignation or termination prior to a Participant's 60th birthday shall be deemed a retirement unless the Committee so determines in its sole discretion.

(u) "Rule 16b-3" shall mean Rule 16b-3 promulgated under the Exchange Act, as amended from time to time, or any successor provision.

(v) "Section 162(m)" shall mean Section 162(m) of the Code and the regulations promulgated thereunder from time to time.

(w) "Section 162(m) Exception" shall mean the exception under Section 162(m) for "qualified performance-based compensation."

(x) "Stock Appreciation Right" shall mean a contractual right granted to a Participant pursuant to Article II to receive an amount determined in accordance with Section 2.5 of the Plan.

(y) "Stock Option" shall mean a contractual right granted to a Participant pursuant to Article II to purchase shares of Class B Common Stock at such time and price, and subject to such other terms and conditions, as are set forth in the Plan and the applicable Agreement. Stock Options may be "Incentive Stock Options" within the meaning of Section 422 of the Code or "Non-Qualified Stock Options" which do not meet the requirements of such Code section.

(z) "Termination for Cause" shall mean a termination of employment with the Company or any of its subsidiaries which, as determined by the Committee, is by reason of (i) "cause" as such term or a similar term is defined in any employment agreement applicable to the Participant, or (ii) if there is no such employment agreement or if such employment agreement contains no such term, the Participant's: (A) dishonesty; (B) conviction of embezzlement, fraud or other conduct which would constitute a felony; (C) willful unauthorized disclosure of confidential information; (D) failure, neglect of or refusal to substantially perform the duties of the Participant's employment; or (E) any other act or omission which is a material breach of the Company's policies regarding employment practices or the applicable federal, state and local laws prohibiting discrimination or which is materially injurious to the financial condition or business reputation of the Company or any subsidiary thereof.

(aa) "Valuation Date" shall mean the date on which the Appreciation Value of a Phantom Share shall be measured and fixed in accordance with Section 5.2(a) hereof.

(bb) The "Value" of a Phantom Share shall be determined by reference to the "average Fair Market Value" of a share of Class B Common Stock. The "average Fair Market Value" on a given date of a share of Class B Common Stock shall be determined over the 30-day period ending on such date or such other period as the Committee may decide shall be applicable to a Grant of Phantom Shares, determined by dividing (i) by (ii), where (i) shall equal the sum of the Fair Market Values on each day that the Class B Common Stock was traded and a closing price was reported during such period, and (ii) shall equal the number of days, as determined by the Committee for the purposes of determining the average Fair Market Value for such Phantom Shares, on which the Class B Common Stock was traded and a closing price was reported during such period.

(cc) To "vest" a Stock Option, Stock Appreciation Right, Restricted Share, Restricted Share Unit or Phantom Share held by a Participant shall mean, with respect to a Stock Option or Stock Appreciation Right, to render such Stock Option or Stock Appreciation Right exercisable, subject to the terms of the Plan or the Agreement, and, in the case of a Restricted Share, Restricted Share Unit or Phantom Share, to render such Restricted Share, Restricted Share Unit or Phantom Share nonforfeitable, except where, with respect to Stock Options, Stock Appreciation Rights and Phantom Shares, a Participant's employment ends because of a Termination for Cause.

Section 1.3 Administration of the Plan.

The Plan shall be administered by the Board or by a Committee appointed by the Board, consisting of at least two members of the Board; provided that (i) with respect to any Grant that is intended to satisfy the requirements of Rule 16b-3, such Committee shall consist of at least such number of directors as is required from time to time by Rule 16b-3, and each such Committee member shall satisfy the qualification requirements of such rule; and (ii) with respect to any Grant that is also intended to satisfy the requirements of the Section 162(m) Exception, such Committee shall consist of at least such number of directors as is required from time to time to satisfy the Section 162(m) Exception, and each such Committee member shall satisfy the qualification requirements of such exception. The Committee shall adopt such rules as it may deem appropriate in order to carry out the purpose of the Plan. All questions of interpretation, administration and application of the Plan shall be determined by a majority of the members of the Committee then in office, except that the Committee may authorize any one or more of its members, or any officer of the Company, to execute and deliver documents on behalf of the Committee. The determination of such majority shall be final and binding as to all matters relating to the Plan. The Committee shall have authority to select Participants from among the class of eligible persons specified in Section 1.4 below and to determine the number of Stock Options, Stock Appreciation Rights, Restricted Shares, Restricted Share Units or Phantom Shares (or combination thereof) to be granted to each Participant. The Committee shall also have the authority to amend the terms of any outstanding Grant or waive any conditions or restrictions applicable to any Grant; provided, however, that no amendment shall impair the rights of the holder thereof.

With respect to any restrictions in the Plan or in any Agreement that are based on the requirements of Rule 16b-3, Section 422 of the Code, the Section 162(m) Exception, the rules of any exchange upon which the Company's securities are listed, or any other applicable law, rule or restriction to the extent that any such restrictions are no longer required, the Committee shall have the sole discretion and authority to make Grants that are not subject to such restrictions and/or to waive any such restrictions with respect to outstanding Grants.

Section 1.4 Eligible Persons.

Grants may be awarded to any employee of the Company or any of its subsidiaries selected by the Committee.

Section 1.5 Class B Common Stock Subject to the Plan.

The total aggregate number of shares of Class B Common Stock that may be distributed under the Plan (whether reserved for issuance upon grant of Stock Options or Stock Appreciation Rights or granted as Restricted Shares or Restricted Share Units) shall be 100 million, subject to adjustment pursuant to Article VI hereof. The shares of Class B Common Stock shall be made available from authorized but unissued Class B Common Stock or from Class B Common Stock issued and held in the treasury of the Company. The delivery of shares of Class B Common Stock upon exercise of a Stock Option or Stock Appreciation Right in any manner and the vesting of Restricted Shares or Restricted Share Units shall result in a decrease in the number of shares which thereafter may be issued for purposes of this Section 1.5, by the number of shares as to which the Stock Option or Stock Appreciation Right is exercised or by the number of Restricted Shares or Restricted Share Units which vest. To the extent permitted by law or the rules and regulations of any stock exchange on which the Class B Common Stock is listed, shares of Class B Common Stock with respect to which Stock Options and Stock Appreciation Rights expire, are canceled without being exercised or are otherwise terminated or, in the case of Stock Appreciation Rights or Restricted Share Units, are exercised for cash, may be regranted under the Plan. Restricted Shares or Restricted Share Units that are forfeited for any reason shall not be deemed granted for purposes of this Section 1.5 and may thereafter be regranted under the Plan.

Section 1.6 Limit on Grants to Participants.

The maximum aggregate number of (i) shares of Class B Common Stock that may be granted under the Plan (whether reserved for issuance upon grant of Stock Options or

Stock Appreciation Rights or granted as Restricted Shares or Restricted Share Units) and (ii) Phantom Shares or Restricted Share Units that may be granted under the Plan to any Participant during the five-year period starting on the Effective Date of the Plan is 20 million, subject to adjustment pursuant to Article VI hereof.

Section 1.7 Agreements.

Each Agreement (i) shall state the Date of Grant and the name of the Participant, (ii) shall specify the terms of the Grant, (iii) shall be signed by a person designated by the Committee and, if so required by the Committee, by the Participant, (iv) shall incorporate the Plan by reference and (v) shall be delivered to the Participant. The Agreement shall contain such other terms and conditions as are required by the Plan and, in addition, such other terms not inconsistent with the Plan as the Committee may deem advisable. The Committee shall have the authority to require that any Agreement relating to a Grant in a jurisdiction outside of the United States contain such terms as are required by local law in order to constitute a valid grant under the laws of such jurisdiction. Such authority shall be notwithstanding the fact that the requirements of the local jurisdiction may be more restrictive than the terms set forth in the Plan.

## ARTICLE II

Provisions Applicable to Stock Options

Section 2.1 Grants of Stock Options.

The Committee may from time to time grant to eligible employees Stock Options on the terms and conditions set forth in the Plan and on such other terms and conditions as are not inconsistent with the purposes and provisions of the Plan, as the Committee, in its discretion, may from time to time determine, and subject to satisfaction of any performance goal requirements established by the Committee. Each Agreement covering a Grant of Stock Options shall specify the number of Stock Options granted, the Date of Grant, the exercise price of such Stock Options, whether such Stock Options are Incentive Stock Options or Non-Qualified Stock Options, the period during which such Stock Options may be exercised and any vesting schedule, including any applicable performance goal requirements. Any Stock Option intended to qualify as an Incentive Stock Option that fails to so qualify will be deemed a Non-Qualified Stock Option.

Section 2.2 Exercise Price.

The Committee shall establish the per share exercise price at the time any Stock Option is granted at such amount as the Committee shall determine; provided that, with respect to any Incentive Stock Option or any Stock Option intended to qualify for the Section 162(m) Exception, such exercise price shall not be less than 100% of the Fair Market Value of a share of Class B Common Stock on the Date of Grant; and provided further that, with respect to any Incentive Stock Option that is granted to a person holding more than 10% of the combined voting power of all of the Class B Common Stock of the Company, such exercise price shall not be less than 110% of the Fair Market Value of a share of Class B Common Stock on the Date of Grant. The exercise price will be subject to adjustment in accordance with the provisions of Article VI of the Plan.

Section 2.3 Exercise of Stock Options.

(a) Exercisability. Stock Options shall be exercisable only to the extent the Participant is vested therein, subject to any restrictions that the Committee shall determine and specify in the applicable Agreement (or any employment agreement applicable to the Participant). A Participant shall vest in Stock Options over such time and in such increments as the Committee shall determine and specify in a vesting schedule set forth in the applicable Agreement (or any employment agreement applicable to the Participant). The Committee may, however, in its sole discretion, accelerate the time at which a Participant vests in his Stock Options.

(b) Option Period. For each Stock Option granted, the Committee shall specify the period during which the Stock Option may be exercised; provided, however, that anything in the Plan or in the applicable Agreement to the contrary notwithstanding:

(i) Latest Exercise Date. No Stock Option granted under the Plan shall be exercisable after the tenth anniversary of the Date of Grant thereof.

(ii) Registration Restrictions. A Stock Option shall not be exercisable, no transfer of shares of Class B Common Stock shall be made to any Participant, and any attempt to exercise a Stock Option or to transfer any such shares shall be void and of no effect, unless and until (A) a registration statement under the Securities Act of 1933, as amended, has been duly filed and declared effective pertaining to the shares of Class B Common Stock subject to such Stock Option, and the shares of Class B Common Stock subject to such Stock Option have been duly qualified under applicable federal or state securities or blue sky laws or (B) the Committee, in its sole discretion, determines, or the Participant, upon the request of the Committee, provides an opinion of counsel satisfactory to the Committee, that such registration or qualification is not required as a result of the availability of an exemption from registration or qualification under such laws. Without limiting the foregoing, if at any time the Committee shall determine, in its sole discretion, that the listing, registration or qualification of the shares of Class B Common Stock subject to such Stock Option is required under any federal or state law or on any securities exchange or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, delivery or purchase of such shares pursuant to the exercise of a Stock Option, such Stock Option shall not be exercised in whole or in part unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(c) Exercise in the Event of Termination of Employment, Retirement, Death or Permanent Disability.

(i) Termination other than for Cause, or due to Retirement, Death or Permanent Disability. Except as otherwise provided in this Section 2.3, in the event that (A) the Participant ceases to be an employee of the Company or any of its subsidiaries by reason of the voluntary termination by the Participant or the termination by the Company or any of its subsidiaries other than for Cause, his Outstanding Stock Options may be exercised to the extent then exercisable until the earlier of six months after the date of such termination (or such longer period as may be determined by the Committee, in its discretion) or the expiration of such Stock Options, (B) the Participant ceases to be an employee of the Company or any of its subsidiaries by reason of the Participant's Retirement, the Participant may exercise (x) his Outstanding Stock Options granted prior to January 31, 2001 to the extent exercisable on the date of Retirement until the earlier of the second anniversary of such date (or such longer period as may be determined by the Committee, in its discretion) or the expiration of such Stock Options, and (y) his Outstanding Stock Options granted on January 31, 2001 or thereafter to the extent exercisable on the date of Retirement until the earlier of the third anniversary of such date (or such longer period as may be determined by the Committee, in its discretion) or the expiration of such Stock Options, (C) a Participant dies during a period during which his Stock Options could have been exercised by him, (x) his Outstanding Stock Options granted prior to January 31, 2001 may be exercised to the extent exercisable at the date of death by the person who acquired the right to exercise such Stock Options by will or the laws of descent and distribution or permitted transfer until the earlier of the first anniversary of the date of death (or such longer period as may be determined by the Committee, in its discretion, prior to the expiration of such one-year period) or the expiration of such Stock Options, and (y) his Outstanding Stock Options granted on January 31, 2001 or thereafter may be exercised to the extent exercisable at the date of death by the person who acquired the right to exercise such Stock Options by will or the laws of descent and distribution or permitted transfer until the earlier of the second anniversary of the date of death (or such longer period as may be determined by the Committee, in its discretion) or the expiration of such Stock Options, and (D) the Permanent Disability of the Participant occurs, (x) his Outstanding Stock Options granted prior to January 31, 2001 may be exercised to the extent exercisable upon the date of the onset of such Permanent Disability until the earlier of the first anniversary of such date (or such longer period not in excess of the second anniversary of such date as may be determined by the Committee, in its discretion) or the expiration of such Stock Options, and (y) his Outstanding Stock Options granted on January 31, 2001 or thereafter may be exercised to the extent exercisable upon the date of the onset of such Permanent Disability until the earlier of the third anniversary of such date (or such longer period as may be determined by the Committee, in its discretion) or the expiration of such Stock Options. Upon the occurrence of an event described in clauses (A), (B), (C) or (D) of this Section 2.3(c)(i), all rights with respect to Stock Options that are not vested as of such event will be relinquished.

(ii) Termination for Cause. If a Participant's employment with the Company or any of its subsidiaries ends due to a Termination for Cause then, unless the Committee in its discretion determines otherwise, all Outstanding Stock Options, whether or not then vested, shall terminate effective as of the date of such termination.

(iii) Maximum Exercise Period. Anything in this Section 2.3(c) to the contrary notwithstanding, no Stock Option shall be exercisable after the earlier to occur of (A) the expiration of the option period set forth in the applicable Agreement or (B) the tenth anniversary of the Date of Grant thereof.

(iv) Minimum Exercise Period. With respect to a termination described in Section 2.3(c)(i)(A) only, the Committee may establish a shorter exercise period for Incentive Stock Options of not less than three months following the date of termination.

(v) Exercise Periods following Termination of Employment. For the purposes of determining the dates on which Stock Options may be exercised following a termination of employment or Retirement, death or Permanent Disability, the day following the date of termination of employment or Retirement, death or Permanent Disability shall be the first day of the exercise period and the Stock Options may be exercised up to and including the last business day falling within the exercise period. Thus, if the last day of the exercise period is not a business day, then the last date the Stock Options may be exercised is the last business day preceding the end of the exercise period.

Section 2.4 Payment of Purchase Price Upon Exercise.

Every share purchased through the exercise of a Stock Option shall be paid for in full at the time of exercise in cash or, in the discretion of the Committee, in shares of Class B Common Stock (provided that such shares of Class B Common Stock have been held for at least six months by the Participant) or other securities of the Company designated by the Committee, in a combination of cash, shares or such other securities or in any other form of valid consideration that is acceptable to the Committee in its sole discretion.

Section 2.5 Stock Appreciation Rights.

The Committee may grant Stock Appreciation Rights only in tandem with a Stock Option, either at the time of Grant or by amendment at any time prior to the exercise, expiration or termination of such Stock Option. Each Stock Appreciation Right shall be subject to the same terms and conditions as the related Stock Option and shall be exercisable only at such times and to such extent as the related Stock Option is exercisable. A Stock Appreciation Right shall entitle the holder to surrender to the Company the related Stock Option unexercised and receive from the Company in exchange therefor an amount equal to the excess of the Fair Market Value of the shares of

Class B Common Stock subject to such Stock Option, determined as of the day preceding the surrender of such Stock Option, over the Stock Option aggregate exercise price. Such amount shall be paid in cash or, in the discretion of the Committee, in shares of Class B Common Stock or other securities of the Company designated by the Committee or in a combination of cash, shares or such other securities.

## ARTICLE III

Provisions Applicable to Restricted Shares

Section 3.1 Grants of Restricted Shares.

The Committee may from time to time grant to eligible employees Restricted Shares on the terms and conditions set forth in the Plan and on such other terms and conditions as are not inconsistent with the purposes and provisions of the Plan, as the Committee, in its discretion, may from time to time determine. Each Agreement covering a Grant of Restricted Shares shall specify the number of Restricted Shares granted, the Date of Grant, the price, if any, to be paid by the Participant for such Restricted Shares and the vesting schedule (as provided for in Section 3.2 hereof) for such Restricted Shares, including any applicable performance goal requirements.

Section 3.2 Vesting.

The Committee shall establish the vesting schedule applicable to Restricted Shares granted hereunder, which vesting schedule shall specify the period of time, the increments in which a Participant shall vest in the Grant of Restricted Shares and any applicable performance goal requirements, subject to any restrictions that the Committee shall determine and specify in the applicable Agreement.

Section 3.3 Rights and Restrictions Governing Restricted Shares.

As of the Date of Grant of Restricted Shares, one or more certificates representing the appropriate number of shares of Class B Common Stock granted to a Participant shall be registered in his name but shall be held by the Company for the account of the Participant. The Participant shall have all rights of a holder as to such shares of Class B Common Stock (including, to the extent applicable, the right to receive dividends and to vote), subject to the following restrictions: (a) the Participant shall not be entitled to delivery of certificates representing such shares of Class B Common Stock until such shares have vested; (b) none of the Restricted Shares may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of until such shares have vested; and (c) except as otherwise provided in Section 3.6 below, all unvested Restricted Shares shall be immediately forfeited upon a Participant's termination of employment with the Company or any subsidiary for any reason or the Participant's death, Retirement or Permanent Disability.

Section 3.4 Adjustment with Respect to Restricted Shares.

Any other provision of the Plan to the contrary notwithstanding, the Committee may, in its discretion, at any time accelerate the date or dates on which Restricted Shares vest. The Committee may, in its sole discretion, remove any and all restrictions on such Restricted Shares whenever it may determine that, by reason of changes in applicable law, the rules of any stock exchange on which the Class B Common Stock is listed or other changes in circumstances arising after the Date of Grant, such action is appropriate.

Section 3.5 Delivery of Restricted Shares.

On the date on which Restricted Shares vest, all restrictions contained in the Agreement covering such Restricted Shares and in the Plan shall lapse as to such Restricted Shares. One or more stock certificates for the appropriate number of shares of Class B Common Stock, free of the restrictions set forth in the Plan and applicable Agreement, shall be delivered to the Participant or such shares shall be credited to a brokerage account if the Participant so directs; provided, however, that such certificates shall bear such legends as the Committee, in its sole discretion, may determine to be necessary or advisable in order to comply with applicable federal or state securities laws.

Section 3.6 Termination of Employment, Retirement, Death or Permanent Disability.

In the event that (i) the Participant's employment with the Company or any of its subsidiaries ends by reason of voluntary termination by the Participant, termination by the Company or any of its subsidiaries other than for Cause, termination by the Company or any of its subsidiaries for Cause or the Participant's Retirement, or (ii) the Participant's death or Permanent Disability occurs, prior to the date or dates on which Restricted Shares vest, the Participant shall forfeit all unvested Restricted Shares as of the date of such event, unless, other than in the case of a termination by the Company or its subsidiaries for Cause, the Committee determines that the circumstances in the particular case so warrant and provides that some or all of such Participant's unvested Restricted Shares shall vest as of the date of such event, in which case certificates representing such shares shall be delivered, in accordance with Section 3.5 above, to the Participant or in the case of the Participant's death, to the person or persons who acquired the right to receive such certificates by will or the laws of descent and distribution.

## ARTICLE IV

Provisions Applicable to Restricted Share Units

Section 4.1 Grants of Restricted Share Units.

The Committee may from time to time grant Restricted Share Units on the terms and conditions set forth in the Plan and on such other terms and conditions as are not inconsistent with the purposes and provisions of the Plan as the Committee, in its discretion, may from time to time determine. Each Restricted Share Unit awarded to a Participant shall correspond to one share of Class B Common Stock. Each Agreement covering a Grant of Restricted Share Units shall specify the number of Restricted Share Units granted and the vesting schedule (as provided for in Section 4.2 hereof) for such Restricted Share Units, including any applicable performance goal requirements.

Section 4.2 Vesting.

The Committee shall establish the vesting schedule applicable to Restricted Share Units granted hereunder, which vesting schedule shall specify the period of time, the increments in which a Participant shall vest in the Grant of Restricted Share Units and any applicable performance goal requirements, subject to any restrictions that the Committee shall determine and specify in the applicable Agreement.

Section 4.3 Adjustment with Respect to Restricted Share Units.

Any other provision of the Plan to the contrary notwithstanding, the Committee may, in its discretion, at any time accelerate the date or dates on which Restricted Share Units vest.

Section 4.4 Settlement of Restricted Share Units.

On the date on which Restricted Share Units vest, all restrictions contained in the Agreement covering such Restricted Share Units and in the Plan shall lapse as to such Restricted Share Units and the Restricted Share Units will be payable, at the discretion of the Committee, in Class B Common Stock, in cash equal to the Fair Market Value of the shares subject to such Restricted Share Units or in a combination of Class B Common Stock and cash. In the event the Restricted Share Units are paid in Class B Common Stock, one or more stock certificates for the appropriate number of shares of Class B Common Stock, free of the restrictions set forth in the Plan and applicable Agreement, shall be delivered to the Participant or such shares shall be credited to a brokerage account if the Participant so directs; provided, however, that such certificates shall bear such legends as the Committee, in its sole discretion, may determine to be necessary or advisable in order to comply with applicable federal or state securities laws.

Section 4.5 Termination of Employment, Retirement, Death or Permanent Disability.

In the event that (i) the Participant's employment with the Company or any of its subsidiaries ends by reason of voluntary termination by the Participant, termination by the Company or any of its subsidiaries other than for Cause, termination by the Company or any of its subsidiaries for Cause or the Participant's Retirement, or (ii) the Participant's death or Permanent Disability occurs prior to the date or dates on which Restricted Share Units vest, the Participant shall forfeit all unvested Restricted Share Units as of the date of such event, unless, other than due to a Termination for Cause, the Committee determines that the circumstances in the particular case so warrant and provides that some or all of such Participant's unvested Restricted Share Units shall vest as of the date of such event, in which case, in the discretion of the Committee, either certificates representing shares of Class B Common Stock or a cash payment equal to the Fair Market Value of the shares of Class B Common Stock, shall be delivered in accordance with Section 4.4 above, to the Participant or in the case of the Participant's death, to the person or persons who acquired the right to receive such certificates by will or the laws of descent and distribution.

# ARTICLE V

## Provisions Applicable to Phantom Shares

### Section 5.1 Grants of Phantom Shares.

The Committee may from time to time grant to eligible employees Phantom Shares, the value of which is determined by reference to a share of Class B Common Stock, on the terms and conditions set forth in the Plan and on such other terms and conditions as are not inconsistent with the purposes and provisions of the Plan as the Committee, in its discretion, may from time to time determine. Each Agreement covering a Grant of Phantom Shares shall specify the number of Phantom Shares granted, the Initial Value of such Phantom Shares, the Valuation Dates, the number of Phantom Shares whose Appreciation Value shall be determined on each such Valuation Date, any applicable vesting schedule (as provided for in Section 5.3 hereof) for such Phantom Shares, and any applicable limitation on payment (as provided for in Section 5.4 hereof) for such Phantom Shares.

### Section 5.2 Appreciation Value.

(a) Valuation Dates; Measurement of Appreciation Value. The Committee shall provide in the Agreement for one or more Valuation Dates on which the Appreciation Value of the Phantom Shares granted pursuant to the Agreement shall be measured and fixed, and shall designate in the Agreement the number of such Phantom Shares whose Appreciation Value is to be calculated on each such Valuation Date. Unless otherwise determined by the Committee, each Valuation Date shall be December 15 and no Valuation Date shall occur later than the year in which the eighth (8th) anniversary of the Date of Grant occurs.

(b) Payment of Appreciation Value. Except as otherwise provided in Section 5.5 hereof, and subject to the limitation contained in Section 5.4 hereof, the Appreciation Value of a Phantom Share shall be paid to a Participant in cash in a lump sum as soon as practicable following the Valuation Date applicable to such Phantom Share.

Section 5.3 Vesting.

The Committee may, in its discretion, provide in the Agreement that Phantom Shares granted thereunder shall vest (subject to such terms and conditions as the Committee may provide in the Agreement) over such period of time, from the Date of Grant, as may be specified in a vesting schedule contained therein.

Section 5.4 Limitation on Payment.

The Committee may, in its discretion, establish and set forth in the Agreement a maximum dollar amount payable under the Plan for each Phantom Share granted pursuant to such Agreement.

Section 5.5 Termination of Employment, Retirement, Death or Permanent Disability.

(a) Termination Other Than for Cause, or due to Retirement, Death or Permanent Disability. Except as otherwise provided in this Section 5.5, if, before the occurrence of one or more Valuation Dates applicable to the Participant's Outstanding Phantom Shares, (i) the Participant's employment with the Company or any of its subsidiaries ends by reason of the voluntary termination by the Participant, the termination by the Company or any of its subsidiaries other than for Cause or the Participant's Retirement or (ii) the Participant's death or Permanent Disability occurs, then, unless the Committee, in its discretion, determines otherwise, the Appreciation Value of each Outstanding Phantom Share as to which the Participant's rights are vested as of the date of such event shall be the lesser of (x) the Appreciation Value of such Phantom Share calculated as of the date of such event or (y) the Appreciation Value of such Phantom Share calculated as of the originally scheduled Valuation Date applicable thereto. Unless the Committee, in its discretion, determines otherwise, the Appreciation Value so determined for each such vested Outstanding Phantom Share shall then be payable to the Participant following the originally scheduled Valuation Date applicable thereto in accordance with Section 5.2(b) hereof. Upon the occurrence of an event described in this Section 5.5(a), all rights with respect to Phantom Shares that are not vested as of such date will be relinquished.

(b) Termination for Cause. If a Participant's employment with the Company or any of its subsidiaries ends due to a Termination for Cause, then, unless the Committee, in its discretion, determines otherwise, all Outstanding Phantom Shares, whether or not vested, and any and all rights to the payment of Appreciation Value with respect to such Outstanding Phantom Shares shall be forfeited effective as of the date of such termination.

ARTICLE VI

Effect of Certain Corporate Changes

In the event of a merger, consolidation, stock-split, dividend, distribution, combination, reclassification or recapitalization that changes the character or amount of the Class B Common Stock or any other changes in the corporate structure, equity securities or capital structure of the Company, the Committee shall make such adjustments to (i) the number and kind of securities subject to any Stock Options or Stock Appreciation Rights or the number and kind of Restricted Shares, Restricted Share Units or Phantom Shares granted to each Participant, (ii) the exercise price of any Outstanding Stock Options or Stock Appreciation Rights or the Initial Value of any Outstanding Phantom Shares, and (iii) the maximum number and kind of securities referred to in Section 1.5 and Section 1.6 of the Plan, in each case, as it deems appropriate. The Board may, in its sole discretion, also make such other adjustments as it deems appropriate in order to preserve the benefits or potential benefits intended to be made available hereunder. Such determinations shall be conclusive and binding for all purposes.

ARTICLE VII

Miscellaneous

Section 7.1 No Rights to Grants or Continued Employment.

Nothing in the Plan or in any Agreement, nor the grant of any Option, Phantom Share, Restricted Share, Restricted Share Unit, or Stock Appreciation Right, shall confer upon any individual any right to be employed by the Company or any subsidiary thereof, nor to be entitled to any remuneration or benefits not set forth in the Plan or such Agreement, including the right to receive any future Grants under the Plan or any other plan of the Company or any subsidiary thereof or interfere with or limit the right of the Company or any subsidiary thereof to modify the terms of or terminate such individual's employment at any time.

Section 7.2 Restriction on Transfer.

The rights of a Participant with respect to Stock Options, Stock Appreciation Rights, Restricted Shares, Restricted Share Units or Phantom Shares shall not be transferable by the Participant to whom such Stock Options, Stock Appreciation Rights, Restricted Shares, Restricted Share Units or Phantom Shares are granted, except (i) by will or the laws of descent and distribution or (ii) with respect to Non-Qualified Stock Options, subject to the prior approval of the Committee, for transfers to members of the Participant's immediate family or trusts whose beneficiaries are members of the

Participant's immediate family, in each case subject to the condition that the Committee shall be satisfied that such transfer is being made for estate and/or tax planning purposes without consideration being received therefor and subject to such other conditions as the Committee may impose.

Section 7.3 Taxes.

The Company or a subsidiary thereof, as appropriate, shall have the right to deduct from all payments made under the Plan to a Participant or to a Participant's estate any federal, state, local or other taxes required by law to be withheld with respect to such payments. The Committee, in its discretion, may require, as a condition to the exercise of any Stock Option or Stock Appreciation Right or delivery of any certificate(s) for shares of Class B Common Stock, that an additional amount be paid in cash equal to the amount of any federal, state, local or other taxes owed as a result of such exercise. Any Participant who makes an election under Section 83(b) of the Code to have his receipt of shares of Restricted Stock taxed in accordance with such election must give notice to the Company of such election immediately upon making a valid election in accordance with the rules and regulations of the Code. Any such election must be made in accordance with the rules and regulations of the Code.

Section 7.4 Stockholder Rights.

No Grant under the Plan shall entitle a Participant or a Participant's estate or permitted transferee to any rights of a holder of shares of Class B Common Stock of the Company, except as provided in Article III with respect to Restricted Shares or when and until share certificates are delivered upon exercise of a Stock Option or when and until share certificates are delivered in settlement of a Stock Appreciation Right or a Restricted Share Unit.

Section 7.5 No Restriction on Right of Company to Effect Corporate Changes.

The Plan shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stock whose rights are superior to or affect the Class B Common Stock or the rights thereof or which are convertible into or exchangeable for Class B Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

Section 7.6 Source of Payments.

The general funds of the Company shall be the sole source of cash settlements of Stock Appreciation Rights or Restricted Share Units under the Plan and payments of Appreciation Value and the Company shall not have any obligation to establish any separate fund or trust or other segregation of assets to provide for payments under the Plan. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and a Participant or any other person. To the extent a person acquires any rights to receive payments hereunder from the Company, such rights shall be no greater than those of an unsecured creditor.

Section 7.7 Exercise Periods Following Termination of Employment.

For the purposes of determining the dates on which Grants may be exercised following a termination of employment or following the Retirement, death or Permanent Disability of a Participant, the day following the date of such event shall be the first day of the exercise period and the Grant may be exercised up to and including the last business day falling within the exercise period. Thus, if the last day of the exercise period is not a business day, then the last date a Grant may be exercised is the last business day preceding the end of the exercise period.

Section 7.8 Breach of Agreements.

The Committee may include in any Agreement a provision requiring the Participant to return gains (as defined by the Committee) realized on Grants made under the Plan in the event the Committee determines that a material breach of specified obligations under one or more written agreements between a Participant and the Company has occurred during the one year period after termination of the Participant's employment with the Company or a subsidiary.

## ARTICLE VIII

Amendment and Termination

The Plan may be terminated and may be altered, amended, suspended or terminated at any time, in whole or in part, by the Board; provided, however, that no alteration or amendment will be effective without stockholder approval if such approval is required by law or under the rules of the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is listed. No termination or amendment of the Plan may, without the consent of the Participant to whom a grant has been made, adversely affect the rights of such Participant in the Stock Options, Stock Appreciation

Rights, Restricted Shares, Restricted Share Units or Phantom Shares covered by such Grant. Unless previously terminated pursuant to this Article VIII, the Plan shall terminate on the fifth anniversary of the Effective Date (as defined below), and no further Grants may be awarded hereunder after such date.

## ARTICLE IX

Interpretation

Section 9.1 Governmental Regulations.

The Plan, and all Grants hereunder, shall be subject to all applicable rules and regulations of governmental or other authorities.

Section 9.2 Headings.

The headings of articles and sections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Plan.

Section 9.3 Governing Law.

The Plan and all rights hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

## ARTICLE X

Effective Date and Stockholder Approval

The Plan became effective upon its adoption by the Board on May 25, 2000, subject to approval by the stockholders of the Company which was obtained on June 29, 2000.

EXHIBIT 10(b)

# Viacom Inc.
# 2000 Stock Option Plan for Outside Directors
(As Amended and Restated through January 31, 2001)

## ARTICLE I

## General

### Section 1.1 Purpose.

The purpose of the Viacom Inc. 2000 Stock Option Plan for Outside Directors (the "Plan") is to benefit and advance the interests of Viacom Inc., a Delaware corporation (the "Company"), and its subsidiaries by obtaining and retaining the services of qualified persons who are not employees of the Company or National Amusements, Inc. or their subsidiaries to serve as directors and to induce them to make a maximum contribution to the success of the Company and its subsidiaries. The Plan replaces the Viacom Inc. Stock Option Plan for Outside Directors and the Viacom Inc. 1994 Stock Option Plan for Outside Directors (the "Predecessor Plans"). From and after the Effective Date of the Plan as provided in Article VI below, no further awards shall be made under the Predecessor Plans.

### Section 1.2 Definitions.

As used in the Plan, the following terms shall have the following meanings:

(a) "Board" shall mean the Board of Directors of the Company.

(b) "Class B Common Stock" shall mean the shares of Class B Common Stock, par value $0.01 per share, of the Company.

(c) "Date of Grant" shall have the meaning set forth in Section 2.1.

(d) "Effective Date" shall mean the effective date of the Plan provided for in Article VI below.

(e) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, including any successor law thereto.

(f) "Fair Market Value" of a share of Class B Common Stock on a given date shall be the closing price on such date on the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is then listed, as reported by the Fitch Group Daily Market Publications or, if there is no such report or the Company no longer subscribes to such publication, the 4:00 p.m. (New York time) closing price as reported by The Wall Street Journal (Northeast edition) or any other authoritative source selected by the Company.

(g) "Outside Director" shall mean any member of the Board of Directors of the Company who is not an employee of the Company or National Amusements, Inc. or any of their respective subsidiaries or a member of the immediate family of a member of the Board who is an employee of any of such companies.

(h) "Participant" shall mean any Outside Director to whom Stock Options have been granted under the Plan.

(i) "Predecessor Plans" shall have the meaning set forth in Section 1.1 above.

(j) "Stock Option" shall mean a contractual right granted to a Participant under the Plan to purchase shares of Class B Common Stock or other securities at such time and price, and subject to the terms and conditions, as are set forth in the Plan.

Section 1.3 Administration of the Plan.

The Plan shall be administered by the members of the Board who are not Outside Directors. All questions of interpretation, administration and application of the Plan shall be determined by the Board. The Board may authorize any officer of the Company to execute and deliver a stock option certificate on behalf of the Company to a Participant.

Section 1.4 Eligible Persons.

Stock Options shall be granted only to Outside Directors.

Section 1.5 Class B Common Stock Subject to the Plan.

Subject to adjustment in accordance with the provisions of Article III hereof, the maximum number of shares of Class B Common Stock which may be issued under the Plan shall be 1,000,000 shares. The shares of Class B Common Stock shall be made available from authorized but unissued Class B Common Stock or from Class B Common Stock issued and held in the treasury of the Company. Exercise of Stock Options in any manner shall result in a decrease in the number of shares of Class B Common Stock which thereafter may be issued for purposes of this Section 1.5, by the number of shares as to which the Stock Options are exercised. Shares of Class B Common Stock with respect to which Stock Options expire or are cancelled without being exercised or are otherwise terminated, may be regranted under the Plan.

## ARTICLE II

Provisions applicable to stock options

### Section 2.1 Grants of Stock Options.

Each person who becomes a director for the first time on or subsequent to the Effective Date and, at the time such person is first elected or appointed to the Board, is an Outside Director, shall be granted Stock Options to purchase 10,000 shares of Class B Common Stock, effective as of the date of such individual's election or appointment to the Board (the "Date of Grant" of such Stock Options), on the terms and conditions set forth in the Plan, at an option price per share equal to the Fair Market Value of a share of Class B Common Stock on the Date of Grant or, if the Date of the Grant is not a business day on which the Fair Market Value can be determined, on the last business day preceding the Date of Grant on which the Fair Market Value can be determined. Each person who is an Outside Director on August 1, 2000, January 31, 2001 and each of the second through the eighth anniversaries of January 31, 2001 (each, the "Date of Grant" of the respective Stock Options) shall be granted additional Stock Options to purchase 3,000 shares of Class B Common Stock, on the terms and conditions set forth in the Plan, at an option price per share equal to the Fair Market Value of a share of Class B Common Stock on the Date of Grant or, if the Date of Grant is not a business day on which the Fair Market Value can be determined, on the last business day preceding the Date of Grant on which the Fair Market Value can be determined. All Stock Options granted under the Plan shall be "Non-Qualified Stock Options" which do not meet the requirements of Section 422 of the Internal Revenue Code of 1986, as amended. The terms and conditions of the Stock Options shall be set forth in an option certificate which shall be delivered to the Participant reasonably promptly following the Date of Grant of such Stock Options.

### Section 2.2 Exercise of Stock Options.

(a) Exercisability. Stock Options shall be exercisable only to the extent the Participant is vested therein. Each grant of Stock Options under the Plan shall vest on the first anniversary of the Date of Grant of such Stock Options provided that the holder of such Stock Options is a director of the Company on such date.

(b) Option Period.

(i) Latest Exercise Date. No Stock Option granted under the Plan shall be exercisable after the tenth anniversary of the Date of Grant thereof.

(ii) Registration Restrictions. Any attempt to exercise a Stock Option or to transfer any shares issued upon exercise of a Stock Option by any Participants shall be void and of no effect, unless and until (A) a registration statement under the Securities Act of 1933, as amended, has been duly filed and declared effective pertaining to the shares of Class B Common Stock subject to such Stock Option, and the shares of Class B Common Stock subject to such Stock Option have been duly qualified under applicable federal or state securities or blue sky laws or (B) the Board, in its sole discretion, determines, or the Participant desiring to exercise such Stock Options, upon the request of the Board, provides an opinion of counsel satisfactory to the Board, that such registration or qualification is not required as a result of the availability of any exemption from registration or qualification under such laws. Without limiting the foregoing, if at any time the Board shall determine, in its sole discretion, that the listing, registration or qualification of the shares of Class B Common Stock under any federal or state law or on any securities exchange or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, delivery or purchase of such shares pursuant to the exercise of a Stock Option, such Stock Option shall not be exercised in whole or in part unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board.

(c) Exercise in the Event of Termination of Services.

(i) Termination other than for Death or Disability. If the services of a Participant as a director of the Company terminate for any reason other than for death or disability, the Participant may exercise his or her Stock Options until the first anniversary of the date of such termination, but only to the extent such Stock Options were vested on the termination date. Upon a termination described in this Section 2.2(c)(i), the Participant shall relinquish all rights with respect to Stock Options that are not vested as of such termination date.

(ii) Death. If a Participant dies while serving as a director, his or her Stock Options may be exercised until the first anniversary of the date of death, but only to the extent such Stock Options were vested on the date of death, by any person who acquired the right to exercise such Stock Options by will or the laws of descent and distribution. All rights with respect to Stock Options that are not vested as of the date of death will terminate on such date of death.

(iii) Permanent Disability. If the services of Participant as a director of the Company terminate by reason of permanent disability, the Participant may exercise his or her Stock Options until the first anniversary of the date of such termination, but only to the extent such Stock Options were vested on the termination date. Upon a termination described in this Section 2.2(c)(iii), the Participant shall relinquish all rights with respect to Stock Options that are not vested as of such termination date.

(d) Payment of Purchase Price Upon Exercise. Every share of Class B Common Stock purchased through the exercise of a Stock Option shall be paid for in full at the time of exercise in cash (e.g., personal bank check, certified check or official bank check). In addition, the Participants shall make an arrangement acceptable to the

Company to pay to the Company an amount sufficient to satisfy the combined federal, state and local withholding tax obligations which arise in connection with exercise of such Stock Options.

## ARTICLE III

### Effect of Certain Corporate Changes

In the event of any merger, consolidation, stock-split, dividend, distribution, combination, recapitalization or reclassification that changes the character or amount of the Class B Common Stock or any other changes in the corporate structure, equity securities or capital structure of the Company, the Board shall make such proportionate adjustments to (i) the number and kind of securities subject to any Stock Options, (ii) the exercise price of any Stock Options, (iii) the number and kind of securities subject to the initial grants and the annual grants referred to in Section 2.1, and (iv) the maximum number and kind of securities referred to in Section 1.5 available for issuance under the Plan, in each case, as it deems appropriate. The Board may, in its sole discretion, also make such other adjustments as it deems appropriate in order to preserve, but not increase, the benefits or potential benefits intended to be made available hereunder upon the occurrence of any of the foregoing events. The Board's determination as to what, if any, adjustments shall be made shall be final and binding on the Company and all Participants.

## ARTICLE IV

### Miscellaneous

Section 4.1 No Right to Re-election.

Nothing in the Plan shall be deemed to create any obligation on the part of the Board to nominate any of its members for re-election by the Company's stockholders, nor confer upon any Participant the right to remain a member of the Board for any period of time, or at any particular rate of compensation.

Section 4.2 Restriction on Transfer.

The rights of a Participant with respect to the Stock Options shall not be transferable by the Participant to whom such Stock Options are granted, except by will or the laws of descent and distribution.

Section 4.3 Stockholder Rights.

No grant of Stock Options under the Plan shall entitle a Participant to any rights of a holder of shares of Class B Common Stock, except upon the delivery of share certificates to a Participant upon exercise of a Stock Option.

Section 4.4 No Restriction on Right of Company to Effect Corporate Changes.

The Plan shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Class B Common Stock or the rights thereof or which are convertible into or exchangeable for Class B Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

Section 4.5 Exercise Periods Following Termination of Services.

For the purposes of determining the dates on which Stock Options may be exercised following a termination of services or the death or disability of a Participant, the day following the date of such event shall be the first day of the exercise period and the Stock Options may be exercised up to and including the last business day falling within the exercise period. Thus, if the last day of the exercise period is not a business day, then the last date the Stock Options may be exercised is the last business day preceding the end of the exercise period.

Section 4.6 Headings.

The headings of articles and sections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Plan.

Section 4.7 Governing Law.

The Plan and all rights hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

## ARTICLE V

### Amendment and Termination

The Board may at any time and from time to time alter, amend, suspend or terminate the Plan in whole or in part, including, without limitation, to amend the provisions for determining the amount of Stock Options to be issued to an Outside Director, provided, however, that any amendment which under the requirements of applicable law or under the rules of the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is then listed must be approved by the stockholders of the Company shall not be effective unless and until such stockholder approval has been obtained in compliance with such law or rule; and no termination, suspension, alteration or amendment of the Plan that would adversely affect a Participant's rights under the Plan with respect to any award of Stock Options made prior to such action shall be effective as to such Participant unless he or she consents thereto.

## ARTICLE VI

### Effective Date and Stockholder Approval

The Effective Date of the Plan shall be May 25, 2000 and stockholder approval shall be sought at the first annual meeting of stockholders following such date. In the event that stockholder approval is not obtained on or before the date of such annual meeting, the Plan and all grants hereunder shall be void ab initio and of no effect. No Stock Option shall be exercisable until the date of such stockholder approval. Unless earlier terminated in accordance with Article V above, the Plan shall terminate on the tenth anniversary of the Effective Date, and no further Stock Options may be granted hereunder after such date. Assuming the Plan is approved by the stockholders of the Company, no further awards shall be made under the Predecessor Plans after the Effective Date. Awards outstanding under the Predecessor Plans shall remain outstanding after the Effective Date subject to the terms thereof.